Colorado
Economic & Fiscal Outlook
December 19, 2024

STATE OF COLORADO
Governor's Office of State Planning & Budgeting

COLORADO
Governor Jared Polis

Contents

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Forecast in Brief

Economic growth in 2024 has remained resilient, due in part to strong wage growth and business profits. While slowing wage and income growth are expected to weigh on consumer spending in 2025, they also appear to be returning to normal trajectories from recent highs. Relatively low growth in shelter costs has contributed to lower Denver inflation compared to national inflation levels. Oil and gas markets face more downside risks to prices than upside. OSPB currently views the likelihood of a recession in the next 12 months to be 25 percent, which is a decrease from 33 percent in the September 2024 forecast.

In FY 2023-24, TABOR refunds are estimated to be $1,646.0 million, and revenue subject to TABOR is expected to remain above this cap through the duration of the forecast period. Currently, revenue projections are $873.3 million, $553.1 million, and $922.5 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 $1,137.9 million above the statutory reserve level in FY 2023-24 per preliminary data from the State Controller, followed by an ending balance in FY 2024-25 that is $186.6 million below the statutory reserve. In FY 2025-26, the November 1st Governor's budget submission, which carried no surplus based on the September OSPB forecast, has an expected $73.9 million surplus in the current forecast largely due to higher anticipated TABOR cap growth. Additionally, per HB24-1134 and HB24-1311, the revenue projections in this forecast require that the full amounts of the Earned Income Tax Credit and the Family Affordability Tax Credit will be turned on for Tax Year 2025, given projected TABOR revenue growth of 2.6 percent in FY 2025-26.

General Fund	• FY 2024-25 and FY 2025-26 are revised up $369.4 million and $278.3 million respectively, largely due to revisions up in aggregate wages and salaries and corporate profits that more than offset reduced anticipated consumer demand for retail. • In FY 2026-27, revenue is revised minimally, $9.5 million, resulting in 5.7 percent growth in gross revenue, generally in line with historical norms, as the economy normalizes
Cash Funds	• Cash funds are expected to grow by 4.7 percent in FY 2024-25 and then increase 4.3 percent in FY 2025-26. Compared with the September forecast, cash funds are revised down $8.7 million and up $17.4 million in FY 2024-25 and FY 2025-26 respectively, as lower expected severance revenue largely offsets upward revisions to miscellaneous revenue.

Economic Outlook

Overview of Current Economic Conditions

Economic growth in 2024 has remained resilient, due in part to strong wage growth and business profits. The labor market has shown signs of weakening in recent months, normalizing towards an equilibrium of labor supply and demand. Slowing wage and income growth are expected to weigh on consumer spending in 2025, although they also appear to be returning to normal trajectories from recent highs. Relatively low growth in shelter costs have contributed to a lower Denver CPI compared to national inflation levels. Oil and gas markets face more downside risks to prices than upside. The housing market remains subdued as buyer demand has not yet materialized following the Federal Reserve's initial interest rate cuts. As a result, home values in Colorado have been flat since early 2023, while U.S. prices continue to climb. With a new administration and Congress, federal fiscal and tax policy are expected to have competing impacts on economic growth, while trade policy could put upward pressure on inflation depending on implementation. OSPB currently views the likelihood of a recession in the next 12 months to be 25 percent, a slight decrease from 33 percent in the September 2024 forecast. Downside risks include unexpected labor market weakness, a slower interest rate cut trajectory, commercial real estate values and contagion effects, and geopolitical conflicts.

Overview of Economic Indicators

GDP: After growing 2.9 percent in 2023, OSPB expects GDP to grow by 2.7 percent in 2024 (revised up from 2.5 percent) as consumption decelerates more slowly than previously expected. In 2025, growth is expected to be 1.9 percent as slower consumption is offset by rising investments. The economy is expected to remain stable at 1.9 percent growth in 2026.

Labor Market: The labor market continued to cool in recent months as the U.S. added 227,000 jobs in November and Colorado added 9,000 in October. The national unemployment rate remains relatively stable at 4.2 percent, (+0.5 percentage points since January), while Colorado unemployment rose slightly more quickly and now nearly matches the U.S. at 4.1 percent (+0.7 percentage points). Recent data indicates the labor market is weakening towards normalcy as there are currently 1.1 open jobs for every unemployed worker in the U.S. and Colorado, and hires, openings, and quits have fallen from post-pandemic highs, while layoffs are stable.

Wages and Income: Growth in wages and salaries remains a source of economic strength at the national and state level. OSPB forecasts growth in wages and salaries to decelerate but remain healthy as it normalizes. The service sector is seeing the strongest wage growth, while the construction sector is recording the slowest growth at the industry level. The strongest growth in non-wage income in 2024 is coming from rental income, while asset and proprietor income are registering weaker growth rates. Over the forecast period, personal income at the national and state level is expected to remain healthy but normalize back to trend levels.

Consumer Spending: Consumer spending in 2024 has slowed notably from 2023 levels, increasingly relying on strength from wealthier consumers. While national PCE growth has slowed, it is expected to remain positive through the forecast period. Third quarter growth was largely driven by a greater-than-expected 5.6 percent increase in spending on goods, including 7.6 percent growth in durable goods, possibly linked to rate cuts from the Federal Reserve. OSPB expects national goods and services spending to slow through mid-2025, normalizing to historical trends by 2026. Colorado retail spending has outpaced the U.S. so far in 2024, driven by increases in non-durable goods and services, while durable goods spending has declined in categories. OSPB anticipates a similar growth trajectory for the U.S and Colorado in 2024, with Colorado then outpacing national retail trade growth Colorado in 2025 and 2026.

Inflation: Inflation trends continue to diverge at the national and local levels. U.S. CPI came in at 2.7 percent in November, while Denver CPI in November came in at 2.0 percent year-over-year. The main drivers behind Denver's quicker disinflationary path are more negative energy inflation, lower shelter inflation, and moderate goods, services, and food inflation. OSPB forecasts U.S. CPI at 2.9 percent for 2024, while Denver CPI expectations for 2024 are revised down 0.2 percentage points to 2.3 percent.

Energy: Oil and gas energy markets remain stable in the fourth quarter of 2024, although crude oil prices are recording weakness as healthy global inventories, increased non-OPEC production, and softer demand than expected led West Texas Intermediate (WTI) crude oil prices to fall below an average of $70 per barrel in November for the first time since August 2021. Over the forecast period, WTI oil prices are expected to remain around $70 to $75 per barrel. Natural gas prices are projected to gradually increase back to average levels in 2025 following their recent trough in early 2024. Both U.S. and Colorado oil and gas production continues to grow off 2023 levels. Regular gasoline prices have decreased nationally by 5.4 percent from 2023 levels, and 11.3 percent in Colorado. While geopolitical tensions remain an upside price risk to the energy markets, they are currently outweighed by the global energy macroeconomic environment.

Housing: Colorado's housing market remained subdued through October 2024 with little new buyer demand materializing. The number of new listings continues to increase moderately, but sold listings and new housing construction permits remain flat after a 2-year downward trend. Faced with depressed buyer demand, seller listings are on the market for longer and sellers have had to reduce prices to attract interest. As a result, the typical home values in Colorado have remained relatively flat since early 2023, while U.S. home values have gradually increased. Despite the 50-basis point and 25-basis point rate cuts by the Federal Reserve in September and November, the national average 30-year mortgage rate ticked up in October and November, likely due to a higher long-term expectation for interest rate levels.

Infrastructure: Built infrastructure (roads, homes, power lines, plumbing, energy generation, internet, dams, and beyond) is a core conduit of economic growth. Upgrades and expansions to core infrastructure lay the groundwork for economic growth and improvements in social welfare that generate benefits for generations to come. As an example, transportation infrastructure must be replaced and expanded in some cases, particularly to allow for better connectivity for alternative modes like rail, bikes, and buses. It is therefore important that governments support efficient, cost-effective, and practical procurement practices.

Federal Policy Impacts: As a new federal administration and Congress takes office in January, there are a wide range of stated policy proposals that diverge significantly from the current one, creating uncertainties and risks to the OSPB baseline forecast. Note that the current baseline forecast does not incorporate policy changes that have yet to be enacted or implemented, but OSPB highlights some of the most prominent federal policy differences with potential economic and revenue impacts to the state including stances around tax, business and banking, trade, immigration, energy, and fiscal spending and governmental organization.

Forecast Risks:

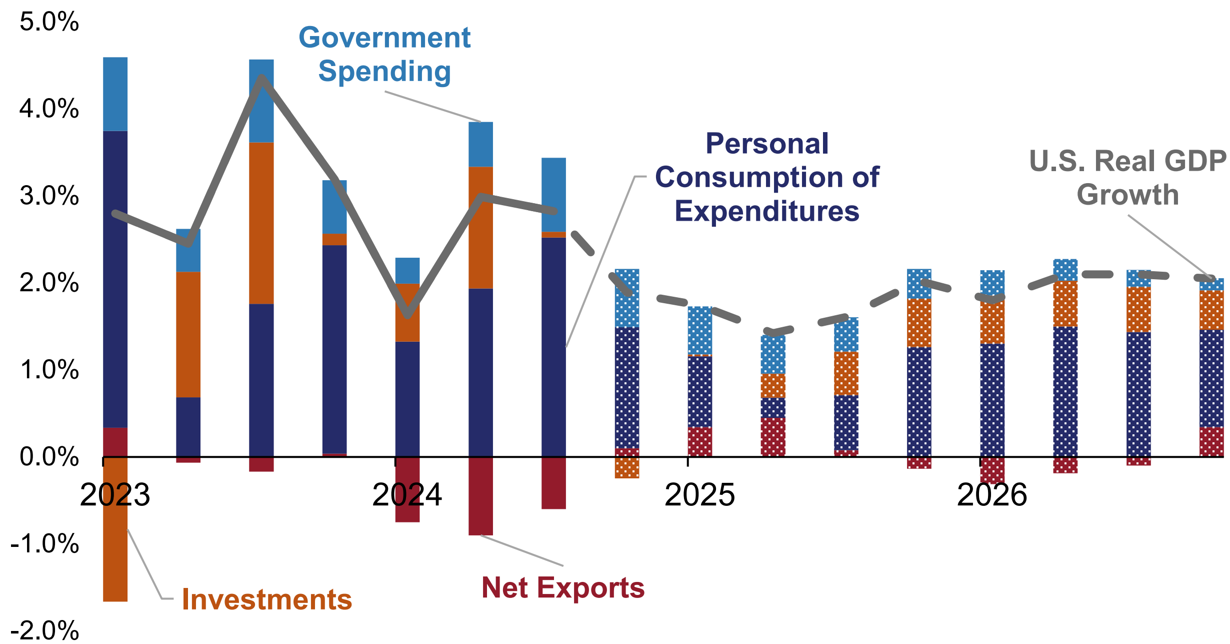
The economy faces near-term risks from Federal Reserve interest rate decisions that could stifle economic growth and the labor market if they are held too high for too long or allow a resurgence in inflation if they cut rates too deeply and/or quickly. Inflation also faces potential upwards pressure from shifts in federal trade policy under the new administration. The risks to energy prices by geopolitical conflict remain but have been dampened in the short-term by high inventory levels and production. Commercial real estate values have not rebounded and strain investor and lender balance sheets, while residential housing could face renewed demand and rising prices in a lower interest rate environment. Longer-term risks include the rapidly aging population, which will place increasing demands on government programs while also draining the labor supply via retirements. Climate and natural resource risks also pose ongoing and long-term risks through drought, wildfires, avalanches, mudslides, and competing demand for Colorado water supply. OSPB sees risks relative to the published baseline forecast as weighted to the downside.

Gross Domestic Product

After growing 2.9 percent on average in 2023, economic growth slowed to 1.6 percent in the first quarter of 2024 but rebounded with 3.0 and 2.8 percent growth in the second and third quarters, respectively. The third quarter growth was stronger than OSPB's expectation of 1.5 percent real GDP growth. This higher-than-anticipated growth was driven by 7.6 percent durable goods growth, combined with accelerating growth of investment in equipment to 10.6 percent, despite tight monetary policy. However, it appears that the subsidies from the Inflation Reduction Act (IRA) and CHIPS Act have had a potential peak impact this year on the creation of non-residential structures, as there was a decline of 4.7 percent on a quarter over quarter annualized basis, in line with OSPB expectations. Additionally, since the September forecast, the U.S. Bureau of Economic Analysis has completed its annual revisions, which revised up historical GDP growth in 2023, up to 2.9 percent from a previously reported 2.5 percent. These revisions were largely the result of increased consumption growth, likely tied to upward revisions in personal income.

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 contribution



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

OSPB expects GDP to grow by 2.7 percent in 2024 (revised up from 2.5 percent) as consumption decelerates more slowly than previously expected due in part to continued strong demand among wealthier consumers, even as growth is partially offset by a drag from net exports in the first three quarters and an anticipated drag from investments in the fourth quarter.

OSPB forecasts GDP growth of 1.9 percent in 2025, a 0.2 percentage point upward revision. On the downside, overall spending growth is expected to weaken further due to an anticipated dip in durable goods spending and slowing services PCE growth. However, to the upside, investments are expected to pick up despite falling non-residential structures investments, as equipment and residential investments grow, inspired in part by falling interest rates. Furthermore, OSPB expects loosening monetary policy to translate to a more favorable exchange rate for foreign economies, which could increase foreign purchasing power for U.S. goods and services and drive increased net exports and overall GDP growth. Currently, it is anticipated that any changes in trade policy would have similar impacts on both imports and exports, but OSPB will monitor the situation as it develops.

In 2026, the economy is expected to grow by 1.9 percent, up from 1.8 percent in the previous forecast, as PCE growth strengthens and investment contributions to GDP growth stabilize. Government spending is anticipated to contribute a small positive impact on GDP growth throughout the forecast period, primarily driven by state and local spending as major federal legislation unwinds combined with tightening fiscal policy also likely ahead with the new Congress and administration.

Labor Market

The labor market has continued to cool from the post-pandemic boom in recent months, but remains relatively strong overall. The U.S. added 227,000 jobs in November, above the year-to-date monthly average of 180,000, while Colorado added 9,000 in October[1]. Furthermore, the U.S. unemployment rate has remained relatively stable at 4.2 percent, an increase of 0.5 percentage points since January. In Colorado, unemployment has risen slightly more quickly and now nearly matches the U.S. at 4.1 percent, an increase of 0.7 percentage points over the same period. OSPB's revised yearly forecast is shown in Figure 2.

Figure 2. Labor Market Annual Forecast

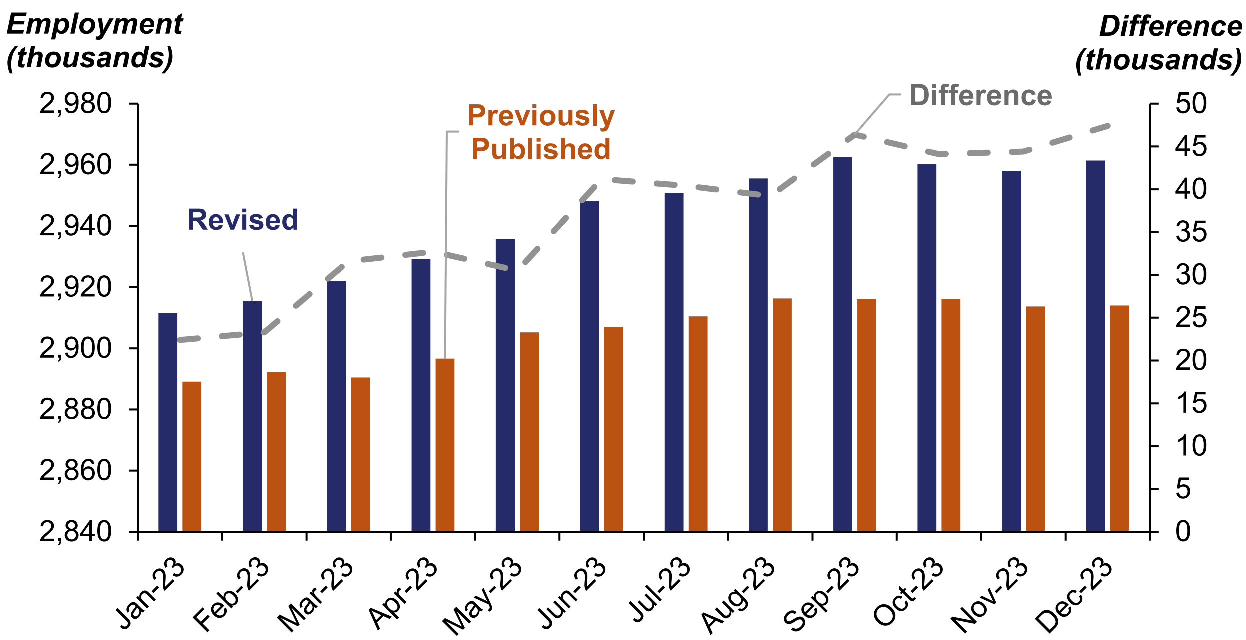
	2024	2025	2026
Jobs Growth			
Colorado	1.7%	1.1%	1.5%
United States	1.6%	0.9%	1.0%
Unemployment			
Colorado	3.8%	4.3%	4.1%
United States	4.0%	4.4%	4.3%

In Figure 2 above, the OSPB 2024 Colorado jobs growth forecast does not account for the potential of a significant change next February when the Bureau of Labor Statistics (BLS) does its annual benchmarking process to Quarterly Census of Employment and Wages (QCEW) data. Based on OSPB's current understanding, it is likely that the jobs growth figure will be revised down when that process is completed. For instance, if it is in line with the preliminary benchmarking process that was completed in August and 2023 job statistics are not revised, then 2024 jobs growth would fall to -0.8 percent, 2.5 percentage points lower than OSPB's current estimate. However, the revision is dependent on upcoming QCEW reporting and the BLS' approach to the annual revision. The BLS has the ability to revisit benchmarking for the last five years of data, and therefore it is possible that a multiyear revision may lead to a smaller revision in the growth rate in the current year, even if yet to be reported QCEW data for the third quarter of 2024 does not show substantial improvement. In any case, based on other data

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

for wages and personal income, OSPB does not believe that a revision which could result in declining jobs year over year is reflective of an economic contraction in Colorado. Instead, OSPB thinks that the appearance of declining jobs may be the result of challenges related to the QCEW data set stemming from changes in data collection methods and inconsistencies in employer reporting. For instance, as shown in Figure 3, last year's benchmarking resulted in substantial upward revisions in 2023, which OSPB now expects to have been an overestimation of jobs growth. The Colorado Department of Labor and Employment is currently investigating these irregularities. As these challenges are resolved, OSPB expects less significant revisions in future years.

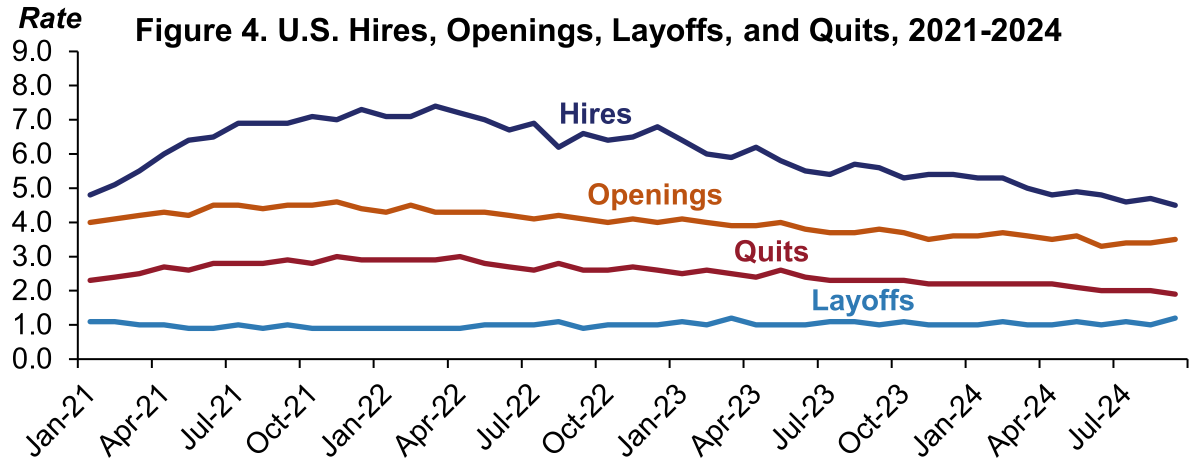
Figure 3. Revisions to Colorado Total Nonfarm Employment, 2023



Source: Colorado Department of Labor and Employment
Dotted line denotes the gap between revised and previously published figures

When looking more broadly at the underlying data on labor flows, the cooling labor market suggests a new post-pandemic equilibrium. Currently, there are 1.1 open jobs for every unemployed worker in the U.S., indicating a balanced market. Further, Figure 4 shows that hires, openings, and quits have all fallen from post-pandemic highs, while layoffs have remained stable. The data indicates a weakening labor market and less switching between jobs than occurred in 2021 and 2022. In particular, the quit rate is at its lowest level (1.9 quits per 100 employed workers) since June 2020, which was the last time it fell below 2. Since demand for workers has fallen (illustrated by declining hire and opening rates), workers are less likely to quit their jobs, assuming that they will not be able to easily find another. Historically, the quit rate fluctuates between 1 and 3 quits per 100 employed workers and is negatively correlated with unemployment. For instance, the lowest quit rate since 2000 was 1.2 in late 2009, in the wake of the Great Recession. The highest level of 3.0 has occurred twice, in November 2021 and April 2022, during periods of strong economic growth and low unemployment. Given that the current quit rate of 1.9 aligns with the historical average of 2.0, and the current unemployment rate of 4.1 percent remains below the estimated natural rate of unemployment (4.4 percent), these trends in job flows are expected to reflect a new equilibrium rather than a looming recession.

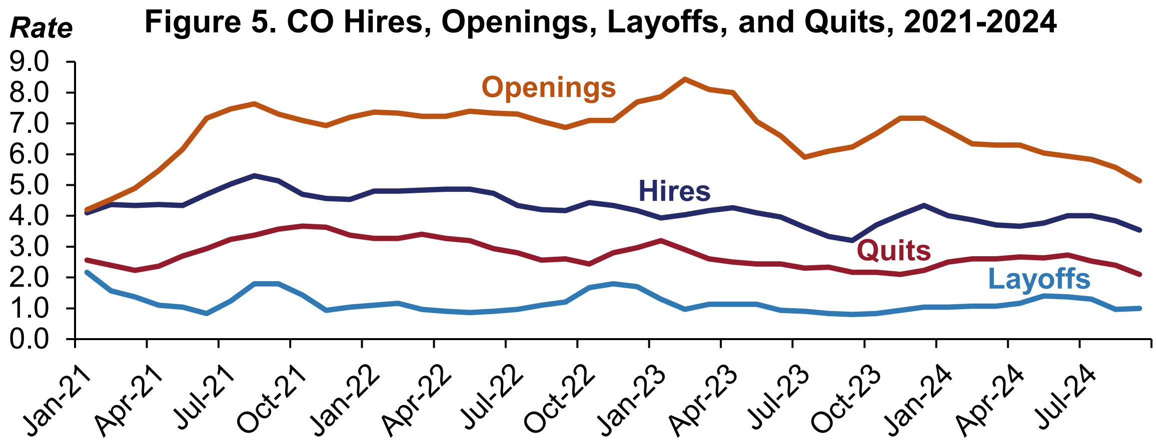
Figure 4. U.S. Hires, Openings, Layoffs, and Quits, 2021-2024



Source: Bureau of Labor Statistics.

The overall story is similar in Colorado, although all four measures have seen greater fluctuation compared to the national market. Opening, hire, and quit rates have similarly fallen, though more quickly in recent months than in the U.S. as a whole. Layoffs have fallen modestly as well. Since the pandemic, Colorado's labor market has consistently performed better than the U.S. as a whole, but in Q3 of 2024, national and state trends converged at 4.1 percent unemployment and 1.1 open jobs per unemployed worker.

Figure 5. CO Hires, Openings, Layoffs, and Quits, 2021-2024

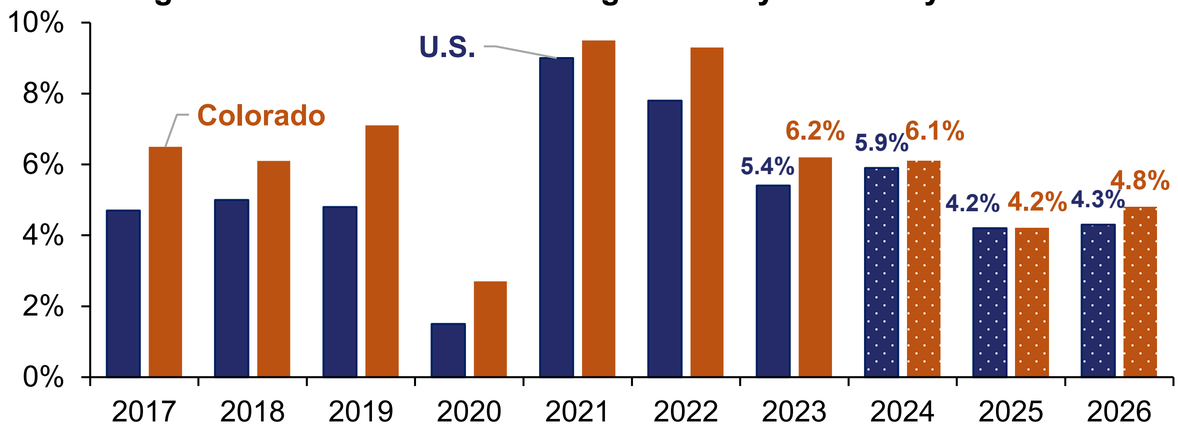


Note: The three-month averages are shown to reduce statistical noise.
Source: Bureau of Labor Statistics.

Wages and Income

Growth in wages and salaries remains a source of economic strength at the national and state level as they are projected to maintain above-average annual growth rates through 2024. Over the forecast period, growth in wages and salaries is expected to decelerate but remain healthy as it normalizes back to trend following four years of above-trend growth. Average hourly earnings, while also decelerating, are growing more quickly in Colorado compared to the nation. At the industry level, areas within the service sector are seeing above-average wage growth relative to all industries, while the construction sector is recording slower growth. The strongest growth in non-wage income in 2024 is highlighted by rental income, while asset and proprietor income are registering slower growth relative to other non-wage income sources.

Figure 6. U.S. and Colorado Wage & Salary Growth by Year

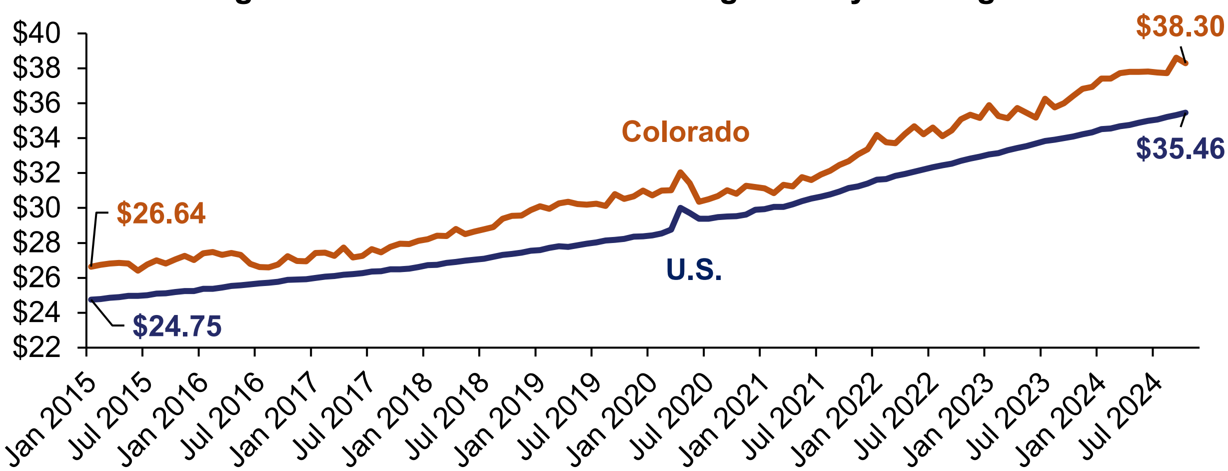


Source: Bureau of Economic Analysis; December 2024 OSPB Forecast
Note: Dotted bars indicate forecast.

Following a precipitous decline in wage and salary growth at the onset of the pandemic-induced recession, growth reached historic levels in 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 elevated wage growth, which continues to defy expectations in 2024. In 2024, U.S. salary and wages are forecasted to grow by 5.9 percent, following growth ranging from 5.4 percent to 9.0 percent from 2021 to 2023. Average salary and wage growth over the past 20 years has been 4.2 percent, and national wage and salary growth is expected to normalize to average rates of 4.2 percent and 4.3 percent in 2025 and 2026, respectively. Similarly, Colorado is projected to record above average salary and wage growth of 6.1 percent in 2024 following elevated growth rates ranging from 6.2 percent to 9.5 percent from 2021 to 2023. In Colorado, the 20-year average salary and wage growth is 5.1 percent, and in accordance with the nation, is expected to see growth normalize in 2025 and 2026 at 4.2 percent and 4.8 percent, respectively.

Growth in average hourly earnings also remains a point of strength in the economy, especially in Colorado. In 2024, year-to-date average hourly earnings have grown 4.0 percent in the U.S., from 2023 levels, and 6.0 percent in Colorado. While average hourly earnings growth has decelerated from recent peak levels in 2022 of 5.4 percent in the U.S. and 7.8 percent in Colorado, it still remains above the long-term average. Since the beginning of 2015, average hourly earnings in the U.S. have grown by 43.3 percent to $35.46, while earnings in Colorado have grown by 43.8 percent to $38.30. In recent history, Colorado has maintained higher average hourly earnings relative to the nation, and that gap has grown slightly larger over the years with Colorado seeing 8.0 percent higher earnings now versus 7.6 percent at the beginning of 2015.

Figure 7. U.S. and Colorado Average Hourly Earnings



Source: Bureau of Labor Statistics.

The overall continued strength in wage and salary growth in the U.S. differs by industry. Using the Employment Cost Index (ECI), the services sector is seeing wage and salary growth above the overall national average, while the construction industry is recording growth below the national average. Both of these factors are likely in response to the recent economic environment with more consumer spending dedicated toward services over goods, while the construction sector has seen weakness following an increasingly restrictive monetary policy environment over 2022 and 2023.

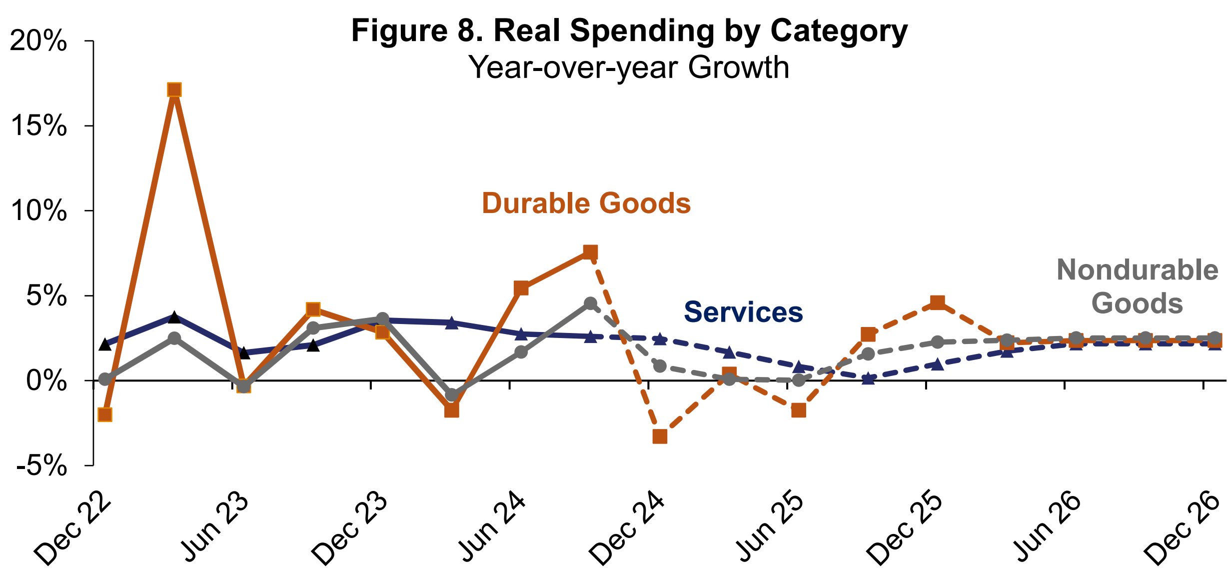
For U.S. non-wage income, which is largely comprised of asset income, government transfers, proprietor income, rental income, and supplements to wages and salaries, there are areas of strengths and weaknesses. Rental income is growing strongly at 7.0 percent year-to-date through October, as are supplements to salaries and wages at 6.4 percent. Those have outpaced overall personal income growth of 5.5 percent, as well as wage and salary growth.

Rental income is derived from the net income of property rentals, while supplements to salaries and wages are payments made on behalf of an employee such as contributions to insurance or a retirement fund. Conversely, asset income and proprietor income are underperforming overall personal income, growing at 3.8 percent and 2.7 percent, respectively. Asset income is derived from ownership of assets such as equities or fixed investments, while proprietor income is made up of certain small businesses.

Over the forecast period, personal income at the national and state level is expected to remain healthy but normalize back to trend levels after above-average growth in recent years.

Consumer Spending

Consumer spending remained strong throughout 2023, primarily driven by increasing real disposable income, a strong labor market, increased credit usage, and elevated surplus savings, specifically among higher earners. In 2024, consumer spending has slowed and is less broad based compared to last year, increasingly relying on strength from 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, it dipped over the summer of 2024, before beginning a slight rebound through November. The dip may have been tied to increased concern about economic conditions such as the compounding effects of price inflation, a softening labor market, and dwindling savings. The Federal Reserve rate cut in September may have helped contribute to a rebound in sentiment, with the future path of rate cuts a possible upside risk.



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

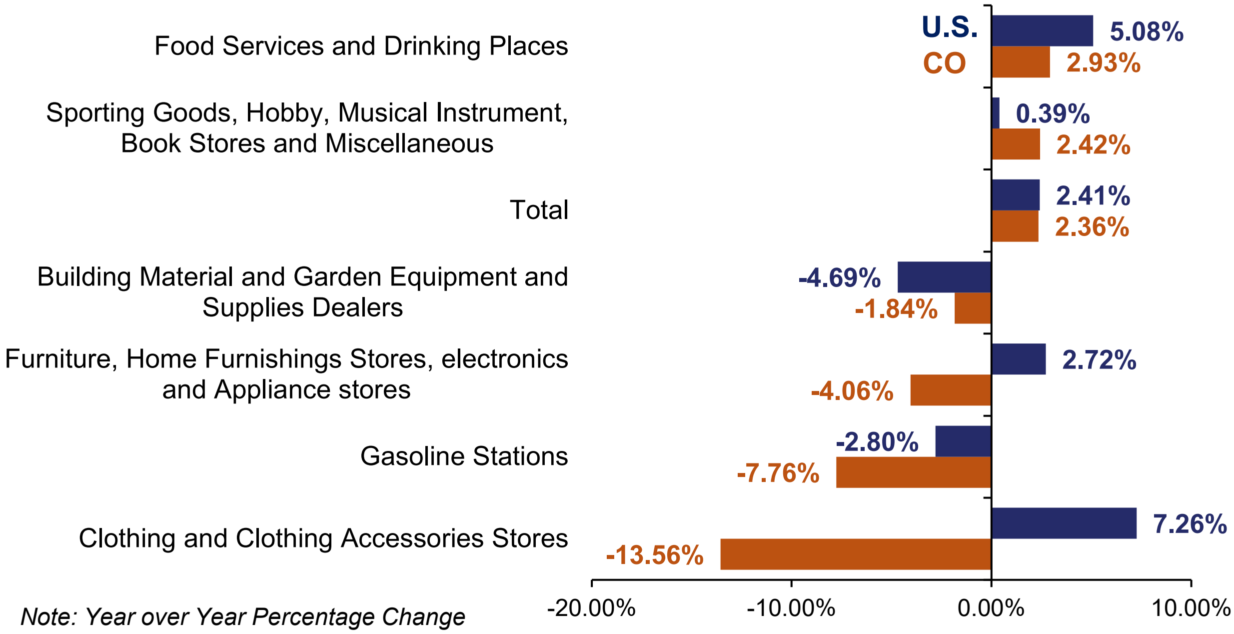
A Closer Look - Rising Costs and Diverging Sentiment: Low-Income Strain vs. Wealthy Consumers' Comfort

In 2020 and 2021, low-income households increased their spending at a faster rate than middle and high-income households, in percentage terms. However, as we near the end of 2024, lower-income consumers are being disproportionately squeezed by rising costs of essentials like rent and groceries, which leaves them with less ability to spend on discretionary items. Consequently, the current growth in retail and restaurant spending is primarily fueled by wealthier consumers. According to the New York FRED, as US household debt climbed to a record high in November, lower-income groups were starting to show signs of financial strain. Additionally, consumer sentiment had been relatively consistent across all income groups over the past three years, but since the beginning of 2024, it has begun to diverge. The bottom third of income earners have become less

Nationally, PCE growth has been relatively slow, increasing 2.9 percent year over year through the third quarter (Q3). PCE picked up in Q3 with a 3.5 percent annualized rate quarter-over-quarter growth and is expected to remain positive for the remainder of the forecast period. The increase was largely driven by an uptick in spending on goods, which grew overall at a 5.6 percent rate, driven by a surprising acceleration of durable goods spending that is possibly linked to loosening monetary policy. Still, OSPB anticipates goods spending to slow through mid-2025. Services spending has maintained steady 2-3 percent growth over the last year, seeing 2.6 percent annualized growth from Q2 to Q3. OSPB suspects that wealthier consumers have shifted their spending from goods to services, as the past few years of strong PCE data related to goods could indicate that they have satisfied their need for goods purchases beyond their typical basket of goods. OSPB forecasts a slowdown in services spending growth, with an anticipated trough in Q3 2025, after which real spending growth is expected to rise again. By 2026, OSPB expects spending patterns to normalize, with ratios of goods to services spending more aligned with historical norms.

Colorado retail spending in 2024 has been at pace with U.S. growth in the year-to-date data. Colorado retail spending growth was driven by increases in services such as Food and Drinking establishments, as well as general merchandise and hobby, sporting goods, musical instruments and miscellaneous stores, which were also strong categories nationally.

Figure 9. Retail Sales Growth by Selected Industry (Jan-Aug 2024 vs Jan-Aug 2023)



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

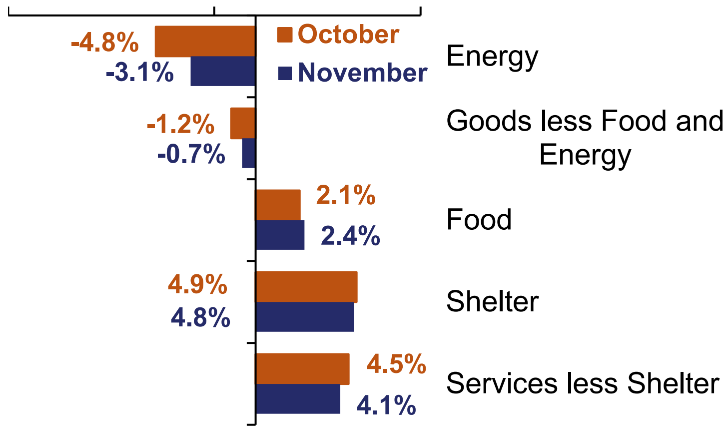
Alternatively, Colorado saw significant declines in clothing and accessories, gasoline stations, and furniture. The local decrease in clothing can be largely attributed to base effects as January through May of 2023 was a record period for Clothing Stores sales, with 2024 reflecting a return to baseline trends. Gas station declines are largely attributable to local inflation, as Suncor's brief shutdown in 2023 led to higher fuel prices, which have since fallen below the national average. The decrease in home furnishings may reflect a relatively stagnant Colorado real estate market, where high prices and elevated interest rates are leading potential home buyers to wait for more favorable conditions.

Weakening goods demand will likely tighten retail sales spending in the near term. U.S. retail trade has grown 2.4 percent thus far in 2024 (through August), similar to 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 2.7 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 2.7 percent growth in 2024, but national retail trade growth is expected to be slower than Colorado in 2025 and 2026.

Inflation

The most recent prints of the Consumer Price Index (CPI) for the U.S. and Denver show continued divergence between national and local inflation. The U.S. CPI had a blip in its disinflationary path as October came in at 2.6 percent year over year inflation and then 2.7 percent in November, both up from 2.4 percent in September. The main driver for the slight up-tick in U.S. inflation was shelter, defined as total spending on rented and owned housing units, which remains elevated at 4.8 percent year-over-year in November. While shelter continues to be a driver of national inflation, slow growth in local shelter costs has contributed to Denver's healthier recent disinflationary path.

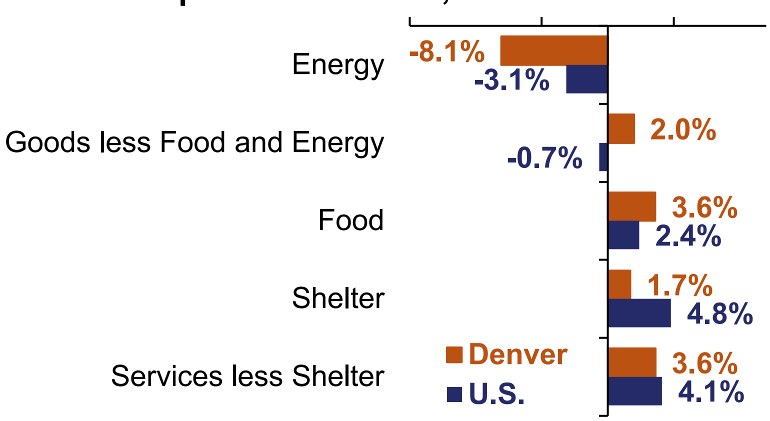
Figure 10. U.S. Inflation by Major Component, Nov. vs. Oct. 2024



Source: Bureau of Labor Statistics; OSPB Calculations.

Denver CPI in November came in at 2.0 percent inflation, below the OSPB September forecast, though up from 1.4 percent in September due to seasonal effects. Denver's shelter inflation is well below national figures at just 1.8 percent year-over-year in September, 2.1 percent year-over-year in October, and 1.7 percent in November.

Figure 11. YoY Inflation by Major Component Nov. 2024, Denver vs. U.S.

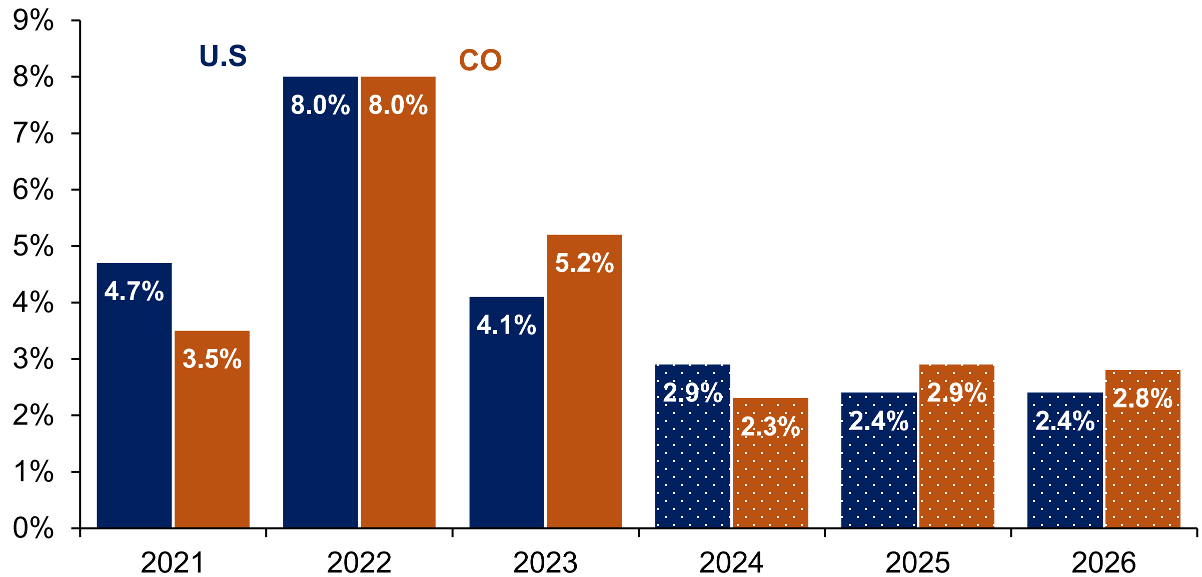


Source: Bureau of Labor Statistics; OSPB's Calculations.

Shelter will likely continue to be the most important driver of Denver inflation in 2025, but will be contingent upon housing supply relative to demand. The housing market is further explored in the Housing section, but from an inflationary perspective, OSPB forecasts Colorado having higher shelter inflation than the U.S. in 2025.

Looking to the forecast for overall inflation, the combination of negative energy inflation, low shelter inflation, and moderate goods, services, and food inflation means that Denver continues to diverge from the U.S. in the short-term as the U.S. disinflationary path has temporarily stalled. Expectations for U.S. and Colorado annual inflation remain stable compared to the September Forecast despite some additional noise in monthly and bi-monthly data in recent months. The forecast for U.S. CPI holds with no revision to any forecasted year at 2.9 percent for 2024, 2.4 percent for 2025, and 2.4 percent for 2026. Locally, Denver CPI expectations for 2024 are revised incrementally from September, down 0.2 percentage points to 2.3 percent in 2024 , down 0.1 percentage points to 2.9 percent in 2025 and up 0.1 percentage points to 2.8 percent in 2026. The long-term relationship between U.S. and Denver CPI is expected to return to historical trends in 2025, as stronger price growth in local shelter and services propel Denver inflation back above national levels after a dip in 2024.

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

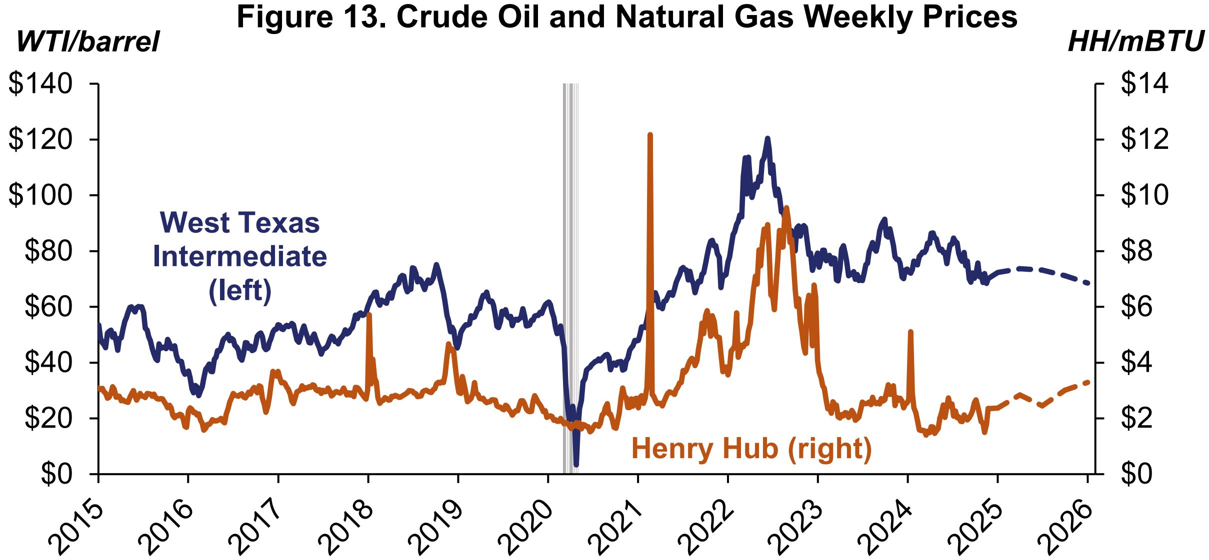


Source: U.S. Bureau of Labor Statistics; OSPB Estimates.
Note: Shaded bars indicate forecast.

Energy

Oil and gas energy markets remain stable in the fourth quarter of 2024, although crude oil prices are recording weakness as increased non-OPEC global production outpaces demand. Over 2024, strength in non-OPEC global production has led to healthy global inventories, and with softer demand than expected (primarily from China), West Texas Intermediate (WTI) crude oil prices fell below an average of $70 per barrel in November for the first time since August 2021. Domestically, crude oil and natural gas production continues to grow off record 2023 levels with production in Colorado rising year-over-year, as well. In the domestic electricity sector, overall electricity generation is led by natural gas as demand increases year-over-year. However, renewable energy is growing the fastest out of all generation sources. Over the forecast period, WTI oil prices are expected to remain around $70 to $75 per barrel, but risks are weighted to the downside due to the potential for increased OPEC-Plus output in 2025 outweighing upside risk from geopolitical uncertainties. Natural gas prices are projected to gradually increase back to average levels in 2025 following their recent trough in early 2024.

Figure 13. Crude Oil and Natural Gas Weekly Prices



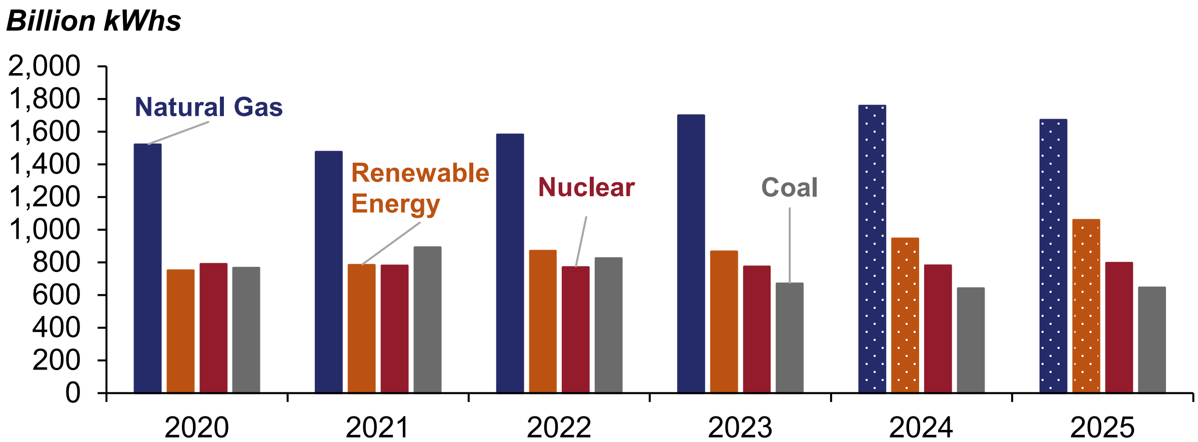
Note: Shaded area denotes recession. Dotted line indicates EIA forecast.
Source: Energy Information Administration.

In 2024, WTI oil prices have averaged approximately $77 per barrel on a weekly basis through November – above the ten-year average of $62 per barrel but well below the recent peaks reached in 2022. Through the end of 2025, the U.S. Energy Information Administration (EIA) forecasts that prices will range from $68 to $74 per barrel, which is approximately $10 less per barrel compared to expectations in the September forecast. Henry Hub natural gas prices have averaged $2.10 per million BTU on a weekly basis this year through November, which is below the ten-year average of $3.10. The EIA projects that Henry Hub prices will range from approximately $2.40 to $3.40 through 2025. Through November, weekly U.S. regular retail gas prices have averaged $3.33 per gallon, which is a 5.4 percent reduction from the $3.52 average in 2023 and a decline of 15.8 percent from 2022 when weekly regular retail gas prices averaged $3.95. Colorado has recorded even more significant price declines this year with regular retail gasoline prices averaging $3.13 per gallon in the state in 2024 compared to $3.52 in 2023, an 11.3 percent year-over-year decline.

Domestic oil and gas production in 2024 has grown off the record levels set in 2023. Through September, U.S. oil production grew by 2.8 percent, while natural gas production increased by 1.0 percent. The U.S. is projected to produce an average of 13.2 million barrels of oil per day in 2024 according to the EIA, which would outpace the record 12.9 million barrels per day in 2023. In Colorado, production growth is outpacing the U.S. as oil production has grown by 3.1 percent and natural gas production has grown by 2.3 percent. Statewide growth outpacing overall national growth bucks recent trends where nationwide production growth has outperformed

Colorado since the pandemic-induced production trough. At the global level, crude oil production is projected to remain flat year-over-year according to the EIA, however, this is due to OPEC-Plus production declining by 3.5 percent in an attempt to maintain an elevated price floor via planned production cuts. Meanwhile, non-OPEC production, including the U.S., is projected to grow by 3.2 percent in 2024, offsetting the OPEC-Plus cuts. In 2025, the EIA projects that OPEC-Plus will gradually lift current production cuts, which, alongside increased production from non-OPEC countries, has the potential to weigh on oil prices. Supply expectations combined with lower-than-anticipated oil demand in China has led to consensus price forecast downgrades next year.

Figure 14. U.S. Electricity Generation by Source



Source: Energy Information Administration
Note: Dotted bars indicate EIA forecast.

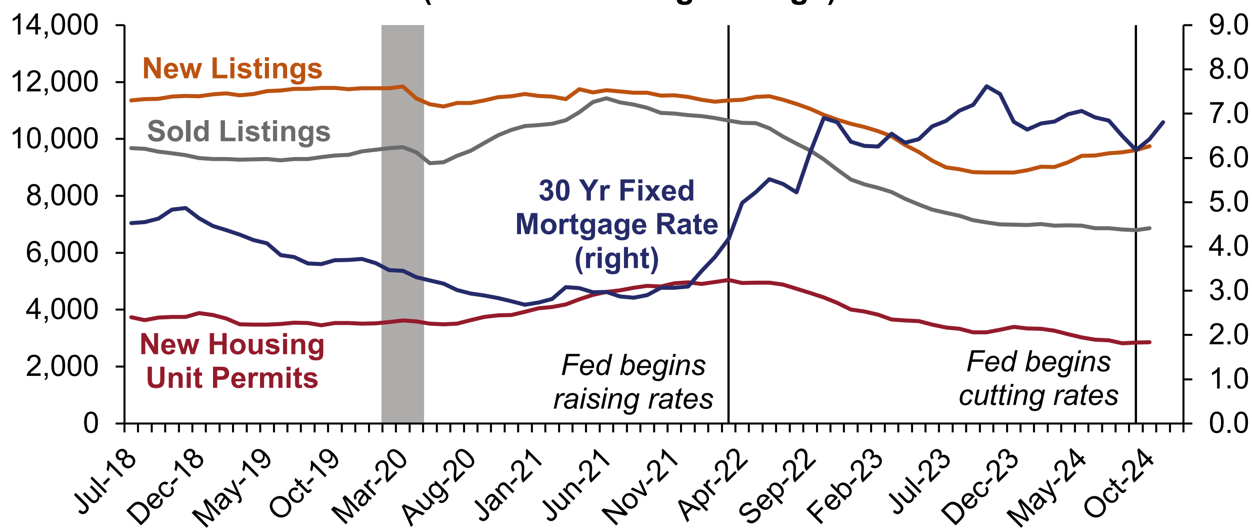
While natural gas prices have remained below average in 2023 and 2024 due to elevated production levels coupled with mild winters in North America and Europe, natural gas also remains a growing source of electricity generation to meet increasing domestic electricity demand. In 2024, natural gas is projected to comprise 42.4 percent of U.S. electricity generation, according to the EIA. Similarly, electricity generation from renewable energy is also growing, comprising 22.8 percent of generation in 2024. Nuclear energy at 18.9 percent and coal at 15.5 percent make up most of the remainder of electricity generation. As illustrated in Figure 14, natural gas is expected to grow as a generation source by 150 billion kilowatt hours (9.9 percent) from 2020 to 2025, while renewable energy is projected to grow by over 300 billion kilowatt hours (40.9 percent). Conversely, nuclear energy is expected to remain flat through 2025, while coal is projected to decline by over 120 billion kilowatt hours (-15.8 percent). In the coming years, natural gas and renewable energy are expected to comprise the majority of electricity generation. However, the trajectory for both will depend on both private investment and public policy incentives. In Colorado, renewable energy is outpacing the nation with approximately 37 percent of electricity generation coming from renewables within the state in 2023.

Overall, oil and natural gas production and prices have remained stable over 2024. However, the oil price forecast is weighted to the downside due to projected inventory builds in 2025 resulting from expected increasing global production from both OPEC-Plus and non-OPEC countries outstripping demand. While geopolitical tensions remain an upside price risk, they are outweighed by the global energy macroeconomic environment. However, natural gas prices are projected to gradually increase in 2025 as above-average inventories are expected to be drawn down.

Housing

Colorado's housing market remained subdued through October 2024 with little new buyer demand materializing. While the 12-month moving average number of new listings continues to increase moderately, sold listings and new housing construction permits remain flat after a 2-year downward trend, seen in Figure 15 below. Counterintuitively, the national average 30-year mortgage rate ticked up to 6.43 percent in October from 6.18 percent in September, then further rose to 6.81 percent in November, despite the 50-basis point prime lending rate reduction by the Federal Reserve in September[2] and 25-basis point cut in November[3]. The likely reason that mortgage rates are increasing despite these cuts is that the expected terminal rate has risen from previous expectations, and so the long-term expectation for interest rate levels is now higher than it was before.

Figure 15. Colorado Housing Market vs. Mortgage Rates (12-Month Moving Average)



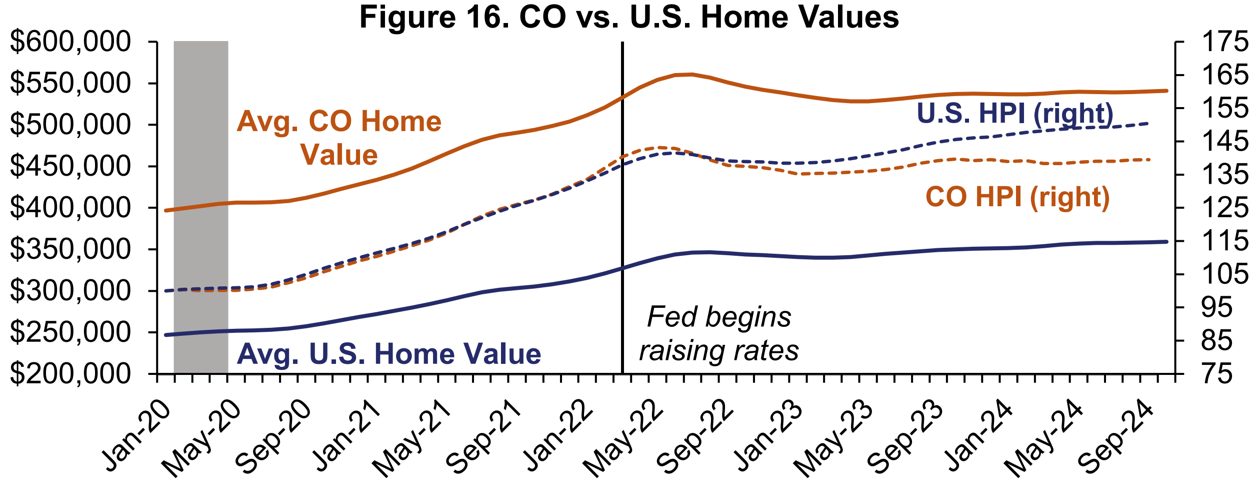
Source: Colorado Association of Realtors; Freddie Mac; U.S. Census Bureau.

[2] Board of Governors of the Federal Reserve System, 2024, "September 18th Press Release (link to site)"
[3] Board of Governors of the Federal Reserve System, 2024, "November 7th Press Release (link to site)"

As of October, year-to-date Colorado housing construction permits are down 19.9 percent from 2023 levels, a slight improvement from the 23 percent decline described in the September OSPB Economic Forecast, thanks to a 14 percent year-over-year increase in October. OSPB forecasts annual permit growth rates of -18.9 percent for 2024, 3.9 percent in 2025, and 7.7 percent in 2026.

Faced with depressed buyer demand, seller listings are on the market for longer and sellers have had to reduce prices to attract interest, according to the Colorado Realtor's Association. As a result, the typical home values[4] in Colorado have remained relatively flat around $540,000 since early 2023, while U.S. home values have continued to rise from around $340,000 in January 2023 to $360,000 in October, as seen in Figure 16 below. Expectations of further interest rate declines could stimulate more buying and construction demand, although uncertainty around the broader economy and geopolitical factors may continue to have dampening effects.

Figure 16. CO vs. U.S. Home Values



Source: Zillow Typical Home Value Index (solid); S&P CoreLogic Case-Shiller Home Price Index (dash).

Infrastructure

Built infrastructure, consisting of roads, homes, power lines, plumbing, energy generation, internet, dams and beyond, is a core conduit of economic growth. Upgrades and expansions to core infrastructure lay the groundwork for economic growth and improvements in social welfare that generate benefits for generations to come. However, in the United States, inefficiencies in the policy framework and building process mean it takes longer and costs more to build less, threatening the ability to afford necessary upgrades and expansions to implement

[4] The Zillow Home Value Index is a measure of the typical home value and market changes across a given region and housing type, reflecting the typical value for homes (as opposed to sales price) in the 35th to 65th percentile range. This forecast references the smoothed, seasonally adjusted measure including all single family and townhouse/condo homes.

economic growth and wellbeing.[5] For example, water projects are estimated to cost upwards of $4 billion over the next decade in Colorado to address waste and drinking water infrastructure, while bridge maintenance and structural fixes see an estimated gap in spending of $136 million annually.[6]

The large upfront cost of projects is at times exacerbated by added time and expense, as laid out in the following subsections, which can have large implications for the nation's future wealth and welfare. Degrading infrastructure imposes costs due to heightened maintenance requirements and damage caused to personal property; the clean energy transition requires a substantial expansion of renewable energy and transmission lines; addressing housing shortages requires significant increases in the housing stock; transportation infrastructure must be replaced and expanded in some cases, particularly to allow for better connectivity for alternative modes like rail, bikes, and buses.

Permitting and Environmental Review

Permitting delays and environmental lawsuits under the National Environmental Protection Act (NEPA) have become significant sources of delay and cost increases for important infrastructure projects, particularly in energy, transportation, and housing spaces. While it is important that developments offer due consideration to the environmental impacts striving to minimize potential harms, the original intent of these processes have been overtaken and repurposed to delay and limit projects intended to reduce greenhouse gases and other environmental harms.[7] Initial Environmental Impact Statements often take several years to complete, and can be challenged by opponents arguing for a more specific environmental impact study, halting projects even after construction has begun, resulting in lost investments made by both the state and companies.

Similarly, many clean energy projects become subject to extensive delays in receiving permission for grid connection, delaying in their ability to produce clean energy due to local, state, and federal permitting backlogs.[8] These delays can serve as a deterrent to new projects, setting an expectation that it may be years before an investment can begin generating revenue. To counteract these barriers, SB24-212 in Colorado established a process to study and evaluate the efficacy of state permitting for clean energy projects and transmission, which will shed light into opportunities to improve and streamline permitting processes within the control of the state and local governments. Alternatively, with the incoming administration, substantial overhaul to environmental permitting may reduce some barriers, reinvigorating an economic market, most particularly for natural gas and oil drilling. The President-Elect has insinuated both

[5] Levy, Alon, 2021, "So You Want to Do an Infrastructure Package (link to PDF)"
[6] American Society of Civil Engineers, 2020, Colorado's Infrastructure Report Card (link to PDF)
[7] Mackenzie, Aidan, 2024 "How NEPA will tax clean energy (link to PDF)"
[8] The New York Times, 2023, "The U.S. Has Billions for Wind and Solar Projects. Good Luck Plugging Them In (link to site)"

removing environmental permitting and expediting approvals to companies investing substantial sums in American production.[9]

Buy American/Protectionism

Domestic content or production requirements aimed at supporting domestic jobs and industries are often required for federal funds and programs, particularly for strategic materials like steel. While these policies may prevent or reverse some off-shoring of key industries, they also can lead to higher costs when infrastructure projects are not able to procure the lowest cost input, or create delays due to supply bottlenecks, competition, and limited domestic suppliers. While some argue these policies are vital to supporting the local and national economy and there is some support for protectionism to help grow infant industries, economists generally agree that protectionism tends to be more harmful than beneficial. In fact, they can insulate domestic production from competitive forces and push prices even higher.[10]

Contracting

Many states and localities have strict rules over government procurement and contracting, including low-cost bidding. Under these rules, governments are all but obligated to accept the lowest bid contract, with little discretion to contest the accuracy of the bid, or contractor quality. In effect, it can become a short-sighted mechanism, as delays and surprise costs from the low-bid contractors raise the overall project costs. Allowing agencies more flexibility to select the best bid, whether or not it is the lowest, could in fact lead to lower project costs over the lifetime of the project, or using a weighted system like some European counties where the total cost of the bid is one factor among others that help identify the best wholistic proposal.[11]

Aging Infrastructure

Another long-term economic trend in the infrastructure space is the rising cost of infrastructure itself, primarily through maintenance and short term repairs, due in large part to aging infrastructure. As states and municipalities struggle to raise the funds necessary for infrastructure replacements, costs can increase even further due to the need to replace deteriorated infrastructure. Other economic factors can also further prolong completion of infrastructure projects, including: rising costs of equipment, costs of land acquisitions, inflation, and the reduction in new jobs and skilled laborers. These factors can push infrastructure goals further into the future, despite aid from the Bipartisan Infrastructure and Jobs Act (IIJA).[12] Analysts also cite "lower-than-projected revenues" as both a cause and effect of large-scale infrastructure projects, making large investments without federal aid risky and difficult to

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[9] Associated Press, 2024, "Making a $1B investment in the US? Trump pledges expedited permits—but there are hurdles (link to article)"

[10] Bacchus, James, 2023 "The High Price of Buying American (link to article) "

[11]Levy, Alon, 2021, "So You Want to Do an Infrastructure Packag (link to PDF)"

[12] New York Times, 2021, "Years of Delays, Billions in Overruns: The Dismal History of Big Infrastructure (link to article) "

complete.[13] Revenue associated with infrastructure is often not enough to keep up with the pace of increasing costs. Replacing aging infrastructure also remains critical to economic development. As delays continue, dollars diverted to replacing infrastructure stalls stimulation of both the local and national economy.[14]

In conclusion, to help the U.S. and Colorado make the investments needed for a more prosperous future, several actions could be taken. Increasing investment in infrastructure is one simple step, but even current investment levels will go further if the factors increasing the cost per unit can be addressed. While many factors can be addressed at the Federal level such as Buy American provisions and the National Environmental Policy Act requirements, State and local actions can improve outcomes, such as the provisions included in SB24-212. Additionally, allowing agencies more flexibility in selecting the most holistic bids, rather than the cheapest, could reduce project timelines and costs as well. Without action, infrastructure development will struggle to keep pace with needs, as it has in recent decades, and exacerbate the challenges facing Colorado and the United States. Such challenges include supplying enough housing to reduce the cost, generating and transmitting enough clean energy to meet Greenhouse Gas reduction targets, and building enough transit and roadways to address climate and increase mobility freedom.

Federal Policy Impacts

As a new federal administration and Congress takes office in January, there are a wide range of stated policy proposals from the incoming administration that diverge significantly from the current one, creating uncertainties and risks to the OSPB baseline forecast. Note that the current baseline forecast does not incorporate federal policy changes that have yet to be enacted or implemented, which is the approach OSPB takes when incorporating state policy changes. Among the most prominent federal policy differences with potential economic and revenue impacts to the state are policy stances around tax, business and banking, trade, immigration, energy, and fiscal spending and governmental organization. While it is unknown at this time what federal policies will be enacted, the following section describes how certain policy decisions could impact the state's economy and tax revenue.

Tax Policy

Throughout the 2024 campaign, President-elect Trump made several tax-related campaign promises, headlined by the exemption of tips and overtime wages. Additionally, many provisions within the Tax Cuts and Jobs Act of 2017 expire after 2025, including the larger standard deduction, lowered rates, and pass-through business deductions, which means that tax policy will be a priority of the incoming administration and Congress in 2025. Federal policy makers will have to contend with projected higher budget deficits caused by TCJA extension and their campaign promises. While it is unclear what changes may ultimately result, they will

[13] Flyvbjerg et al, 2003, "Megaprojects and Risk (link to PDF)"
[14] Council on Foreign Relations, 2023, "The State of U.S. Infrastructure (link to article"

likely be consequential to the state budget. Colorado links to federal taxable income as its basis for establishing the state income tax and aligns with changes to the federal tax code in the treatment of income. Therefore, like with the 2017 passage of TCJA, Colorado taxable income is likely to be impacted by changes, though it is not clear if this impact will be positive or negative. In 2017, TCJA changes were revenue positive to the state, but significant exemptions of currently taxable income would threaten state revenue collections.

Business and Banking Regulation Policy

President-elect Trump has signaled his intent to continue easing regulations in many sectors, including the areas of business and finance. His nominee for the Chair of the Securities and Exchange (SEC), Paul Atkins, is a former SEC commissioner and vocal proponent for cryptocurrency and financial innovation. Under President George W. Bush, he opposed fines for securities law violations, vowed to dismantle the Dodd-Frank Act that enhanced federal regulatory authority, and testified before Congress on restructuring the SEC and slashing burdensome regulations[15]. Trump's Treasury Secretary nominee Scott Bessent, a veteran hedge fund manager, has similarly voiced support for further deregulation.[16] Further deregulation could positively impact corporate profits, with downstream impacts on corporate tax revenue to the state depending on tax policy outcomes.

Trade Policy

The President-elect campaigned on an expansion of tariffs. The incoming administration had previously imposed tariffs on targeted products and industries during the first term, including Section 201 (washing machines and solar panels), 232 (steel and aluminum), and 301 (Chinese goods), which were largely kept in place by the Biden Administration. Since the election, the President-elect has stated his intention to impose 25 percent universal tariffs on all imports from Canada and Mexico and an additional 10 percent tariff above existing rates on Chinese imports. For context, according to the Office of the U.S. Trade Representative, the U.S. currently has a trade-weighted average import tariff of 2.0 percent on industrial (non-agricultural) goods. As a policy lever, tariffs can offset unfair trade practices in other nations, meet strategic objectives, and enhance industries of national importance. Tariffs as a policy strategy are a finely detailed instrument requiring a careful balance between the marginal benefit to domestic producers, marginal cost to domestic consumers (both intermediate and final), and ultimately the secondary socio-economic effects. Short-term, tariffs are inflationary in nature, increasing long-term lower domestic income and productivity. Free-trade agreements such as the United States–Mexico–Canada Agreement (USMCA), its predecessor North American Free Trade Agreement (NAFTA), and other trade agreements are widely considered by economists to be net-benefits to all involved parties. Elevated broad-based tariffs on Canada and Mexico would go against the spirit of the USMCA signed during the

[15] Bloomberg, 2024, "Trump Picks Atkins, Ex-SEC Commissioner, to Succeed Gensler (link to article)"
[16] Associated Press, 2024, "What to know about Scott Bessent, Trump's pick for treasury secretary (link to article)"

President-elect's first term, with impacts that economists widely agree will be passed onto domestic consumers, increasing inflation.

Immigration Policy and Labor Force Impacts

One of the key issues that dominated the 2024 presidential contest was immigration. In its first term, Trump administration set an unprecedented pace for executive action on immigration by implementing 472 executive actions related to U.S. immigration policy over four years. While there is still significant uncertainty surrounding potential policy changes, any shifts in immigration policy are likely to impact the labor market. In particular, President-elect Trump's priority this election cycle has focused on undocumented immigrants. As of 2022, there are 11 million undocumented immigrants living in the United States, including 8.3 million workers - 4.8 percent of the U.S. labor force. These workers are largely concentrated in the agriculture and construction industries, in which they make up 13 and 12 percent of employment, respectively.

Should the incoming administration carry out its campaign promise to mass deport undocumented immigrants, the loss of many workers from these industries would have significant impacts on the economy. For example, undocumented workers make up an estimated 33 percent of drywall installers, 32 percent of roofers, and 28 percent of painters and paperhangers, all of which are critical for new home construction. A shortage of these workers could in turn exacerbate the shortage of affordable housing. They also make up 24 percent of farm workers, playing a crucial role in producing food for both domestic consumption and export. A low supply of farm workers could therefore lead to food shortages and higher grocery prices. State and local governments who refuse to comply with mass deportation orders (known as sanctuary jurisdictions) also potentially face economic risks. Five days into the President-elect Trump's first term, he issued an executive order to cut federal funding to these jurisdictions, and while this order was ultimately deemed unconstitutional by the federal United States District Court for the Northern District of California and rescinded by President Biden in 2021, it is possible that the incoming administration will try again, with uncertainty surrounding future legal opinions.

Energy Policy

As part of the incoming administration's stated policies on oil and gas production, one highlighted area is expediting and increasing production on federal lands and offshore drilling. The incoming administration has also stated that they are looking to increase liquefied natural gas (LNG) exports. While these policy proposals could lead to increased domestic oil and gas production in coming years, the global energy market will more broadly dictate industry investment into exploration and production.

Current energy policy and tax credit programs targeted towards renewables, like the Inflation Reduction Act (2022), may also be at risk according to the President-elect's policy platform. These risks would particularly impact direct spending programs implemented by the IRA through grants and loans. Of the $145 billion available in direct spending, only an estimated $60 billion has been spent through April 2024, putting more than half of the remaining direct spending opportunities at risk.[17] In Colorado, this could mean a loss of up to $13.2 billion in investments for clean energy power generation and storage, as well as $4.5 billion in housing resiliency and drought response.[18] To date, Colorado has received or been awarded a total of $1.3 billion, split between direct investments to departments and local communities. The administration could also pursue a reduction to or elimination of the federal electric vehicle tax credit, although this change would not impact the state's electric vehicle tax credits.

Fiscal Spending and Governmental Reorganization

The incoming administration and Congress are likely to tighten fiscal spending in future federal budgets, based on statements by the President-elect and legislators on the campaign trail. Existing federal funds from IIJA, IRA, and other federal match support to state and local governments is considered to be at risk, according to research at Brookings[19]. Looking at bills supported by the current Republican majority on the House Appropriations Committee as a proxy, likely cuts that the new Congress may target would include funding for K-12 students in low-income communities, programs that make higher education more affordable, and labor protection agencies. Additionally, there is the possibility of legislative proposals to cut Medicaid funding and add work requirements[20] while the incoming administration could also limit federal funds through administrative actions[21], both of which could have a significant impact on the state budget.

The new administration is also likely to restructure departmental responsibilities and aim to scale down the federal workforce. Part of this may occur through the newly created Department of Government Efficiency (likely an advisory committee), but it might also consider more stringent standards around remote work or shifting more of the workforce out of the Washington D.C. metro area. While moving agency headquarters to other parts of the country would increase jobs growth in those states, it may come at the cost of a temporarily reduced federal workforce, with recent examples also imposing greater overall costs than anticipated[22]. Additionally, there are also several proposals within The Heritage Foundation's Project 2025 which, if implemented, could reduce the availability of necessary information currently provided by Federal Statistical Agencies. Such plans include: 1) reorganizing and limiting the scope of education statistics currently reported by the Institute of Education Sciences and the National Assessment of Educational Progress within the Department of Education, 2) reviewing race, ethnicity, citizenship, and other questions included in the upcoming 2030 Decennial

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[17] Politico, 2024, IRA Spending Tracker (Link to Article)

[18] White House, 2022, The Inflation Reduction Act Delivers Affordable Clean Energy for Colorado (Link to Article)

[19] Brookings, 2024, What the Trump administration might mean for the future of the bipartisan infrastructure law (Link to Article)

[20] New York Times, 2024, Medicaid May Face Big Cuts and Work Requirements

[21] Kaiser Family Foundation, 2024, What Administrative Changes Can Trump Make to Medicaid?

[22] Government Accountability Office, 2022, USDA's Decision to Relocate Research Agencies to Kansas City Was Not Fully Consistent with an Evidence-Based Approach

Census, 3) a consideration to privatize the Energy Information Administration, and 4) eliminating equal employment opportunity data collection at the Department of Labor.

Forecast Risks

Short-Term Risks

The trajectory of Federal Reserve interest rate decisions continues to pose economic risks in the near term. While the labor market shows continued resilience to the high-interest rate environment, elevated borrowing costs could exacerbate any negative shocks to the labor market or economic growth. Inflation also continues to be a potential threat, and are dependent on potential trade policy decisions under the new federal administration. The risks to energy prices by geopolitical conflict remain but have been dampened by increasing inventories on weakened demand. The commercial real estate market has struggled to recover from work-from-home policies introduced during COVID, straining investor and lender balance sheets and threatening to impact other sectors in the event of defaults or write-offs. Residential values have stalled under high interest rates but falling interest rates could stimulate demand and create upward price pressure.

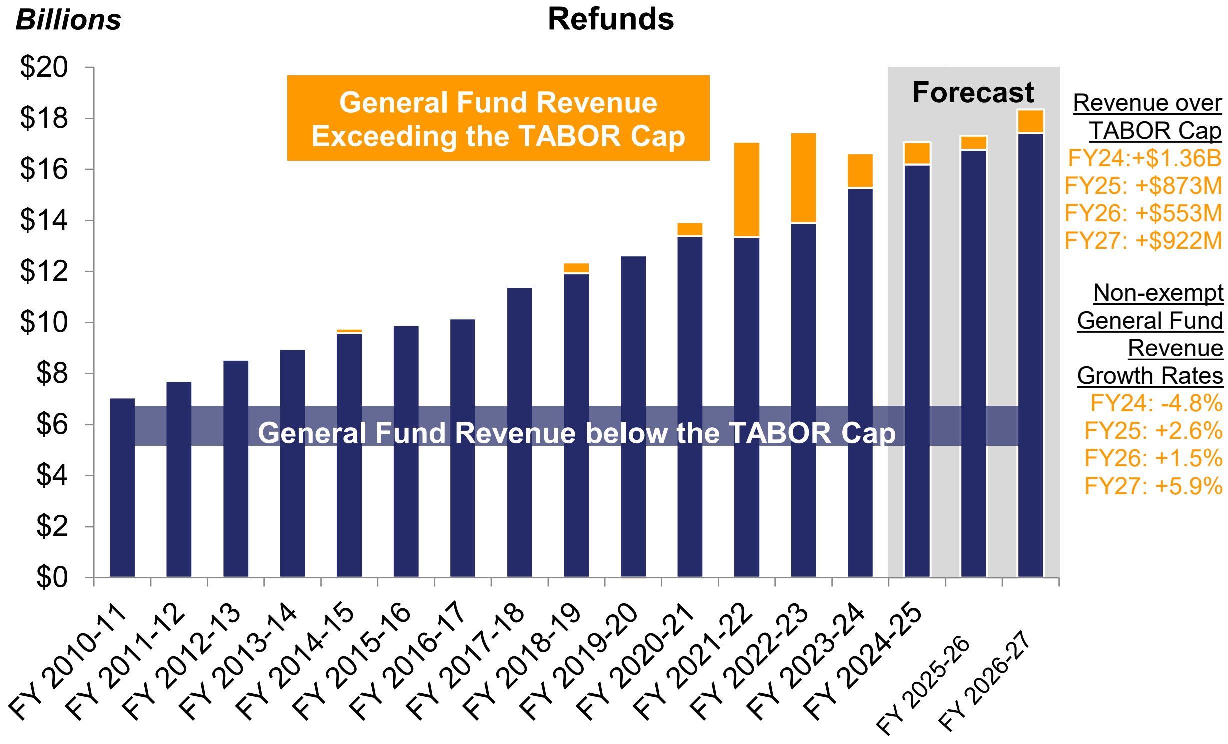
Long-Term Risks

A rapidly aging population will place increasing demands on government, while also reducing the labor supply via retirements. Climate and natural resource risks also pose long-term risks through drought, wildfires, avalanches, mudslides, and competing demand for Colorado water supply.

General Fund Outlook

After General Fund revenue declined by 4.1 percent to $17,251.4 million ($17.25 billion) in FY 2023-24, revenue growth is projected to turn positive again in FY 2024-25, growing by 1.9 percent to $17,572.0 million. This expected increase is led by strong individual income tax revenue growth offsetting a decline in corporate income tax revenue and tepid sales tax growth. In FY 2024-25, this reflects an upward revision of $369.4 million in total General Fund revenue compared to the September forecast due to stronger individual income tax collections alongside continued corporate income resilience. This represents a significant change from the September forecast when OSPB projected an overall decline in General Fund revenue of 0.3 percent. In FY 2025-26, General Fund revenue is projected to grow by 1.7 percent to $17,866.3 million from slow growth in individual income tax and sales tax revenue. This is an upward revision from the September forecast of $278.3 million due to higher expectations for individual and corporate income tax revenue. General Fund revenue growth in FY 2026-27 is projected to accelerate by 5.7 percent to $18,893.0 million following four consecutive years of below-average growth. This is a minimal upward revision of $9.5 million from the September forecast.

Figure 17.Total Non-Exempt General Fund Revenue and TABOR Refunds



General Fund revenue exceeded the TABOR cap by $1.36 billion in FY 2023-24 and is projected to exceed the TABOR cap throughout the forecast period, including by $873.3 million in FY 2024-25, $553.1 million in FY 2025-26, and $922.5 million in FY 2026-27. This is an upward revision of $353.0 million and $171.5 million in FY 2024-25 and FY 2025-26, respectively. FY 2026-27 is revised down by $45.8 million.

Overview of General Fund Revenue

Individual Income Tax: After declining revenue in FY 2023-24 due to elevated refunds and tax policy changes, growth is projected to rebound to 5.6 percent in FY 2024-25 to $10,602.3 million before growing by 2.3 percent to $10,849.5 million in FY 2025-26. Accelerating growth of 6.7 percent to $11,581.1 million is projected in FY 2026-27. Individual income tax revenue across the forecast period is revised up largely due to an expected healthy labor market contributing to salary and wage growth.

Corporate Income Tax: Following four consecutive years of elevated growth, corporate income tax revenue is projected to decline by 10.8 percent to $2,493.4 million in FY 2024-25 from the peak reached in FY 2023-24 of $2,796.6 million. Revenue is expected to fall from this peak in FY 2024-25 on slowing corporate profits and a reversion to trend. Another decline of 6.2 percent is expected again in FY 2025-26 to $2,339.7 million. Growth of 4.1 percent is projected in FY 2026-27. Despite expected declines in FY 2024-25 and FY 2025-26, corporate income tax revenue is revised up across the forecast period on continued firm revenue collections and expected corporate resilience.

Sales and Use Tax: After tepid sales and use tax growth of 0.9 percent in FY 2023-24, another sluggish year of 1.5 percent growth is forecast in FY 2024-25 with revenue increasing to $4,665.3 million. Revenue growth is projected to rebound in FY 2025-26 by 4.2 percent to $4,862.1 million before increasing by 5.5 percent in FY 2026-27 to $5,127.9 million. For the full forecast period, sales and use tax revenue is revised down from the prior forecast caused by weaker demand in statewide retail sales in 2024 leading to negative base effects in out-years.

Proposition EE Tax and Other Excise Tax: Proposition EE revenue is expected to increase by 13.5 percent in FY 2024-25 to $235.9 million before growing slowly in FY 2025-26 by 0.7 percent to $237.4 million. Revenue is projected to minimally decline in FY 2026-27 to $235.9 million.

Proposition KK: Passed by voters in November 2024, this proposition creates an additional sales tax on firearms and ammunitions sold in the state. Revenue is expected to increase over the forecast period and exceed the maximum allowable amount of $39 million as stated in the ballot language in FY 2026-27.

Other General Fund Revenue: Other General Fund revenue is projected to grow by 1.5 percent to $862.7 million in FY 2024-25 as decreasing interest revenue is expected to be more than offset by increasing insurance revenue. In FY 2025-26, this revenue is projected to decrease by 2.7 percent to $839.5 million as interest earnings decline on falling interest rates. In FY 2026-27, a neutral interest rate environment is expected to result in another 0.3 percent revenue decline to $836.8 million.

State Education Fund Revenue: In FY 2024-25, the State Education Fund revenue diversion is expected to fall 5.2 percent to $1,145.9 million due to base effects from a one-time correction in FY 2023-24. Slow growth of 0.4 percent to $1,150.8 million in FY 2025-26 is projected before growth accelerates in FY 2026-27 to 6.0 percent and $1,219.4 million.

Individual Income Tax

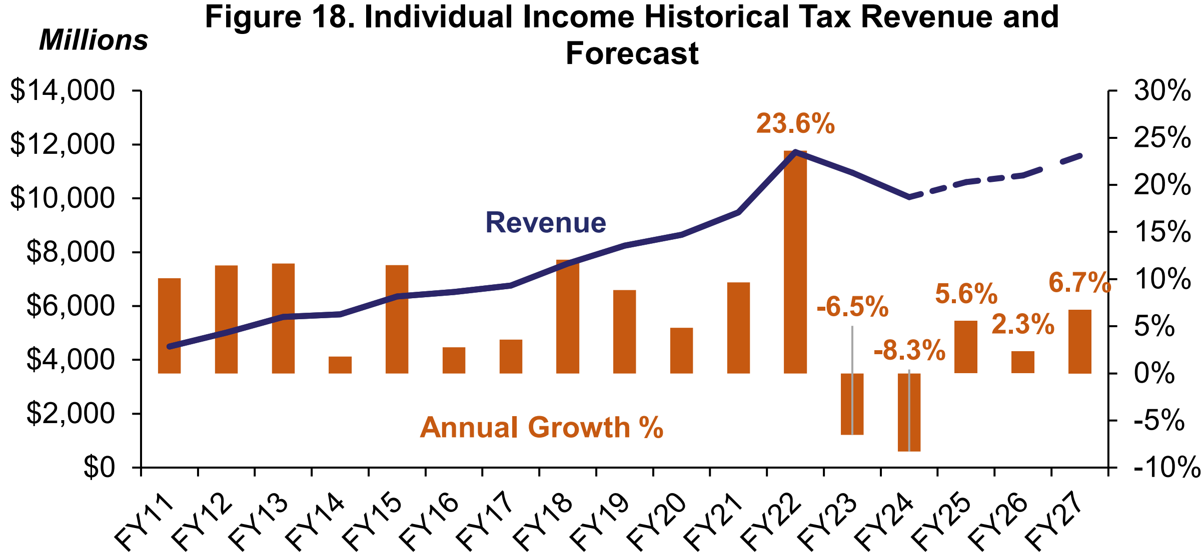
Following an individual income tax revenue decline in FY 2023-24 of 8.3 percent due to tax policy impacts and elevated refunds, growth is projected to turn positive once again by 5.6 percent in FY 2024-25. After historic growth of 23.6 percent in FY 2021-22, individual income tax revenue declined for two consecutive years, normalizing back to trend levels on decelerating salaries and wages alongside slower small business activity. With growth of 5.6 percent expected in FY 2024-25, revenue is projected to increase to $10,602.3 million (10.6 billion). This is an upward revenue revision of $194.5 million from the September forecast due to stronger than expected overall revenue year-to-date, with firm salary and wage growth leading to stronger withholdings revenue.

In FY 2025-26, individual income tax revenue is forecast to grow slowly by 2.3 percent to $10,849.5 million as a projected increase in taxpayer refunds offset growth in other revenue streams. However, this is an upward revision of $174.9 million from the September forecast due higher base effects from FY 2024-25 alongside an expected healthy labor market. Finally, in FY 2026-27, revenue is forecast to accelerate to 6.7% on strong salary and wage growth alongside a healthy small business environment. This is a minimal upward revision of $19.7 million from the September forecast. While revenue growth is projected throughout the forecast period, it is partially weighed down by increasing taxpayer refunds. Combined over the three forecast years, taxpayer refunds are revised up by $277.5 million as they remain elevated. Much of the upward pressure on refunds throughout the forecast period is 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.

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 statewide wages and salaries growth, which OSPB has revised up in the current forecast. Withholdings are revised up $85.6

million in FY 2024-25, by $51.7 million in FY 2025-26, and by $26.0 million in FY 2026-27. These changes make up nearly half of the overall upward revision to individual income tax revenue. In FY 2024-25, slow growth of 2.8 percent in withholdings is projected, which would be the slowest growth since FY 2012-13. This deceleration comes after five years of elevated growth rates averaging 8.5 percent and is correlated with tempering salary and wage growth. Accelerating growth of 4.1 percent and 6.9 percent is expected in FY 2025-26 and FY 2026-27, respectively.

Figure 18. Individual Income Historical Tax Revenue and Forecast



Sources: Colorado Department of Revenue, OSPB Forecast.
Note: Shaded bars and dotted line(s) indicate forecast.

Aggregate wages and salaries growth is revised up by 1.2 percentage points to 6.1 percent in 2024 following data revisions from the Bureau of Labor Statistics showing healthier wages and salaries growth than previously expected. These changes are the main contributor to the upward revision in revenue expectations in FY 2024-25, alongside higher revenue actuals compared to the previous forecast. Smaller upward revisions of 0.3 percentage points and 0.1 percentage points in 2025 and 2026 lead to overall salary and wage growth expectations of 4.2 percent and 4.8 percent and are expected to lead to additional revenue throughout the forecast period. The average annual salary and wage growth in Colorado over the past 20 years is 5.1 percent. After four consecutive years of above-average salary and wage growth, 2025 is expected to be below-average before returning closer to average levels in 2026.

Note, while Proposition FF revenue has historically been discussed here, 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 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 19 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 percent 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 except for the implementation of the FATC and EITC, total TABOR revenue is expected to grow by 2.6 percent in FY 2025-26. In FY 2026-27, compound annual growth from FY 2024-25 of 3.9 percent is projected. As provided for in HB24-1134 and HB24-1311, the revenue projection forecast for these tax credits in the upcoming tax year is calculated using the December update of the quarterly forecast selected by the Joint Budget Committee for preparation of the state budget in the preceding March. With the OSPB forecast chosen by the Joint Budget Committee in March 2024, the projected 2.6 percent TABOR growth rate for FY 2025-26 will be utilized to determine these tax credit levels for TY 2025. OSPB also assumes that the maximum available tax credits will be available in TY 2026, as well. These revenue growth triggers are laid out in Figures 20 and 21 below. 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 $1.0 billion.

Figure 19. 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	$0.0	-$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 20. 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

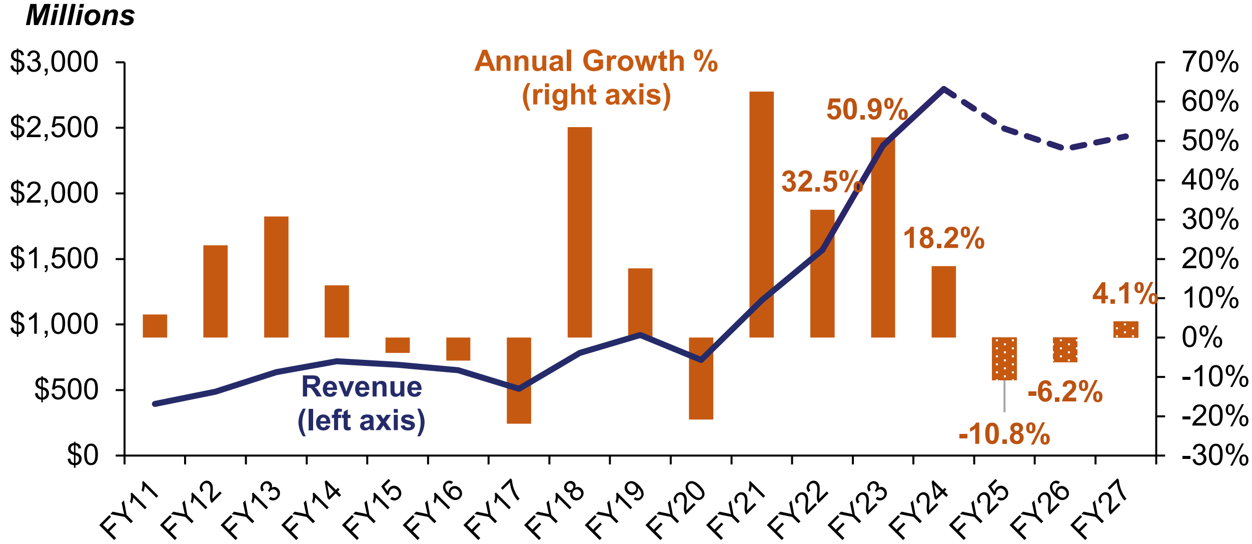
Figure 21. Earned Income Tax Credit Trigger Levels (beginning TY26)

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

After corporate income tax revenue grew by 18.2 percent in FY 2023-24 to a record $2,796.6 million, revenue is expected to decline by 10.8 percent to $2,493.4 million in FY 2024-25 following four consecutive years of elevated growth rates. Compared to the September forecast, corporate income tax revenue in FY 2024-25 is revised up by $287.6 million, despite the expected year-over-year decline, as revenue collections year-to-date have been stronger than previously expected. While corporate income tax revenue is declining in FY 2024-25 relative to FY 2023-24 through five months of cash-basis collections, it is doing so at a slower pace than projections in September. A revenue decline of 21.1 percent was projected in September versus the 10.8 percent decline expected in this forecast. Corporate income tax revenue is forecast to decline further by 6.2 percent to $2,339.7 million in FY 2025-26, however, this is also an upward revision from September of $226.1 million as revenue is projected to remain firm on corporate strength. Positive growth of 4.1 percent is projected to return in FY 2026-27 with revenue collections of $2,434.7 million. 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 22. Corporate Income Tax Revenue and Forecast



Sources: Colorado Department of Revenue, OSPB Forecast.
Note: Shaded bars and dotted line(s) indicate forecast.

The recent growth in corporate income tax revenue in the past four 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 and income tax revenue have been recorded at the state level. 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 27.6 percent and 7.8 percent respectively to record levels in those years. With surprising strength in the economy over 2023, corporate profits continued to grow an additional 6.9 percent to a new record annual level of $3.5 trillion. In 2024, corporate profits are forecast to grow again by 6.5 percent, as businesses navigated a restrictive monetary environment over the year. Corporate profits are projected to remain flat in 2025 as growth normalizes before increasing 4.5 percent in 2026 as the economy is expected to positively respond to an increasingly neutral monetary policy environment.

Figure 23. U.S. Corporate Profits

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

Impact from Tax Policy Changes

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 legislative 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 24: 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

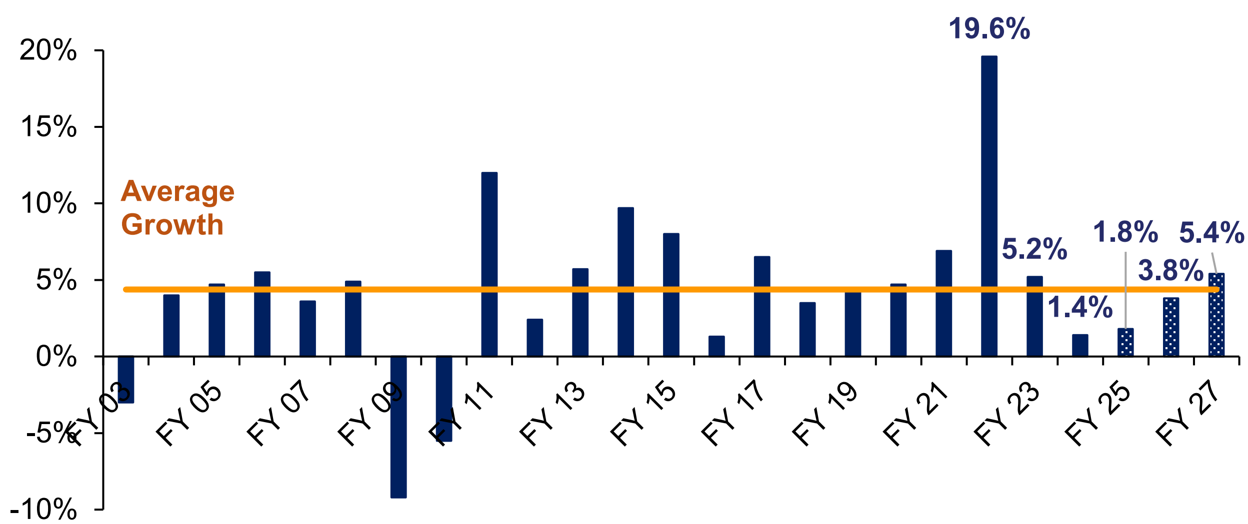
Sales tax revenue in FY 2023-24 recorded 1.4 percent growth, reaching $4,362.6 million following 5.2 percent growth in FY 2022-23. Year-end sales tax revenue exceeded OSPB's June forecast estimates by $23.5 million. Despite some strength to end the fiscal year, 1.4 percent growth represents the slowest sales tax growth since FY 2015-16. Through November, in FY 2024-25 sales tax revenue growth is effectively flat in year-to-date collections compared to last fiscal year, suggesting another sluggish year. Collections may rebound through the rest of the calendar year through a combination of a strong holiday spending season, and potential for rushed spending on imported goods tied to the incoming presidential administration's campaign promise of tariffs, however, these factors will not be known until the March forecast.

Figure 25. 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	$4,442.8	1.8%	$222.5	-4.6%	$4,665.3	1.5%
FY 2025-26	$4,613.2	3.8%	$248.9	11.9%	$4,862.1	4.2%
FY 2026-27	$4,860.6	5.4%	$267.3	7.4%	$5,127.9	5.5%

While an uptick in growth is expected during the forecast period, statewide retail sales expectations have declined compared to the September 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 down in FY 2024-25 by $70.6 million, resulting in total collection expectations of $4,442.8 million, which is 1.8 percent growth from the prior year. The revision down is informed by year-to-date collections for this fiscal year being at pace with last year. For FY 2025-26, growth is projected to increase to 3.8 percent, but this is a downward revision of $108.6 million from the previous forecast, resulting in total sales revenue of $4,613.2 million. In FY 2026-27, growth is projected to accelerate by 5.4 percent, leading to a total of $4,860.6 million collected.

Figure 26. Sales Tax Growth History and Forecast



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. Additionally, Table 4B in the appendix shows the impact of the proposals in the Governor's November 1 budget recommendations, which include proposals to expand the sales tax base and increase revenue. In particular, re-introducing downloadable software and inter-state phone services to the sales tax base is expected to increase collections by $100 million.

Vendor Fees

In accordance with HB19-1245, Affordable Housing Funding from Vendor Fee Changes, beginning in FY 2021-22, the total net revenue gain from changes related to vendor fees was deposited into the Housing Development Grant Cash Fund (HDGF) for affordable housing initiatives. While the fiscal note for the bill initially projected 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. Vendor Fee collections for FY 2023-24 were $71.3 million. FY 2024-25 is forecast to be $38.8 million, which is a $2.4 million upward revision from September, tied to a technical correction in the OSPB forecast. FY 2025-26 collections are projected at $40.9 million, a marginal $0.1 million upward revision. FY 2026-27 collections are projected to be $44.7 million. The significant year-over-year revenue decline in FY 2024-25 is due to HB24-1434 Expand Affordable Housing Tax Credit which reduced vendor fees allocated to the Housing Development Grant Fund (HDGF) by $35 million and replaced them with an annual allocation of tax credits.

Figure 27. Vendor Fee Forecast

	FY 2023-24 Final	FY 2024-25 Forecast	FY 2025-26 Forecast	FY 2026-27 Forecast
Vendor Fee Revenue (millions)	**$71.3**	**$38.8**	**$40.9**	**$44.7**
Change	**0.4%**	**-45.6%**	**5.3%**	**9.5%**

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 4.6 percent to $222.5 million, which is a $0.6 million upward revision from the previous forecast. This marginal upward revision is primarily due to use tax revenue collections year to date. For FY 2025-26, use tax collections are revised down by $5.8 million from the previous forecast, similar to the decline in sales tax, resulting in total expected revenue of $248.9 million, however, OSPB projects use revenue in FY 2025-26 will accelerate by 11.9 percent. In FY 2026-27, OSPB projects an increase of 7.4 percent over the previous fiscal year rising to $267.3 million in total collections. Use tax revenue growth in the out years of the forecast is tied to an expected increase in construction in the state, which is a large driver of use tax collections for materials purchased out of state but transferred within for building.

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 marginally increase in FY 2024-25 by 2.2 percent to $199.3 million and resume continued growth of 5.0 percent to $209.3 million in FY 2025-26. In FY 2026-27, slow growth of 1.3 percent to $212.0 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 by voters 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 is transferred almost entirely into the Preschool Programs Cash Fund on an ongoing basis, aside from relatively small transfers of $10.95 million and $4.1 million to the Tobacco Tax Cash Fund and General Fund, respectively.

Figure 28. 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 December forecast has been revised down by $0.9 million to $235.9 million in FY 2024-25, up by $1.4 million to $237.4 million in FY 2025-26, and up by $1.3 million to $235.9 million in FY 2026-27. As shown in Figure 28, taxes on all three types of products increased on July 1, 2024 and will increase to their maximum rate on July 1, 2027. The specific distributions are summarized below in Figure 29.

Figure 29. Proposition EE Revenue and Distributions

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Total Revenue	**$207.8**	**$235.9**	**$237.4**	**$235.9**
Other Transfers	$15.0	$35.0	$35.0	$35.0
Preschool Programs Cash Fund	$192.8	$200.9	$202.4	$200.9

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 54.8 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 in FY 2024-25, and then leveling off in FY 2025-26 and FY 2026-27 for two reasons:

- The timing of the tax rate increases 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[23]. 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 have largely increased slowly over time, but tobacco revenues have likely fallen in line with cigarette revenue, which have been slowly decreasing over time. Across the forecast period, OSPB is expecting continued weakness 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 by 1.1 percent to $55.4 million in FY 2024-25, then grow by 2.8 percent to $56.9 million in FY 2025-26, and grow by 1.4 percent to $57.7 in FY 2026-27. Tobacco revenue dropped 8.9 percent to $21.6 million in FY 2023-24, then is forecast to increase by 7.2 percent to $23.2 million in FY 2024-25, hold flat at $23.2 million in FY 2025-26, and fall 1.5 percent to $22.8 million in FY 2026-27. Cigarette revenue declined 14.4 percent to $20.5 million in FY 2023-24 and is forecast to increase by 3.2 percent to $21.1 million in FY

[23] National Center for Health Statistics, 2024, "National Health Interview Survey (link to site)"

2024-25, decline by 10.7 percent to $18.9 million in FY 2025-26, and drop 5.6 percent to $17.8 million in FY 2026-27.

Proposition KK

In the 2024 November election, Colorado voters approved Proposition KK, a new tax referred to voters by the legislature through HB24-1349. The ballot measure asked voters:

"Shall state taxes be increased by $39,000,000 annually to fund mental health services, including for military veterans and at-risk youth, school safety and gun violence prevention, and support services for victims of domestic violence and other violent crimes by authorizing a tax on gun dealers, gun manufacturers, and ammunition vendors at the rate of 6.5% of the net taxable sales from the retail sale of any gun, gun precursor part, or ammunition, with the state keeping and spending all of the new tax revenue as a voter-approved revenue change?"

Exemptions from the tax include sellers with less than $20,000 in annual sales, retail sales to law enforcement officers, law enforcement agencies, and active-duty military members, and private sales between individuals.

OSPB's forecast assumes increasing sales over time at a 5.36% annual growth rate based on the average annual growth rate in personal consumption expenditures on sporting equipment, supplies, guns, and ammunition from 2000-2023. Estimated accrual-basis revenues are presented in Figure 30 below.

Figure 30. Firearms and Ammunition Excise Tax Cash Fund (FAETCF) Forecast

	Forecast FY 2024-25[24] ($M)	Forecast FY 2025-26 ($M)	Forecast FY 2026-27 ($M)
Guns/Parts Excise Taxes	$8.0	$24.5	$25.8
Ammunition Excise Taxes	$4.2	$13.0	$13.7
Total Revenue	**$12.3**	**$37.5**	**$39.5**
Percent Change		*205.8%*	*5.4%*

Statute specifies that revenues are to be collected in the General Fund and transferred to a new Firearms and Ammunition Excise Tax Cash Fund (FAETCF). Revenues are to first be used for the Department of Revenue's implementation and administration of the excise tax, estimated at nearly $400,000 in the first year and approximately $200,000 annually thereafter, and then distributed as follows:

[24] The excise tax becomes effective in April 2025. Under the accrual basis approach, the FY 2024-25 revenue forecast includes four months of estimated revenues for FY 2024-25. The first full fiscal year of collections will be FY 2025-26.

- The first $30 million in the first fiscal year and that amount adjusted for inflation in each fiscal year thereafter is transferred to the Colorado Crime Victim Services Fund (Victim Services Fund) in the Division of Criminal Justice of the Department of Public Safety for crime victim services grants
- The next $5 million in each fiscal year is transferred to the Behavioral and Mental Health Cash Fund for the continuation and expansion of the veteran mental health services program
- The next $3 million in each fiscal year is transferred to the Behavioral and Mental Health Cash Fund for the continuation and expansion of access to behavioral health crisis response system services for children and youth
- The next $1 million in each fiscal year is transferred to the School Disbursement Program Cash Fund and is subject to annual appropriation by the General Assembly.

Figure 31 below shows the estimated distribution from the FAETCF over the forecast period.

Figure 31. FAETCF Distributions

	Forecast FY 24-25	Forecast FY 25-26	Forecast FY 26-27
Cash Fund Distributions			
Administrative Costs (Dept. of Revenue)	$0.4	$0.2	$0.2
Colorado Crime Victim Services Fund (incl. inflation ad.)	$11.9	$30.0	$30.9
Veteran's Mental Health Services	-	$5.0	$5.0
Children & Youth Behavioral Health Crisis Response System	-	$2.3	$2.9
School Security Disbursement Grant Program	-	-	-
Collections in Excess of $39M	-	-	$0.5
Total FAETC Distributions	**$12.3**	**$37.5**	**$39.5**

As written, the FAETCF faces a key fiscal challenge: the language approved by voters limits revenue collections to $39 million. As shown above, OSPB forecasts revenue to exceed this amount by FY 2026-27, at which point the additional collections are required to be refunded to taxpayers under TABOR, or voters must approve a new ballot measure to retain the revenue above $39 million.

Other General Fund Revenue

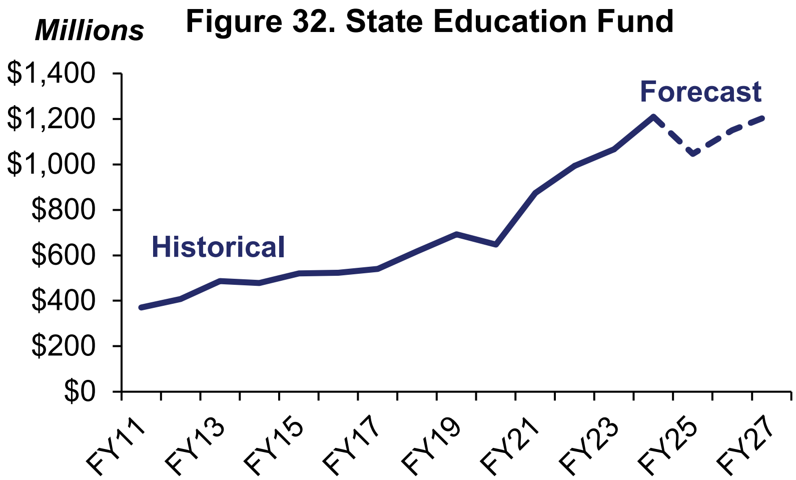
Other General Fund revenue includes insurance premium tax revenue, interest and investment income, and court receipts. Following strong gains in recent years, in FY 2023-24 Other General Fund revenue grew 7.2 percent to $850.1 million. This growth in FY 2023-24 was impacted by changes to insurance tax policy becoming fully integrated, interest income continuing its strong growth, while the category of other income declined after a one-time jump. For FY 2024-25, projections are revised down by $5.3 million, primarily driven by General Fund interest income likely having found its peak due to rate cuts from the Federal Reserve over the latter part of 2024 with additional cuts on the horizon. For FY 2025-26 and FY 2026-27, OSPB has revised up expected revenue for each year by $7.8 million, largely due to expected gains in insurance revenue.

Investment yield percentage and record TABOR refunds being held in prior years drove record revenues in interest income with an increase of 33.5 percent to $251.6 million in FY 2023-24. However, the annual yield of over 3.5 percent last year is likely to not be sustained due to an expected lower interest rate environment, applying downward pressure to interest revenue in the long term. In the forecast window, OSPB anticipates lower levels of TABOR refunds relative to previous fiscal years and for the Federal Reserve to continue to cut rates. These factors will likely lead to year-over-year declines in interest revenue. For FY 2024-25 interest income is revised down by $6.9 million and is expected to decrease 30.7 percent year-over-year to $174.4 million. OSPB anticipates this downward trend to continue into FY 2025-26 with a 28.2 percent decrease in interest income to $125.1 million due to falling interest rates as monetary policy is expected to ease. Revenue is forecast to begin stabilizing alongside interest rates in FY 2026-27 with a 6.7 percent decline in interest income expected.

Additionally, Other General Fund revenue has had significant activity in received revenue this fiscal year. Almost $79 million of exempt funds were deposited into Other General Fund revenue in August 2024. This is largely driven by two transfers into the General Fund totaling almost $75 million. A $48.9 million transfer from the Controlled Maintenance Fund to the General Fund was required in HB24-1426, and a $26.1 million transfer from the Severance Tax Perpetual Base Fund into the General Fund was required in HB 24-1413. It is worth noting that these transactions have been identified by OSPB as transfers into the General Fund and not as part of Other General Fund revenue in effort to avoid double counting the transfers.

During FY 2023-24, insurance revenue grew by 4.9 percent from the prior year, strengthening its pace during the second half of the fiscal year. OSPB is forecasting 15.8 percent growth in FY 2024-25 to $627.8 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 diverts the fund to insurance premium revenues within the General Fund. The December forecast for insurance revenue in FY 2024-25 has been revised up $0.1 million, FY 2025-26 has been revised up $10.8 million, and FY 2026-27 has been revised up $10.4 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 3.9 percent and 0.4 percent respectively, with revenue of $652.1 million and $654.7 million.

State Education Fund



Source: Colorado Department of Revenue, OSPB Forecast.

Revenue to the State Education Fund (SEF) from income taxes reached $1,209.0 million (or $1.2 billion) in FY 2023-24, reflecting 13.4 percent growth from FY 2022-23 revenue. In FY 2024-25, income tax revenue to the SEF is expected to decrease by $63.1 million, or 5.2 percent, to $1,145.9 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 due to this one-time adjustment, which has more than offset the anticipated growth in overall taxable income. However, this is an upward revision of $42.2 million from the September forecast, where OSPB expected revenue to the SEF to be $1,103.7 million. This revision is primarily due to significant upward revisions in individual and corporate income tax revenue expectations. In FY 2025-26, slow growth of 0.4 percent is projected, leading to SEF revenue of $1,150.8 million. This is an upward revision of $38.2 million from the September forecast, also primarily because of expectations of higher income and corporate tax collections. Finally, in FY 2026-27 OSPB forecasts SEF revenue to be $1,219.4 million, a 6.0% percent increase from the previous year.

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 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 reflect current law and any adjustments from legislation that has passed. The forecasts reported here do not reflect any proposals from the Governor's November 1 Budget Submission. For further information on any Cash Fund Revenue proposals from the Governor's Budget, please consult the Budget section and tables 4B and 4C in the Appendix of this document.

In FY 2023-24, cash fund revenue increased by 1.5 percent to $2.80 billion, and in FY 2024-25, cash fund revenue is projected to grow by 4.7 percent to $2.93 billion. This is a downward revision from September of $8.7 million despite a significant upward revision to miscellaneous cash funds, as the upward revision is more than offset by significant downward revisions attributed to severance tax revenue. Continued cash fund growth of 4.3 percent to $3.06 billion in FY 2025-26 is projected, and this is an upward revision of $17.4 million with substantial downward revisions to severance tax and transportation, counterbalanced by upward revisions in miscellaneous cash funds. Moderate growth of 2.0 percent to $3.12 billion is estimated in FY 2026-27.

Overview of Cash Funds

Transportation: Firm growth for transportation revenue is expected to continue throughout the forecast period. However, the largest contributor to transportation revenue: motor and special fuel taxes, has slowed in recent months. After declining 0.5 percent in FY 2023-24, minimal growth is anticipated through the forecast window. The strength in the transportation forecast comes from scheduled Road Usage Fee increases and registration revenue, especially with the return of the fully restored Road Safety Surcharge. FY 2024-25 is anticipated to bring in $1,507.5 million, growing by 5.8 percent from the prior year. The following two fiscal years are anticipated to grow at 3.8 percent and 4.4 percent, respectively.

Limited Gaming: Despite large jumps in growth after the pandemic, this revenue stream has largely stabilized. Actual total gaming revenues in FY 2023-24 were 1.9 percent higher than the previous fiscal year and Adjusted Gross Proceeds (AGP) were up 1.1 percent on the previous fiscal year. OSPB anticipates limited gaming revenue to have marginal growth in the coming years. FY 2024-25 is forecast to bring in $93.7 million in limited gaming revenues, followed by $95.7 million in FY 2025-26, and $97.8 million in FY 2026-27.

Severance: After severance tax revenue declined by 42.0 percent in FY 2023-24 following a record-high year, revenue is projected to decline again in FY 2024-25 by 0.4 percent to $216.6 million as oil price weakness and a net-negative revenue month weigh on the forecast. In FY 2025-26, collections are estimated to increase by 5.0 percent to $227.4 million, but this is a $30.8 million downward revision from the September forecast due to a weaker oil price forecast for the fiscal year. In FY 2026-27, revenue is forecast to decline by 12.7 percent to $198.6 million, primarily due to the sunset of the reduced ad valorem credit beginning in Tax Year 2027.

Other Cash Funds Subject to TABOR: Miscellaneous Cash Funds are revised up in all forecast years. Forecast-year upward revisions are tied mostly to fee increases, 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 4.3 percent in FY 2024-25 to $981.7 million, followed by stronger 5.3 percent growth in FY 2025-26 before slowing to 1.3 percent growth in FY 2026-27.

Notable Cash Funds Not Subject to TABOR: Marijuana revenue fell again in Q3 of 2024, as prices have dropped, and quantity sold has continued to decrease. Wholesale marijuana sales are still decreasing, but at a slower rate after falling sharply over the past year, while retail and medical sales have also slowed. OSPB expects revenue to stabilize in FY 2024-25 with flat growth, followed by slow growth in the out-years as revenue is expected to return to its logarithmic trend. After declines in FY 2023-24, federal mineral lease revenue is projected to slowly decline again in FY 2024-25 by 4.4 percent to $92.6 million, before rebounding with 14.9 percent growth in the following fiscal year. The billions of Colorado sports betting wagers placed annually show no sign of slowing, with increases in operator hold percentage and effective tax rate driving revenue increases of 23.3 percent in FY 2024-25, 4.7 percent growth in FY 2025-26, and 4.2 percent growth in FY 2026-27. After receiving the first full year of tax information, OSPB has revised down anticipated Healthy School Meals for All (HSMA) revenue after properly accounting for tax returns for non-residents and part-time residents with no Colorado taxable income. Revenue to HSMA is expected to decline by 16.8 percent before growing by 2.4 percent in the following fiscal year.

Transportation

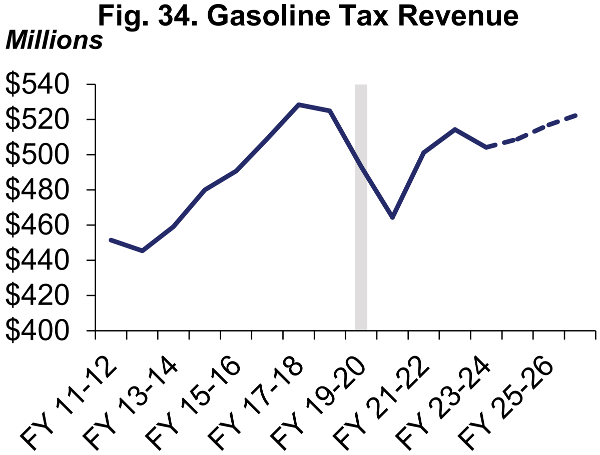
Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a handful of smaller cash funds. Total transportation revenue grew by a total of 12.5 percent in FY 2023-24. After this year of substantial growth, OSPB anticipates the revenue to stabilize and grow steadily through the forecast period. The expectation for transportation revenue is 5.8 percent growth in FY 2024-25, 3.8 percent growth in FY 2025-26, and 4.4 percent growth in FY 2026-27. OSPB has revised down transportation revenue estimates by $2.7 million in FY 2024-25, $9.3 million in FY 2025-26, and $2.2 million in FY 2026-27. These revisions down from the September 2024 Forecast are driven by sustained weakness in motor and special fuel taxes, while registration revenue will see strong near-term growth related to the restoration of fees.

Figure 33. Detailed Transportation Cash Fund Forecast

Highway Users Tax Fund (HUTF)	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Motor and Special Fuel Taxes	$648.9	$652.5	$663.1	$673.3
Percent Change	*-0.5%*	*0.6%*	*1.6%*	*1.5%*
Road Usage Fees	$92.9	$120.5	$153.9	$187.3
Percent Change	*631.5%*	*29.7%*	*27.7%*	*21.7%*
Total Registrations	**$389.6**	**$433.4**	**$437.6**	**$447.4**
Percent Change	***18.6%***	***11.2%***	***1.0%***	***2.2%***
Registrations	$242.1	$243.7	$244.9	$251.5
Road Safety Surcharge	$104.0	$147.4	$149.1	$150.8
Late Registration Fees	$43.5	$42.3	$43.6	$45.1
Other HUTF	$86.5	$90.0	$92.2	$94.7
Percent Change	*19.5%*	*4.1%*	*2.4%*	*2.7%*
Total HUTF	**$1,218.0**	**$1,296.5**	**$1,346.8**	**$1,402.7**
Percent Change	***14.3%***	***6.4%***	***3.9%***	***4.2%***
Non-HUTF	**Actual FY 2023-24**	**Forecast FY 2024-25**	**Forecast FY 2025-26**	**Forecast FY 2026-27**
State Highway Fund	$27.8	$28.7	$27.6	$28.6
Percent Change	*1.1%*	*3.3%*	*-3.8%*	*3.6%*
Other Transportation Funds	$179.3	$182.3	$190.4	$202.4
Percent Change	*3.5%*	*1.7%*	*4.4%*	*6.3%*
Total Transportation Revenue	**Actual FY 2023-24**	**Forecast FY 2024-25**	**Forecast FY 2025-26**	**Forecast FY 2026-27**
Total Transportation	**$1,425.1**	**$1,507.5**	**$1,564.8**	**$1,633.7**
Percent Change	***12.5%***	***5.8%***	***3.8%***	***4.4%***

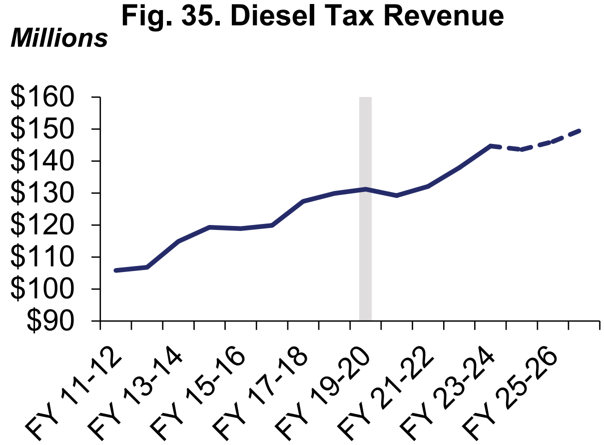
The Highway Users Tax Fund is the largest transportation-related cash fund, with revenues primarily coming from motor fuel taxes and motor vehicle registrations. Motor fuel taxes make up over half of the HUTF and comprise both gas and diesel tax revenue. Colorado continues to show lagging signs in fuel revenue with gasoline tax revenue received in this current fiscal year declining 4.2 percent year-to-date. In the September 2024 OSPB forecast, higher fuel revenue expectations were supported by a strong start for diesel revenue. However, diesel tax revenue has begun to slump even more dramatically than gasoline tax revenues in recent months with a 13.9 percent decline when compared to the first four months of the previous fiscal year. 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. For diesel in addition to the aforementioned factors, declines in consumer spending on goods which impact freight shipping could play a role. OSPB forecasts some stagnation of fuel revenue in the near term before growing again in the outyears, as shown in the figures below.

Fig. 34. Gasoline Tax Revenue



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

Fig. 35. Diesel Tax Revenue



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

Fuel trends also impact the Road Usage Fee, which is similarly tied to gasoline and special fuel consumption. However, the increasing nature of this fee, which increases until it hits 8 cents in FY 2028-29, then begins growing again in FY 2031-32 and thereafter at the pace of inflation, will continue to drive growth in the total HUTF in the near term. Registration-related revenue is also expected to propel HUTF revenue as FY 2024-25 is the first fiscal year with the fully restored Road Safety Surcharge. Lastly, the "Other HUTF" category is anticipated to maintain steady growth which can be largely attributed to the Retail Delivery Fee, the Daily Rental Fee, as well as some miscellaneous fines, charges, and fees.

Figure 36. HUTF Distributions

HUTF Distributions ($M)	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Off-the-Top Deductions	$186.9	$200.0	$210.6	$222.9
State Highway Fund (CDOT)	$634.1	$672.6	$696.2	$722.3
Counties	$239.2	$253.0	$261.6	$271.1
Cities	$157.9	$170.8	$178.4	$186.4
Total HUTF	**$1,218.0**	**$1,296.5**	**$1,346.8**	**$1,402.7**

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 a small increase in the SHF in FY 2024-25 due to interest revenue and special transport permits, followed by a slight decline in the out-years related to interest and other permits and fees returning to historical norms. Other miscellaneous transportation revenue is expected to see significant gains in registration-related revenue accounts such as DRIVES and the AIR Account, which will outweigh the large, anticipated declines in the Aviation Fund.

The transportation forecast reflects current law. In the Governor's November 1, 2024, budget submission, there were various policy proposals that would impact transportation revenue. These proposals are not reflected in the OSPB baseline forecast shown above. These specific proposals can be found in Table 4b within the Appendix section of this forecast document, and additional information regarding the proposals can be found in the Governor's November 1 budget submission.

Limited Gaming

Total limited gaming revenue finished FY 2023-24 with 1.9 percent growth, including fees and interest, as well as exempt and non-exempt revenue. This is relatively muted growth compared to the prior fiscal year's 7.5 percent growth in total limited gaming revenues. With received revenue through the first four months of the current fiscal year, OSPB anticipates another year of a marginal year-over-year increase. The rapid rebound in revenue after the pandemic has decelerated, and revenue is only slightly outpacing the prior year. Adjusted Gross Proceeds (AGP) through the first four months of the fiscal year is 2.1 percent ahead of the AGP through the same period in the previous fiscal year. OSPB expects this limited growth to continue for TABOR nonexempt gaming revenue through the forecast window, with 0.9 percent growth in gaming revenue subject to TABOR by the end of FY 2024-25, followed by increasing 2.0 and 2.3 percent growth rates in the outyears respectively. While consumers' excess savings may be dwindling and interest in gaming may have hit a peak which may be difficult to grow beyond, OSPB anticipates FY 2024-25 gaming revenues will be driven by operators' effort meet a threshold for an Electronic Player Credits refund rule to go into permanent effect. These numbers and the corresponding distributions are shown in Figure 37 below.

Figure 37. Limited Gaming Distributions

Distribution of Limited Gaming Revenues ($M)	Prelim FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
A. Total Limited Gaming Revenues (Includes Fees and Interest)	**$179.3**	**$182.1**	**$186.0**	**$190.3**
Annual Percent Change	1.9%	1.6%	2.1%	2.3%
B. Total Limited Gaming Revenue	**$124.5**	**$125.6**	**$128.2**	**$131.2**
C. Total Extended (Limited) Gaming Revenue	**$54.8**	**$56.6**	**$57.8**	**$59.1**
D. Total Amount to Base Revenue Recipients (Total Limited Gaming Revenue Less Expenses)	**$114.6**	**$115.3**	**$117.9**	**$120.9**
Amount to State Historical Society (28%)	$32.1	$32.3	$33.0	$33.8
History Colorado (80% of 28%)	$25.7	$25.8	$26.4	$27.1
Grants to Cities for Historical Preservation (20% of 28%)	$6.4	$6.5	$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	$58.9	$60.4
Local Government Impact Fund	$6.0	$7.2	$7.3	$7.5
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	$22.9	$24.0	$25.3
E. Total Amount to Amendment 50 Revenue Recipients (Extended Limited Gaming Revenue Less Expenses)	**$46.4**	**$51.9**	**$53.1**	**$54.5**
Community Colleges, Mesa and Adams State (78%)	$36.2	$40.5	$41.4	$42.5
Counties (12%)	$5.6	$6.2	$6.4	$6.5
Cities (10%)	$4.6	$5.2	$5.3	$5.4
F. Total Amount to Counties and Cities Originally From Limited Gaming	**$31.6**	**$31.8**	**$32.5**	**$33.4**
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	$6.5	$6.6	$6.8
G. Gaming Revenue Subject to TABOR (Total Limited Gaming Revenue Less Distribution to Locals)	**$92.9**	**$93.7**	**$95.7**	**$97.8**
Annual Percent Change	-23.4%	0.9%	2.0%	2.3%

Severance

After severance tax revenue declined by 42.0 percent in FY 2023-24 following a record-high year, revenue is projected to decline again in FY 2024-25 by 0.4 percent to $216.6 million as oil price weakness and a net-negative revenue month weigh on the forecast. In November, taxpayer refunds were higher than revenue collections, likely from tax returns filed during the tax-filing extension deadline in October that were processed in November, which led to a net-negative $18.3 million in revenue to the State. This net-negative revenue month has led to a significant downward revision of $35.0 million from the September forecast. Oil and gas revenue collections are still expected to minimally increase year-over-year, but this is largely due to the expectation of additional revenue from HB23-1272, which reduced the ad valorem credit. In FY 2025-26, collections are estimated to increase by 5.0 percent to $227.4 million, as natural gas prices are projected to fully recover and a more-limited usage of the ad valorem credit is expected to increase revenue. However, this is a $30.8 million downward revision from the September forecast due to a weaker oil price forecast for the fiscal year. In FY 2026-27, revenue is forecast to decline by 12.7 percent to $198.6 million, primarily due to the sunset of the reduced ad valorem credit beginning in Tax Year 2027, which results in a negative revenue impact for the latter half of the fiscal year. 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 38. Severance Tax Forecast ($M)

	Preliminary FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Oil & Gas	$178.1	$179.8	$199.4	$172.8
Coal	$6.6	$6.7	$6.4	$6.2
Moly & Metals	$1.7	$2.1	$2.0	$2.0
Interest	$30.9	$28.0	$19.6	$17.6
Total	**$217.3**	**$216.6**	**$227.4**	**$198.6**
Change	***-42.0%***	***-0.4%***	***5.0%***	***-12.7%***

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 39.

Figure 39. 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**	**$188.6**	**$207.8**	**$181.0**
Distribution				
Decarbonization Tax Credits Administration	$13.7	$29.3	$31.7	$14.8
Department of Natural Resources	$86.4	$79.7	$88.1	$83.1
Department of Local Affairs	$86.4	$79.7	$88.1	$83.1

Finally, in the Governor's November 1, 2024 budget submission, there were various policy proposals that would transfer certain severance tax revenue to the General Fund throughout the forecast period following the initial distributions. These proposals are not reflected in the OSPB baseline forecast shown above. These specific proposals can be found in the Budget section and Table 4b within the Appendix section of this forecast document, and additional information regarding the proposals can be found in the Governor's November 1 budget submission.

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 came in at $96.1 million. In previous forecasts, OSPB had expected 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*, but revenues still grew 7.5% year-over-year from FY 2022-23 to FY 2023-24. In FY 2023-24, OSPB did see 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 8.0 percent to $103.8 million, largely a result of fee reductions rolling off, followed by a more moderate 2.9 percent increase in revenue in FY 2025-26 to $106.9 million, and picking up slightly in FY 2026-27 to 3.8 percent for $111.0 million.

The category of "Other Miscellaneous Cash Funds" includes revenue from over 300 cash fund programs that collect revenue from fees, fines, and interest earnings. 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. That list of 25 funds, or the "Top 25", accounted for 66.9 percent of revenue in the Miscellaneous Cash Fund forecast in FY 2023-24, down from 70.6 percent from the Top 25 Funds in FY 2022-23. Now that the previous fiscal year, FY 2023-24, has been closed out, OSPB has updated the list of Top 25 Funds for this forecast to reflect the new Top 25 cash funds, which can be found in Table 6b. An important note within the Top 25 Funds, the Employment Support Fund was in the Top 25 of Funds for revenue but officially closed the fiscal year with less than $0.1M in revenue in FY 2023-24 due to balance caps on the fund implemented in HB24-1409, *Modifications to the Employment Support Fund*. 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 September 2024 OSPB Forecast, FY 2024-25 revised up 3.1 percent and $29.2 million, FY 2025-26 has been revised up by 5.9 percent and $57.6 million, and FY 2026-27 has been revised up 3.3 percent and $33.4 million. The below table details the forecasted revenue through FY 2026-27.

Figure 40. 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	$628.9	$618.0	$641.4	$646.5
Other	$258.6	$311.8	$363.7	$392.8	$401.2
Total	$878.4	$940.7	$981.7	$1,034.1	$1,047.7

Figure 41. 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%	1.5%	-1.7%	3.8%	0.8%
Other	-6.9%	20.6%	16.6%	8.0%	2.2%
Total	1.0%	7.1%	4.3%	5.3%	1.3%

As highlighted in all 2024 Quarterly OSPB forecasts, interest income has been 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 from the Federal Reserve, as well as the State having higher average cash portfolios throughout the Fiscal Year. 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 2023-24 and expectations for 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 regarding this legislation. For broad revisions to out-year forecast revenues, OSPB has revised up expectations for necessary cash fund fee increases. This forecast only considers current law, however, there are some proposals included in the Governor's FY 2025-26 November 1 Budget Submission, which have revenue impacts to Miscellaneous Cash Funds. The impacts of all applicable decision items are detailed in the Budget section and Appendix Table 4B.

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 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. On July 1st, 2024, $14.9 million was transferred from the TABOR-exempt General Fund account into the HSMA Cash fund which was created by HB24-1390. In FY 2023-24 revenue actuals for HSMA were $127.0 million.

Figure 42. Healthy School Meals for All Revenue

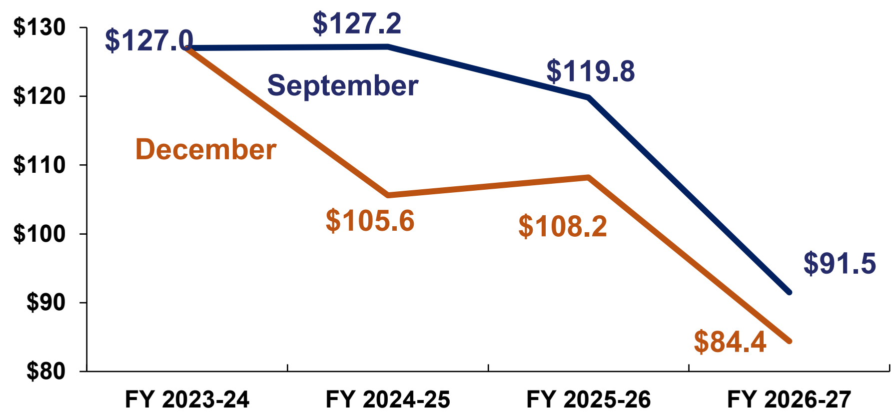
	FY 2023-24 Actual	FY 2024-25 Forecast	FY 2025-26 Forecast	FY 2026-27 Forecast
Revenue (Millions)	$127.0	$105.7	$108.2	$84.41
Growth	197.4%	-16.8%	2.4%	-22.0%

In FY 2024-25, revenue is expected to fall by 16.8 percent to $105.7 million, which is a $21.5 million downward revision from the previous forecast. This downward revision is attributed to the latest income tax data from the Department of Revenue (DOR) for Tax Year (TY) 2023. In TY 2023, Proposition FF tax provisions affected 187,231 state tax returns, resulting in HSMA revenue of $109,189,061. In the September forecast, OSPB had estimated that 202,092 returns would qualify under the Proposition FF tax provision, based on the expected number of taxpayers with an AGI above $300,000. Closely aligned with those forecast expectations, in Tax Year 2023 206,895 tax returns reported an AGI greater than $300,000. However, only 187,231 of those returns have Proposition FF tax liability that is allocated toward HSMA. This is because 76,699 of the returns were from taxpayers who were either part-year or non-residents, including 19,658 filers with zero Colorado taxable income. State tax returns with zero Colorado taxable income do not contribute to HSMA revenue even if their AGI is greater than $300,000. While OSPB made conservative assumptions on the growth of tax filers above $300,000 AGI in estimating HSMA revenue, the earlier fiscal analysis did not properly account for tax returns from non-resident and part-time residents with no Colorado taxable income, which resulted in overestimating revenue.

Tax Year 2023 is the first year of full data used in this revenue forecast, incorporating adjustments for two issues that were not accounted for in previous OSPB forecasts. As noted above, the first is that there were fewer HSMA-qualifying returns with an AGI above $300,000 than expected due to increasing returns with zero Colorado taxable income over the course of the year. With 14,861 fewer HSMA-qualifying returns than forecasted, this led to approximately $8.7 million less in revenue. Secondly, average revenue per return decreased over the course of the tax year. Through June 2024, the average HSMA revenue per qualifying return was $613.25. By the end of Tax Year 2023 collections in November 2024, this decreased to $583.18, a $30.07 (4.9%) reduction. This decline is due to an increase in tax returns with zero Colorado taxable income, which lowered the average revenue. OSPB was previously unaware of these trends among filers with AGI above $300,000. Had the average remained stable, it would have resulted in an additional $5.6 million in revenue.

Due to these assumptions, revenue for FY 2025-26 is revised down by $11.6 million from the September forecast to $108.2 million, while revenue for FY 2026-27 is revised down by $7.1 million to $84.4 million. FY 2026-27 revenue is expected to face a sharp decline of 22.0 percent from FY 2025-26 to FY 2026-27 due to the Tax Cuts and Jobs Act (TCJA) standard deduction provisions expiring at the end of 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. The OSPB September forecast had already accounted for the expiring provisions of the TCJA. However, the downward revisions across all fiscal years in this forecast are due to the newly received Tax Year 2023 data.

Figure 43. HSMA Tax Forecast December vs. September



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. OSPB estimates $26.3 million that should be held in the HSMA reserve until a ballot measure to retain revenue above the Blue Book for Proposition FF goes to voters in November 2025. Therefore, in addition to the $14.9 million in the HSMA cash fund to end FY 2023-24, OSPB estimates that an additional $11.4 million needs to be set aside for the ballot measure reserve. After accounting for the amount to be held, available HSMA revenue in FY 2024-25 is expected to be $94.3 million while expenses for the year are estimated to be around $124 million according to CDE. As previously noted, revenue for FY 2025-26 is estimated at $108.2 million, while preliminary expenditure estimates from CDE for meal reimbursement alone are projected to be $130 million. During the upcoming supplemental and budget amendment process, OSPB plans to develop recommendations to address the potential revenue shortfall and explore strategies to maintain the solvency of HSMA.

Marijuana

Marijuana revenue fell in FY 2023-24, largely as a function of stable prices but a decrease in the quantity sold, with preliminary figures for FY 2023-24 indicating a year-over-year decline of 12.3 percent. However, this forecast expects the market to stabilize as prices are expected to slowly rebound next calendar year alongside incremental increases in quantity demanded. OSPB forecasts a 0.1 percent decline in FY 2024-25, 4.7 percent in FY 2025-26, and 2.2 percent in FY 2026-27.

Figure 44. Marijuana Tax Revenue through FY 2026-27

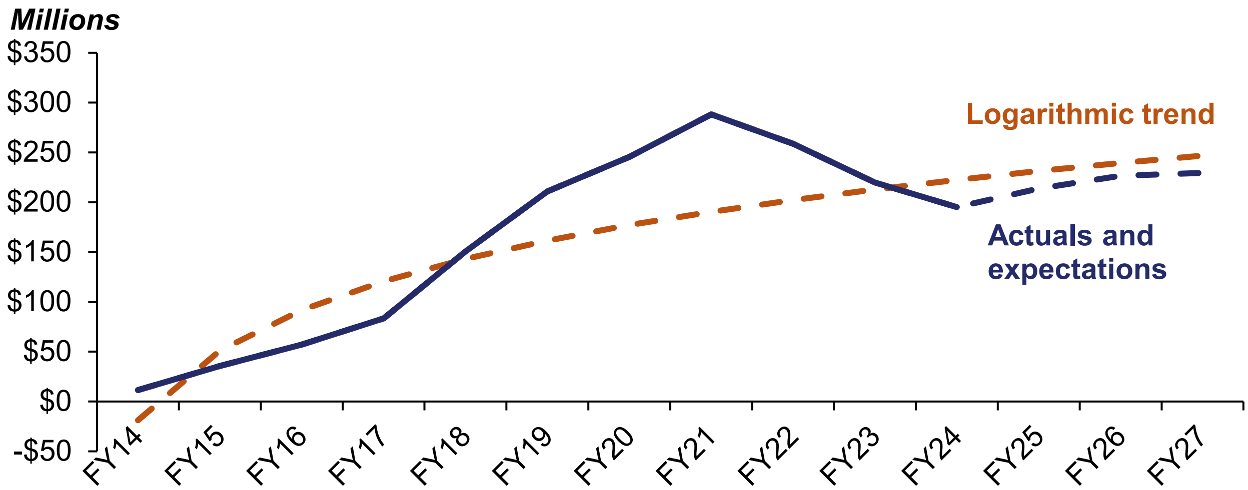
Marijuana Tax Revenue	Forecast FY 23-24	Forecast FY 24-25	Forecast FY 25-26	Forecast FY 26-27
Proposition AA Taxes (Not Subject to TABOR)				
Retail Marijuana 15% Special Sales Tax	$195.0	$198.7	$209.3	$212.0
Retail Marijuana 15% Excise Tax	$47.9	$43.4	$44.7	$48.3
Interest Earnings[25]	$4.1	$4.0	$3.5	$3.0
Total Proposition AA Taxes	**$247.0**	**$246.0**	**$257.5**	**$263.4**
2.9% Sales Tax & Interest (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$3.9	$4.6	$5.1	$5.1
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**	**$6.0**	**$6.4**	**$6.3**
Total Marijuana Taxes	**$252.3**	**$252.0**	**$264.0**	**$269.7**

Prices were stable in FY 2023-24, as the Average Market Rate (AMR) for wholesale flower was $750 per pound for Q4 2023 and Q1 2024, and $749 per pound for Q2 2024. However, in FY 2024-25, prices have begun to fall, dropping to $699 per pound in Q3 2024, then $658 in Q4 2024. Despite this price decline, the quantity of wholesale flower demanded has continued to fall, possibly linked to less wholesale product required as retail sales shift towards concentrate products. As a result, OSPB expects excise tax revenue to be below FY 2023-24 levels during the current and upcoming fiscal year before rebounding to just above FY 2023-24 excise revenue in FY 2026-27.

On the other hand, OSPB expects that retail sales volume has troughed based on imputed data, and it is expected to first stabilize at approximately current levels and then slowly growing throughout the forecast period. With respect to the special sales tax, revenue is a function of the retail sales price and the quantity sold. OSPB expects retail prices to begin to rebound next calendar year alongside the quantity sold. However, relative to the September forecast, current actual prices are lower than previously expected while the volume of retail sales is now forecast to be lower over the full time horizon, thereby leading to a downward revision in expected revenue. Overall though, OSPB sees the last five fiscal years in the marijuana market as a boom-and-bust cycle that OSPB now expects to normalize to just below the pre-pandemic natural logarithmic trend. Changes in the natural log are roughly equal to percentage changes in the original series, and the trajectory of a natural log trend reflects the anticipated limit of marijuana sales growth given the expected stabilization of prices and demand.

[25] OSPB has not previously published interest earnings on exempt marijuana funds as part of the forecast. However, in conversations with LCS, both offices have decided to incorporate these earnings into the MTCF forecast going forward. As such, the revisions in Figure 46 below are slightly deflated since the September forecast numbers did not account for this additional revenue.

Figure 45. Marijuana Special Sales Tax Revenue, FY14-FY27



Source: Colorado Department of Revenue, OSPB's calculations

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

Figure 46. Forecast-Over-Forecast Revisions by Fund

Marijuana Tax Revenue (December)	Total Revenue	Local Share	General Fund	BEST	Public School Fund	Marijuana Tax Cash Fund
Preliminary FY 2023-24	$252.3	$19.5	$27.3	$47.9	$22.1	$135.5
Forecast FY 2024-25	$252.0	$19.9	$27.8	$43.4	$22.5	$138.4
Forecast FY 2025-26	$264.0	$20.9	$29.3	$44.7	$23.7	$145.3
Forecast FY 2026-27	$269.7	$21.2	$29.7	$48.3	$24.0	$146.4

Change from September	Total Revenue	Local Share	General Fund	BEST	Public School Fund	Marijuana Tax Cash Fund
Preliminary FY 2023-24	$4.3	$0.0	$0.0	$0.0	$0.0	$4.3
Forecast FY 2024-25	-$16.7	-$1.5	-$2.1	-$5.2	-$1.7	-$6.3
Forecast FY 2025-26	-$21.1	-$1.7	-$2.4	-$7.2	-$1.9	-$7.9
Forecast FY 2026-27	-$23.1	-$1.7	-$2.4	-$8.4	-$2.0	-$8.6

The FY 2023-24 completed year is revised up after collaborating with LCS staff to confirm both forecasts will include interest revenue going forward, which they previously had not. Revisions down in forecast years are primarily due to the recent drop in retail sales, as well as the continued decline of the AMR, which, at $658 per pound, is the second lowest it has been since marijuana sales began in Colorado. The only other time the prices have been this low or lower are Q4 2022 and Q1 2023, in the wake of the post-pandemic oversupply issues and subsequent market readjustment. However, as noted above, OSPB expects prices and quantity sold to increase beginning next calendar year. Additionally, in November 2024, Colorado Springs voters approved Ballot Question 300, legalizing recreational marijuana sales in the city. Once sales begin, OSPB expects a modest boost in revenue.

Federal Mineral Lease

After a 44.2 percent revenue decline in FY 2023-24 due to depressed natural gas prices, federal mineral lease (FML) revenue is projected to decline again in FY 2024-25 following a weak first quarter payment and slowly recovering prices. During FY 2022-23, Henry Hub natural gas prices averaged $4.63 per million BTU on a weekly basis, compared to an average of $2.39 in FY 2023-24, which reached a trough of $1.40 in mid-March. Through November, prices have averaged $2.14 per million BTU thus far in FY 2024-25, leading to revenue weakness early in the fiscal year. However, prices are expected to increase closer to long-term average levels over winter as natural gas inventories are drawn down. 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. The Energy Information Administration forecasts that natural gas prices will reach long-term average levels over the course of 2025. Energy price assumptions are discussed in more detail in the energy section of the economic outlook.

Following the sharp revenue decline in FY 2023-24, FML revenue is projected to slowly decline again in FY 2024-25 by 4.4 percent to $92.6 million. Compared to the September forecast, this is a $15.6 million downward revenue revision following a below-expectation first quarter collection and natural gas prices recovering at a slower pace than previously projected. In FY 2025-26, FML revenue is estimated to grow by 14.9 percent to $106.5 million with natural gas prices expected to recover to average levels over the full fiscal year. However, this represents a downward revision of $10.3 million from September, largely from weaker oil price expectations. Finally, revenue is projected to grow slowly by 3.1 percent to $109.8 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 47.

Figure 47. Federal Mineral Lease Forecast Distribution Table

	Preliminary FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Total FML Revenue	**$96.9**	**$92.6**	**$106.5**	**$109.8**
Change	-44.2%	-4.4%	14.9%	3.1%
Bonus Payments (portion of total FML revenue)	$0.4	$0.4	$0.5	$0.5
Local Government Perm Fund	$0.2	$0.2	$0.2	$0.2
Higher Ed FML Revenues Fund	$0.2	$0.2	$0.2	$0.2
Non-Bonus FML Revenue	$96.5	$92.3	$106.0	$109.3
State Public School Fund	$46.6	$44.6	$51.2	$52.8
Colorado Water Conservation Board	$9.6	$9.2	$10.6	$10.9
DOLA Grants	$19.3	$18.5	$21.2	$21.9
DOLA Direct Distribution	$19.3	$18.5	$21.2	$21.9
School Districts	$1.6	$1.6	$1.8	$1.9

Sports Betting

Since the legalization of sports betting through Proposition DD in Colorado in 2020, there has been consistent growth in tax revenues. Fiscal Year 2023-24 was no different, with 16.2 percent growth in wagers year-over-year and 19.0 percent growth year-over-year in tax collected. This rapid, continued growth indicates sports betting popularity has not yet slowed or stabilized. Received revenue for FY 2024-25 is expected to continue the sustained, elevated growth. The total of wagers from July to October of this year is 12.2 percent higher than the during same period in the prior fiscal year. In addition to rising wagers, sports betting operators have increased their average hold percentage. Hold percentage is the amount retained by the sports betting operators after making payments to players for successfully won wagers. Hold percentage is representative of how successful Colorado sports bettors were against the operators in a given month. Over the course of fiscal year 2023-24, the average hold or win percentage of the operators was approximately 7.6 percent, whereas over the first 4 months of the current fiscal year operator’s hold percentage has been 8.9 percent. Increased hold or win percentage will increase operators Gross Gaming Revenue (GGR) which in turn will increase the taxable base, before the allowable deductions for Free Bets and Federal Excise tax. Free bets deductions continue to be utilized by operators but will begin to decline in accordance with HB22-1402. Sports betting revenue is expected to continue the healthy growth trajectory shown in figure 48 below, largely driven by the increasing wagers, hold percentage from operators, and declining free bet deductions. OSPB anticipates this revenue stream will begin to stabilize in the outyears similar to limited gaming as likely market participants are all already participating in sports betting.

Figure 48. Colorado Sports Betting Taxation Revenue Distribution

	Preliminary FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Total Sports Betting Tax Revenue	**$29.85**	**$36.81**	**$38.54**	**$40.16**
Hold-Harmless Fund (6%)	$1.79	$2.21	$2.31	$2.41
Behavioral Health Administration	$0.13	$0.00	$0.00	$0.00
Water Plan Implementation Cash Fund	$27.93	$34.60	$36.22	$37.75

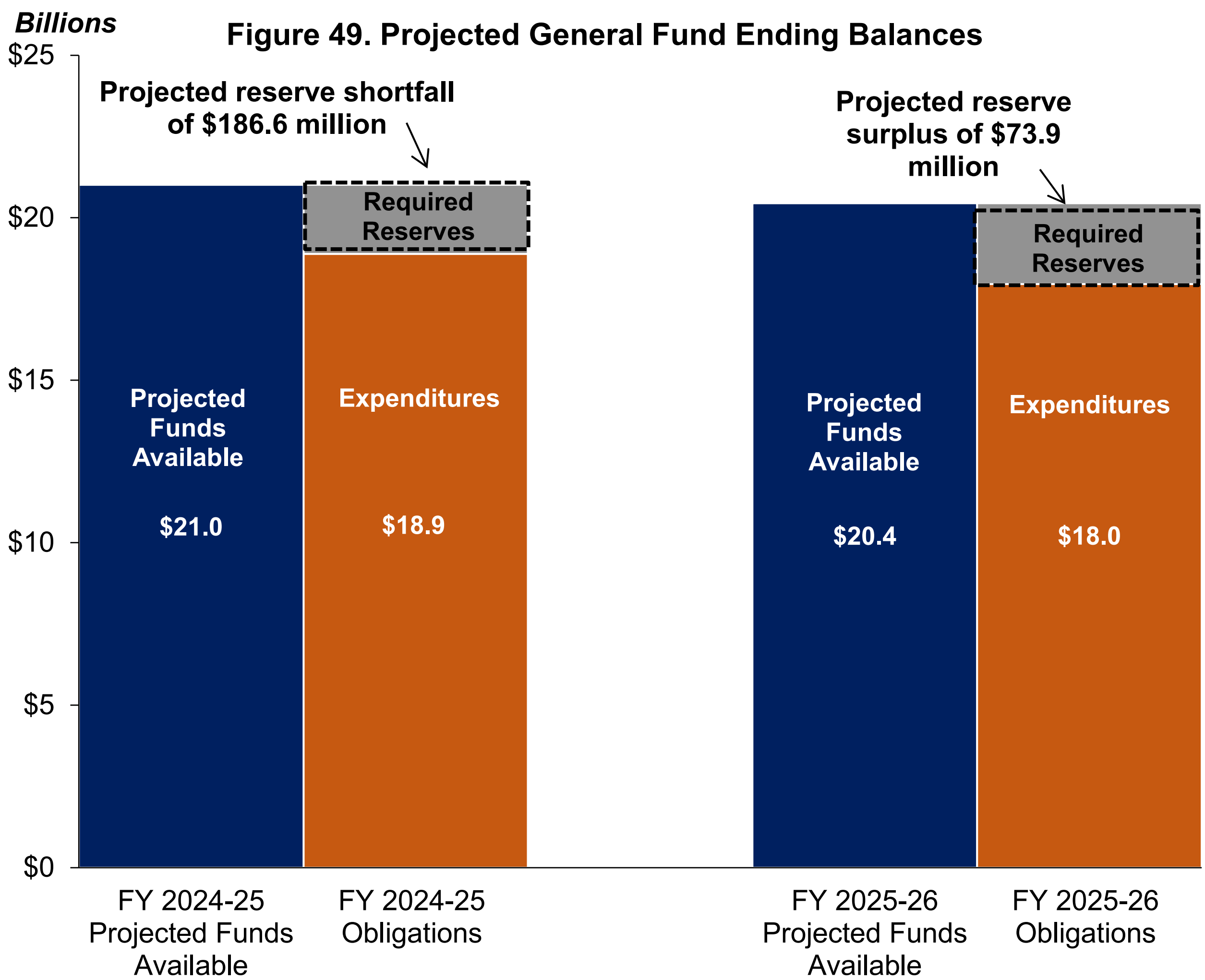
As shown in Figure 48 above, sports betting revenues are distributed by a formula. Given the passage of Proposition JJ on the Colorado ballot this past November, the state is allowed to retain all revenues in excess of $29 million. Six percent of the sports betting revenue goes to the 'Wagering Revenue 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.

Budget Outlook

General Fund

Preliminary estimates suggest that in FY 2023-24, revenue declined by 4.1 percent off the previous year's record. In FY 2024-25, revenue is expected to increase 1.9 percent, an upward revision of $369.4 million as increased income expectations more than offset reductions in expected sales tax revenue. In FY 2025-26, revenue is expected to grow moderately again at 1.7 percent, due to similar income tax revenue growth rates, but with upward revisions of gross General Fund revenue of $278.3 million due to base effects.

Figure 49. Projected General Fund Ending Balances



Using preliminary estimates from the Office of the State Controller (OSC), OSPB now expects the FY 2023-24 General Fund ending balance to be $1,137.9 million above the statutory reserve limit. Furthermore, in Figure 49 above, OSPB presents the budgetary outcomes resulting from the revenue projections included in this forecast combined with the November 1st Governor's Budget submission. These figures can be found in Table 4c of the Appendix as well. In this forecast, OSPB expects a budget shortfall of $186.6 million in FY 2024-25, a $105.7 million revision from the September forecast which is largely due to the inclusion of preliminary General Fund reversions from OSC combined with an increase in the transfer from HB24-1426 above what was previously expected. In FY 2025-26, OSPB expects a budget surplus of $73.9 million based on the current forecast combined with the Governor's budget, which is largely due to an upward revision in the expected population growth estimate in Colorado. Note that when the November 1st Governor's budget was submitted, it was based on the September forecast, and was a balanced budget with no additional surplus. Thus, additional growth in the TABOR cap is largely responsible for an additional $73.9 million in budget room. The January 2nd Supplemental and Budget Amendment submission will describe how those additional expected funds will be utilized.

To crosswalk from September to December, OSPB lays out the two steps below to get there. First, the December Table 4a (see appendix) represents the forecast without any adjustments to revenue, transfers, or expenditures included in the Governor's budget submission. It uses only current law to forecast revenue, transfers, and rebates and expenditures, and only includes the FY 2025-26 base budget when logging the appropriations subject to the reserve. In Figure 50 below, the crosswalk shows that the reversions are the main impact in FY 2024-25 and that, in FY 2025-26, the expected TABOR cap growth increase combined with the higher anticipated ending balance the previous year provide additional budget room compared to the September forecast. All other factors, such as changes to cash funds expectations are also included. At the bottom of the figure below, it shows that there is $419.4 million available to spend after the base budget. While this is an increase from the $326.0 million presented in September, it still is well short of anticipated expenditures largely driven by caseload, which led to the tighter budget submission for FY 2025-26. Note that in Figure 50 below, the FY26 crosswalk starts with $16.11 billion in possible subject to the limit spending, and after describing the drivers of pure economic forecasting changes, ends with an available $16.26 billion to expend to achieve a balanced budget. Then, comparing the base budget of $15.84 billion to the $16.26 billion results in the aforementioned $419.4 million of available General Fund prior to necessary caseload, common policy, capital or other new spending.

Figure 50: Crosswalk between June and September Ending Balances

Sept Forecast FY25 Ending Balance Above/Below Reserve	**($313.7)**
(+) Beginning Balance (FY24 GF Reversions)	$72.0
(+) Exempt GF Revenue Increase	$7.9
(+) Cash Fund Revenue Decrease	$8.7
(+) Transfers into GF Revision	$17.4
(-) Approps Revision	$0.0
(-) R&E Revision	($3.2)
(-) Transfers from GF to Other Funds Revision	($0.8)
Dec Forecast FY25 Ending Balance Above/Below Reserve (+$101.8M)	**($211.9)**
Sept Forecast FY26 STL Spending Availability (Balanced Budget)	**$16,105.0**
(+) Beginning Balance (from FY25)	$101.8
(+) TABOR Revenue Cap	$95.6
(+) Exempt GF Revenue Increase	$28.3
(+) Cash Fund Revenue Decrease	($17.4)
(+) Transfers into GF Revision	$1.4
(-) R&E Revision	($5.0)
(-) Transfers from GF to Other Funds Revision	($25.6)
(+) Decrease in Required Reserve	$39.5
(+) Adjustment to Account for FY26 Budget Above Statutory Reserve	($62.9)
Dec Forecast STL Spending Availability (Prior to Gov Submission, Balanced Budget)	**$16,261.0**
(Less) Dec Forecast FY25 Base Plus FY26 Technical Adjustments	$15,841.6
New FY26 GF Available to Spend (after TAs)	**$419.4**

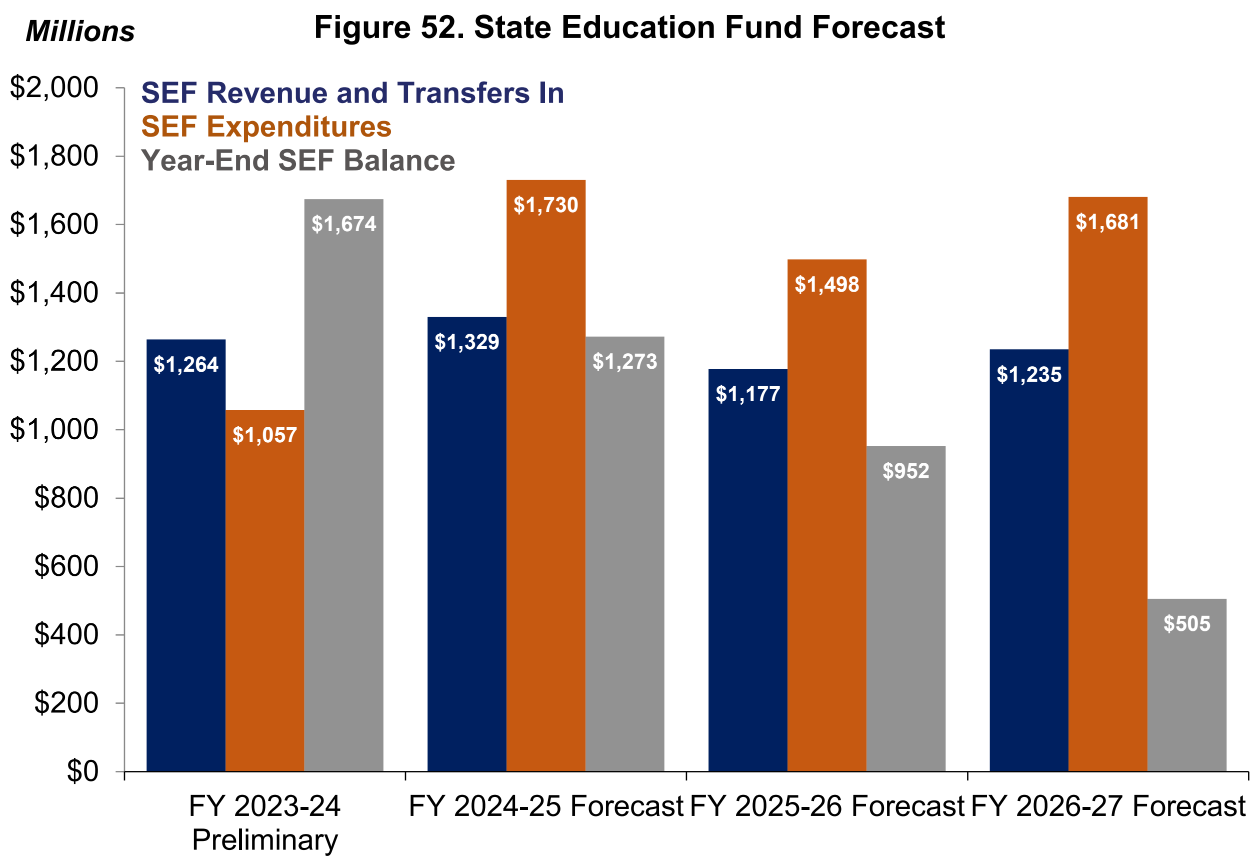
Then, the 4b in the appendix provides high level detail of the November 1 Governor's budget submission, which includes impacts on transfers into and out of the General Fund as well as impacts to nonexempt and exempt General Fund, nonexempt Cash Funds, and Rebates and Expenditures. Transfers into the general fund that include the Statewide R-01 request, which proposes sweeps of interest in FY 2024-25 and FY 2025-26 for select cash funds, and DNR R-10, which sweeps severance tax revenue in DNR as a part of a larger proposed restructuring. Additionally, there are proposed new transfers out of the General Fund, including HC R-05 for 150/250 investments and CDPHE R-01 to support a sustainable funding path for the Stationary Sources Cash Fund. Furthermore, there are reductions in existing transfers including halving formulaic transfers to Advanced Industries Cash Fund (OEDIT R-08) and spreading out transfers in SB21-260 over more years (CDOT R-03). Furthermore, nonexempt Cash Fund impacts include DOR's R-06, which will restructure the License Plates and Colorado Correctional Industries', and Unemployment Insurance Funding Expansion (CDLE R-01). Nonexempt General Fund impacts include a new conditional film tax credit to support local festivals and an expansion and extension of the Employer Opportunity tax credit. Finally, there are a few other impacts, including new exempt General Fund from a proposed Pinnacol conversion and a new possible expenditure that would not be subject to the 15 percent reserve, the PERA Direct Distribution.

After the budget submission is layered on top of the base budget, the Table 4c is then able to illustrate all the impacts from the budget combined with forecasted factors not tied to the submission. As discussed above, OSPB expects that there will be $419.4 million in revenue to expend, but $521.1 million in appropriations subject to the reserve largely driven by caseload and common policies that are partially offset by submitted budget savings proposals, transfers out of the General including capital construction partially offset by reductions in transportation transfers out, $165.4 million in expenditures not subject to the limit, alongside transfers and revenue changes that lead to a $73.9 million ending balance above the reserve in FY 2025-26, as shown in Figure 51 below.

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. Legislation passed during the 2024 legislative session has placed increased pressure on the fund. The fund projections outlined in this section reflect all SEF appropriations and legislative changes enacted during both the regular and special sessions of 2024. This includes bills with the most significant fiscal impact, such as HB24-1448 (New Public School Finance Formula), SB24-233 (Property Tax), and HB24B-1001 (Property Tax). These SEF forecasts are based on current law and do not account for the potential effects of the Governor's November 1 Budget proposal on the SEF.

Figure 52. State Education Fund Forecast

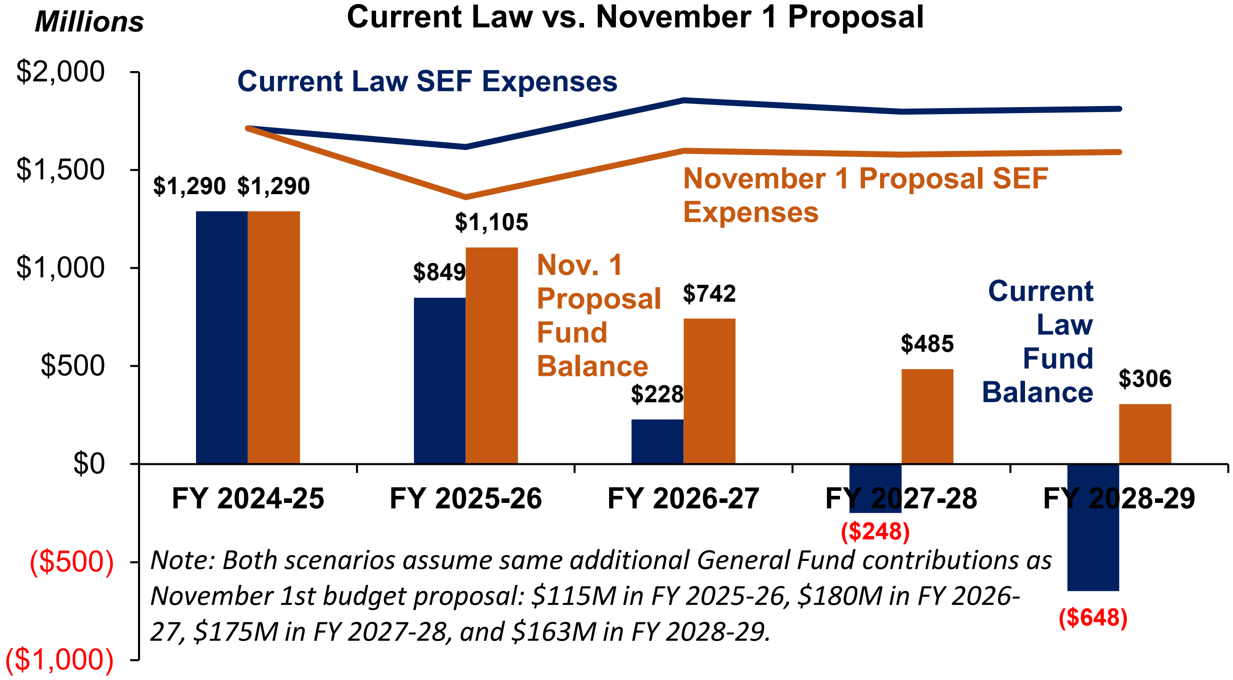


In FY 2024-25, the SEF balance is forecast to decrease to $1,272.9 million, a drop of $401.3 million from the previous year. This is a slight upward revision of $16.8 million from the September forecast, due to SEF revenue expectations being revised up by $43 million. In FY 2025-26, the SEF balance is projected to decrease to $951.9 million and further decline to $505.4 million in FY 2026-27. For FY 2025-26, this is an upward revision of $25.1 million from the September forecast, driven by improved by SEF revenue expectations due to higher-than-expected income and corporate tax collections. Over the two-year period, the reduction in the SEF balance is due to anticipated expenditures exceeding SEF revenue as illustrated in Figure

52. This forecast also assumes additional General Fund contributions of approximately 2.3 percent of Total Program costs in FY 2025-26 and FY 2026-27.

As noted in previous forecasts, 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 is estimated to increase cumulative Total Program requirements by approximately $284 million in the first two years of implementation, in FY 2025-26 and 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.

Figure 53. State Education Fund Expenses & Fund Balance - Current Law vs. November 1 Proposal



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. The Governor's November 1 budget proposal for Total Program funding takes into account the various fiscal pressures currently impacting the SEF. Under the November 1 budget proposal, the SEF fund balance is projected to reach $306 million by FY 2028-29 with these December forecast updates. However, if the same General Fund contributions to Total Program as outlined in the OSPB proposal under current law are assumed, the SEF fund balance is projected to be negative $648 million.

Tobacco Master Settlement Agreement

OSPB is newly forecasting the expected distributions of the Tobacco Master Settlement Agreement (TMSA) this forecast. The TMSA was an agreement settled upon in 1998 with tobacco manufacturers and significant portion of U.S. states and territories. Each year in April, Colorado receives an annual payment from tobacco manufacturers, as a release from claims with anything related to tobacco use. In April 2024, Colorado received $83.0 million. These annual payments are largely based on three factors: inflation, usage of cigarette and roll-your-own tobacco in the U.S., and tobacco manufacturers profits (adjusted for inflation). Inflation, while coming off recent highs, is expected to grow slower than previous years, though still increase payments positively. However, cigarette and roll-your-own tobacco consumption is on a downward trend in the United States, applying downward pressure on these annual payments. The OSPB forecast of the annual payments is in Figure 54 below.

Figure 54: Annual TMSA Payments to Colorado

OSPB December Forecast	Actual 2024	Forecast 2025	Forecast 2026	Forecast 2027
Tobacco Master Settlement Colorado Annual Payment (millions)	$83.0	$79.1	$75.5	$72.1

The TMSA annual payment can have significant budgetary impact as the funds are allocated to a variety of programs across the State. The payment in April is used to determine the allocation for each program the upcoming fiscal year. For example, the April 2024 Payment is used for FY 2024-25's allocations. However, the actual funds in the annual payment are utilized in both the fiscal year it is received and the following fiscal year, as an accelerated program. This was established during the Great Recession to aid in budget balancing. Approximately 3.5 percent of the distribution is unallocated but goes toward paying down this accelerated payment amount. The payment is distributed through a formula set by statute in HB16-1408, which was most recently revised in SB23-289 and HB24-1208. The current distribution table is shown in Figure 55 below:

Figure 54: Allocation of Colorado TMSA Funds

Distribution and Program	Distribution Percentage	FY24 Allocation	FY25 Allocation	FY26 Allocation	FY27 Allocation
HCPF - Children's Basic Health Plan Trust	18.0%	$16.8	$14.9	$14.2	$13.6
CDEC - Nurse Home Visitor Program	28.7%	$24.9	$23.8	$22.7	$21.7
CDHE - University of Colorado Health Sciences Center	17.5%	$16.3	$14.5	$13.8	$13.2
CDHS - Tony Grampsas Youth Services Program	7.5%	$7.0	$6.2	$5.9	$5.7
Law - Tobacco Litigation Settlement	2.5%	$4.2	$2.1	$2.0	$1.9
DMVA - State Veterans Trust Fund	1.0%	$0.9	$0.8	$0.8	$0.8
DPA - Supplemental State Contribution	2.3%	$2.1	$1.9	$1.8	$1.7

Distribution and Program	Distribution Percentage	FY24 Allocation	FY25 Allocation	FY26 Allocation	FY27 Allocation
CDPHE - State Drug Assistance Program (SDAP)	5.0%	$4.7	$4.1	$4.0	$3.8
CDPHE - AIDS and HIV Prevention (CHAPP)	3.5%	$3.3	$2.9	$2.8	$2.6
CDPHE - Immunizations	2.5%	$2.3	$2.1	$2.0	$1.9
CDPHE - Dental Loan Repayment Program (DLRP)	1.0%	$0.9	$0.8	$0.8	$0.8
CDPHE - CO Health Service Corps (CHSC)	1.0%	$0.9	$0.8	$0.8	$0.8
Capital Construction - CDHE - Fitzsimmons Lease Purchase Agreement	8.0%	$7.4	$6.6	$6.3	$6.0
Unallocated Amount	1.5%	$1.4	$1.2	$1.2	$1.1
Total	**100%**	**$93.1**	**$83.0**	**$79.1**	**$75.5**

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 future federal fiscal and monetary policy. Longer-term risks include the tax revenue and state expenditure impacts of a growing retirement-age population combined with slowing in-migration among working age adults and climate change risks that increase the frequency and costs of drought and wildfire.

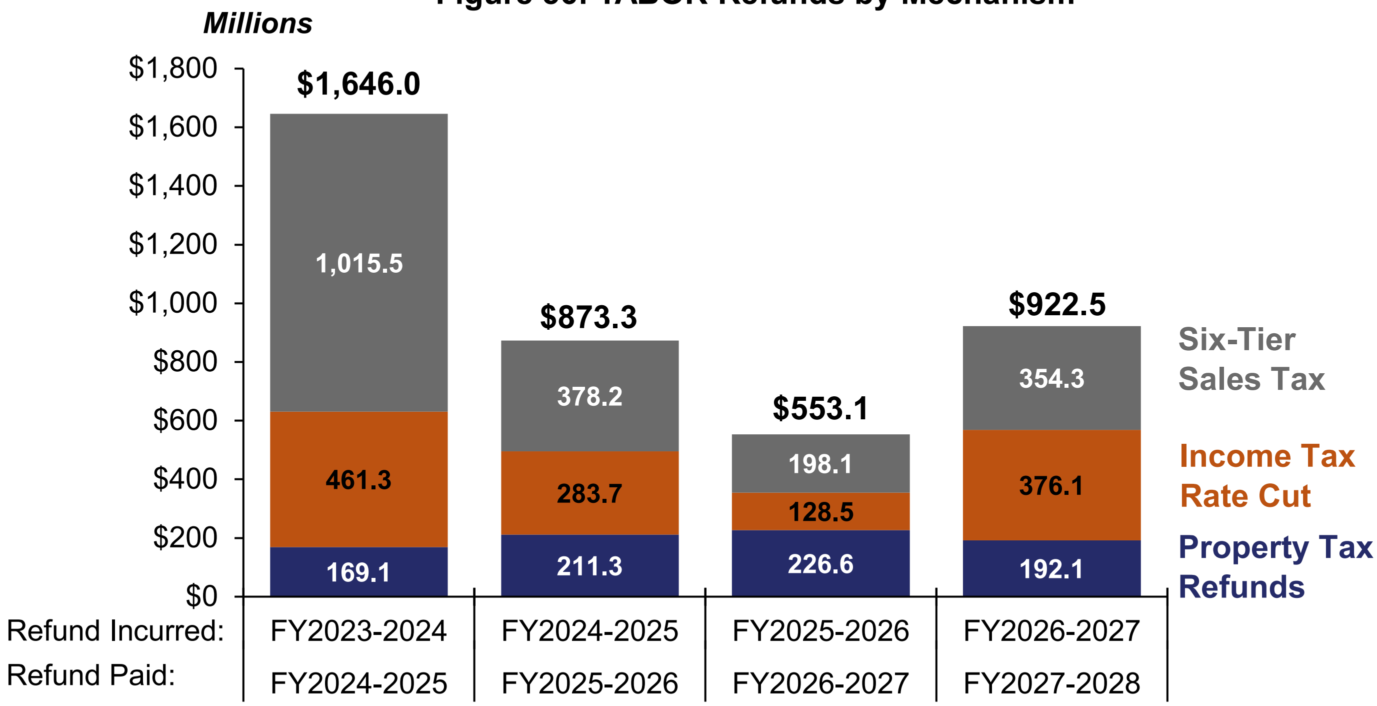
Supplemental Materials

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. In FY 2024-25, the amount above the cap is revised up to $873.3 million, a $353.0 million increase from the September forecast as the individual income and corporate tax exceeds previous expectations due to stronger wage growth and offsets weakness in consumer spending. In FY 2025-26, refunds are expected to decline again to $553.1 million as OSPB projects declining corporate revenue and slow growth in individual income and sales tax revenue. Still, this is a $171.5 million revision up from September. FY 2026-27 refunds are revised down slightly to $922.5 million as OSPB expects a similar 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.

Figure 56: TABOR Refunds by Mechanism



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 and Disabled Veteran Homestead Exemption is accounted for, 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 for Property Tax Year (PTY) 2025 and PTY 2026 when portability is allowed under SB24-111. Overall, estimates increased over the September forecast with PTY 2024 data submitted to the Department of Property Taxation and the November voter approval of Amendment G. County Assessor data showed a larger than projected increase of utilization of the exemption among both Seniors and Veterans, adding over 7,500 claimers above projections. This revised up the anticipated refund by just under $4 million, to $169.1 million. This increase in utilization is carried out to future years. Additionally, in the November election voters approved Amendment G, which expands eligibility of the exemption to additional disabled veterans, and is anticipated to add around 3,000 claimers beginning in PTY 2025. These impacts carry on throughout the forecast period. 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 changed slightly from the September forecast after the State Auditor’s report largely revised non-exempt cash fund revenue, moving the overall refunded amount from $1,660.3 million to $1,646.0 million. In addition to the $169.1 million in the Senior Homestead and Disabled Veteran property tax exemption expenditures, OSPB expects $1.02 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. DOR has certified the amount to be refunded to filers through the 6-tier sales tax mechanism, as indicated in the table below, while individual filers will see additional refunds through the income tax which will vary based on each filer’s income.

Figure 57. Six-Tier TABOR Refund Amounts

Tiers	Lower Income Bound	Upper Income Bound	Refund to Single Filers	Refund to Joint Filers
Tier 1	$0	$53,000	$177	$354
Tier 2	$53,001	$105,000	$240	$480
Tier 3	$105,001	$166,000	$277	$554
Tier 4	$166,001	$233,000	$323	$646
Tier 5	$233,001	$302,000	$350	$700
Tier 6	$302,001	and up	$565	$1,130

Source: Colorado Department of Revenue

In FY 2024-25, with economic growth expected to cool down, total refunds decline to $873.3 million, resulting in a $378.2 million sales tax refund and income tax rate cut of .09 percent, refunding $283.7 million of surplus after accounting for the projected $211.3 million in Homestead exemptions, the first year of the portability provision.

In FY 2025-26, OSPB projects a continuation of economic rebalancing, leading to the smallest TABOR refund year in the forecast period of $553.1 million. After accounting for the combined $226.6 million of projected Homestead and Homestead portability refunds, OSPB projects $198.1 million to be refunded through the six-tier sales tax mechanism, and a .04% income tax rate reduction, refunding $128.5 million. 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 2026-27, rising to $922.5 million, as the economy strengthens again after its period of weakness. Homestead refunds decrease to $192.1 million as the portability provision is set to expire, and the remaining amounts trigger a 0.11 percent income tax rate reduction, returning $376.1 million of the surplus and the remaining $354.3 million being allocated through the six-tier sales tax mechanism.

Reference Tables

Table 1: Colorado Economic Variables – History and Forecast

	Income	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Actual 2023	Forecast 2024	Forecast 2025	Forecast 2026
1	Personal Income (Billions) /A	$328.1	$351.5	$374.3	$416.7	$447.9	$470.6	$496.5	$517.3	$543.7
2	Change	8.2%	7.1%	6.5%	11.3%	7.5%	5.1%	5.5%	4.2%	5.1%
3	Wage and Salary Income (Billions)	$170.8	$183.0	$187.8	$205.6	$224.8	$238.7	$253.3	$263.9	$276.6
4	Change	6.1%	7.1%	2.7%	9.5%	9.3%	6.2%	6.1%	4.2%	4.8%
5	Per-Capita Income ($/person) /A	$57,798.0	$61,287.0	$64,700.0	$71,713.0	$76,704.0	$80,099.0	$83,338.0	$86,234.0	$90,002.0
6	Change	6.7%	6.0%	5.6%	10.8%	7.0%	4.4%	4.0%	3.5%	4.4%
	Population & Employment	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
7	Population (Thousands)	5,676.9	5,734.9	5,784.6	5,811.0	5,838.7	5,875.3	5,957.6	5,999.3	6,041.3
8	Change	1.4%	1.0%	0.9%	0.5%	0.5%	0.6%	1.4%	0.7%	0.7%
9	Net Migration (Thousands)	51.8	34.2	29.0	10.9	16.7	19.7	40.0	25.0	25.0
10	Unemployment Rate	3.0%	2.7%	6.8%	5.5%	3.1%	3.2%	3.8%	4.3%	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	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
13	Total Housing Permits Issued (Thousands)	42.6	38.6	40.5	56.5	48.8	39.4	32.0	33.2	35.8
14	Change	4.8%	-9.4%	4.8%	39.7%	-13.6%	-19.3%	-18.9%	3.9%	7.7%
15	Nonresidential Construction Value (Millions) /B	$8,132.0	$5,161.5	$5,607.5	$5,681.0	$6,671.7	$6,677.3	$5,014.7	$5,693.6	$5,915.7
16	Change	32.2%	-36.5%	8.6%	1.3%	17.4%	0.1%	-24.9%	13.5%	3.9%
	Price Variables	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
17	Retail Trade (Billions) /C	$206.1	$224.6	$228.8	$268.3	$299.9	$302.6	$310.7	$322.2	$337.4
18	Change	5.9%	9.0%	1.9%	17.3%	11.8%	0.9%	2.7%	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	327.7	337.2	346.6
20	Change	2.7%	1.9%	2.0%	3.5%	8.0%	5.2%	2.3%	2.9%	2.8%

/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

Line	Income	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Actual 2023	Forecast 2024	Forecast 2025	Forecast 2026
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$20,193.9	$20,715.7	$20,267.6	$21,494.8	$22,034.8	$22,671.1	$23,283.2	$23,725.6	$24,176.4
2	Change	3.0%	2.6%	-2.2%	6.1%	2.5%	2.9%	2.7%	1.9%	1.9%
3	Personal Income (Billions) /B	$17,528.2	$18,363.2	$19,620.1	$21,419.5	$22,088.9	$23,402.5	$24,689.7	$25,677.3	$26,807.1
4	Change	5.2%	4.8%	6.8%	9.2%	3.1%	5.9%	5.5%	4.0%	4.4%
5	Per-Capita Income ($/person) /B	$53,630	$55,929	$59,181	$64,507	$66,279	$69,876	$73,280	$75,907	$78,931
6	Change	4.6%	4.3%	5.8%	9.0%	2.7%	5.4%	4.9%	3.6%	4.0%
7	Wage and Salary Income (Billions)	$8,899.8	$9,325.1	$9,465.7	$10,315.6	$11,123.1	$11,725.2	$12,417.0	$12,938.5	$13,494.9
8	Change	5.0%	4.8%	1.5%	9.0%	7.8%	5.4%	5.9%	4.2%	4.3%
	Population & Employment	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
9	Population (Millions)	326.8	328.3	331.5	332.0	333.3	334.9	336.9	338.3	339.6
10	Change	0.7%	0.7%	0.7%	0.1%	0.4%	0.3%	0.6%	0.4%	0.4%
11	Unemployment Rate	3.9%	3.7%	8.1%	5.4%	3.7%	3.6%	4.0%	4.4%	4.3%
12	Total Nonagricultural Employment (Millions)	148.9	150.9	142.2	146.3	152.5	156.1	158.5	160.0	161.6
13	Change	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%	1.6%	0.9%	1.0%
	Other Key Indicators	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
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	$2,471.3	$2,411.3	$3,077.6	$3,316.7	$3,546.5	$3,777.0	$3,777.4	$3,947.4
17	Change	6.3%	4.5%	-3.5%	27.6%	7.8%	6.9%	6.5%	0.0%	4.5%
18	Housing Permits (Millions)	1.33	1.39	1.47	1.74	1.68	1.51	1.48	1.52	1.58
19	Change	3.6%	4.3%	6.1%	18.1%	-3.3%	-10.1%	-2.1%	2.4%	4.1%
20	Retail Trade (Billions)	$5,984.5	$6,173.8	$6,219.7	$7,364.5	$8,021.1	$8,294.2	$8,518.2	$8,748.1	$9,098.1
21	Change	4.4%	3.2%	0.7%	18.4%	8.9%	3.4%	2.7%	2.7%	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

Line	Excise Taxes	Final FY 2023-24	Percent Change	Forecast FY 2024-25	Percent Change	Forecast FY 2025-26	Percent Change	Forecast FY 2026-27	Percent Change
1	Sales	$4,362.6	1.4%	$4,442.8	1.8%	$4,613.2	3.8%	$4,860.6	5.4%
2	Use	$233.2	-7.2%	$222.5	-4.6%	$248.9	11.9%	$267.3	7.4%
3	Retail Marijuana Sales - Special Sales Tax	$195.0	-11.3%	$199.3	2.2%	$209.3	5.0%	$212.0	1.3%
4	Cigarette	$20.5	-14.4%	$21.1	3.2%	$18.9	-10.7%	$17.8	-5.6%
5	Tobacco Products	$21.6	-8.9%	$23.2	7.2%	$23.2	0.0%	$22.8	-1.5%
6	Liquor	$56.0	-0.6%	$55.4	-1.1%	$56.9	2.8%	$57.7	1.4%
7	Total Proposition EE	$207.8	-11.6%	$235.9	13.5%	$237.4	0.7%	$235.9	-0.6%
8	Proposition KK	$0.0	NA	$12.3	NA	$37.5	205.8%	$39.5	5.4%
9	**Total Excise**	**$5,096.7**	**-0.3%**	**$5,212.4**	**2.3%**	**$5,445.3**	**4.5%**	**$5,713.8**	**4.9%**
	Income Taxes	**FY 2023-24**	**% chg.**	**FY 2024-25**	**% chg.**	**FY 2025-26**	**% chg.**	**FY 2026-27**	**% chg.**
10	Net Individual Income	$10,044.2	-8.3%	$10,602.3	5.6%	$10,849.5	2.3%	$11,581.1	6.7%
11	Net Corporate Income	$2,796.6	18.2%	$2,493.4	-10.8%	$2,339.7	-6.2%	$2,434.7	4.1%
12	**Total Income**	**$12,840.8**	**-3.6%**	**$13,095.7**	**2.0%**	**$13,189.2**	**0.7%**	**$14,015.7**	**6.3%**
13	*Less: State Education Fund Diversion*	*$1,209.0*	*13.4%*	*$1,145.9*	*-5.2%*	*$1,150.8*	*0.4%*	*$1,219.4*	*6.0%*
14	*Less: Proposition 123 Diversion*	*$327.0*	*104.4%*	*$347.2*	*6.2%*	*$348.7*	*0.4%*	*$369.5*	*6.0%*
15	*Less: Healthy School Meals*	*$0.0*	*NA*	*$105.7*	*NA*	*$108.2*	*2.4%*	*$84.4*	*-22.0%*
16	**Total Income to General Fund**	**$11,304.7**	**-6.5%**	**$11,496.9**	**1.7%**	**$11,581.6**	**0.7%**	**$12,342.4**	**6.6%**
	Other Revenue	**FY 2023-24**	**% chg.**	**FY 2024-25**	**% chg.**	**FY 2025-26**	**% chg.**	**FY 2026-27**	**% chg.**
17	Insurance	$541.9	4.9%	$627.8	15.8%	$652.1	3.9%	$654.7	0.4%
18	Interest Income	$251.6	33.5%	$174.4	-30.7%	$125.1	-28.2%	$116.8	-6.7%
19	Pari-Mutuel	$0.3	4.9%	$0.3	-0.4%	$0.4	4.2%	$0.4	-1.2%
20	Court Receipts	$3.2	1.4%	$3.6	14.3%	$3.5	-4.5%	$3.5	1.9%
21	Other Income	$53.1	-37.4%	$56.6	6.6%	$58.4	3.2%	$61.4	5.1%
22	**Total Other**	**$850.1**	**7.2%**	**$862.7**	**1.5%**	**$839.5**	**-2.7%**	**$836.8**	**-0.3%**
22	**GROSS GENERAL FUND**	**$17,251.4**	**-4.1%**	**$17,572.0**	**1.9%**	**$17,866.3**	**1.7%**	**$18,893.0**	**5.7%**

/A Dollars in Millions

Table 4A: General Fund Overview - Current Law /A

Line	Revenue	Final FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
1	**Beginning Reserve**	**$2,427.4**	**$3,169.4**	**$2,102.8**	**$2,817.3**
2	**Gross General Fund Revenue**	**$17,251.4**	**$17,572.0**	**$17,866.3**	**$18,893.0**
3	*Transfers to the General Fund*	$93.3	$182.5	$59.8	$43.0
4	**TOTAL GENERAL FUND AVAILABLE**	**$19,772.2**	**$20,923.9**	**$20,029.0**	**$21,753.3**
	Expenditures	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
5	**Appropriation Subject to Limit**	**$14,087.7**	**$15,330.2**	**$15,841.6**	**$17,433.5**
6	*Dollar Change (from prior year)*	$779.6	$1,242.5	$511.4	$1,591.9
7	*Percent Change (from prior year)*	5.9%	8.8%	3.3%	10.0%
8	**Spending Outside Limit**	**$2,788.1**	**$3,490.9**	**$1,370.1**	**$1,746.0**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$1,646.0	$873.3	$553.1	$922.5
10	*Homestead Exemption (Net of TABOR Refund)*	$0.0	$0.0	$0.0	$0.0
11	*Other Rebates and Expenditures*	$241.9	$198.0	$196.0	$194.5
12	*Transfers for Capital Construction*	$351.4	$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	$1,902.0	$453.4	$461.6
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$16,875.9**	**$18,821.1**	**$17,211.7**	**$19,179.5**
17	*Percent Change (from prior year)*	-11.3%	11.5%	-8.6%	11.4%
18	Reversions and Accounting Adjustments	($273.1)	$0.0	$0.0	$0.0
	Reserves	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
19	**Year-End General Fund Balance**	**$3,169.4**	**$2,102.8**	**$2,817.3**	**$2,573.8**
20	*Year-End General Fund as a % of Appropriations*	22.7%	13.7%	17.8%	14.8%
21	*General Fund Statutory Reserve /B*	$2,031.5	$2,314.8	$2,335.0	$2,573.8
22	*Statutory Reserve %*	14.6%	15.1%	14.7%	14.8%
23	***Above/Below Statutory Reserve***	**$1,137.9**	**($211.9)**	**$482.3**	**$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 4B: General Fund Overview - Governor's Budget /A

Line from Table 4a/4c	FY 2024-25 Delta	FY 2025-26 Delta	FY 2026-27 Delta	Description of Delta
(1) Beginning Reserve	**0.0**	**38.3**	**-330.2**	**Reserve Carryover from Previous Year**
(2) Gross General Fund Revenue	**0.0**	**183.3**	**243.9**	**Impacts of Tax Credit Package**
(3) Transfers to the General Fund	**114.8**	**183.5**	**58.3**	**Severance, Interest and other Funds Redirected to General Fund**
(5) Appropriation Subject to Limit	**87.0**	**521.1**	**0.0**	**Governor's Nov 1 Budget (including supp holds in the Nov 1 budget)**
(8) Spending Outside Limit	**-10.5**	**214.3**	**162.3**	**Sum Rows 9+11+12+13+15 Changes**
(9) TABOR Refund	-3.8	-68.4	19.9	Cash Fund Revenue Balancing Proposals + GF Impacts of Tax Credits
(11) Other Rebates and Expenditures	0.0	165.4	165.4	PERA DD added to reb & expend
(12) Transfers for Capital Construction	0.0	153.4	0.0	Capital Construction Transfers in the Budget (minus $30m hold in 4A)
(13) Transfer to Transportation Funds	0.0	-39.0	-24.5	Transportation Transfer Reductions
(15) Transfer to Other Funds	-6.7	2.9	1.5	Transfers in Governor's Budget (combined reductions and increases)
(21) General Fund Statutory Reserve	**13.0**	**78.2**	**0.0**	**Change in (5) Appropriation Subject to Limit * 15%**
Total Difference (Net Increase in GF for Governor's Budget)	**-25.3**	**408.4**	**190.4**	

Table 4C: General Fund Overview - Governor's Budget /A

Line	Revenue	Final FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
1	**Beginning Reserve**	**$2,427.4**	**$3,169.4**	**$2,141.2**	**$2,487.1**
2	**Gross General Fund Revenue**	**$17,251.4**	**$17,572.0**	**$18,049.6**	**$19,136.9**
3	*Transfers to the General Fund*	$93.3	$297.3	$243.3	$118.1
4	**TOTAL GENERAL FUND AVAILABLE**	**$19,772.2**	**$21,038.7**	**$20,434.1**	**$21,742.0**
	Expenditures	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
5	**Appropriation Subject to Limit**	**$14,087.7**	**$15,417.1**	**$16,362.7**	**$17,289.7**
6	*Dollar Change (from prior year)*	$779.6	$1,329.4	$945.5	$927.1
7	*Percent Change (from prior year)*	5.9%	9.4%	6.1%	5.7%
8	**Spending Outside Limit**	**$2,788.1**	**$3,480.4**	**$1,584.4**	**$1,900.1**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$1,646.0	$869.5	$484.8	$942.4
10	*Homestead Exemption (Net of TABOR Refund)*	$0.0	$0.0	$0.0	$0.0
11	*Other Rebates and Expenditures*	$241.9	$198.0	$361.4	$359.8
12	*Transfers for Capital Construction*	$351.4	$254.1	$203.4	$50.0
13	*Transfers for Transportation*	$5.0	$117.5	$78.5	$93.0
14	*Transfers to State Education Fund*	$0.0	$146.0	$0.0	$0.0
15	*Transfers to Other Funds*	$543.9	$1,895.3	$456.3	$454.9
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$16,875.9**	**$18,897.6**	**$17,947.0**	**$19,189.8**
17	*Percent Change (from prior year)*	-11.3%	12.0%	-5.0%	6.9%
18	Reversions and Accounting Adjustments	($273.1)	$0.0	$0.0	$0.0
	Reserves	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
19	**Year-End General Fund Balance**	**$3,169.4**	**$2,141.2**	**$2,487.1**	**$2,552.2**
20	*Year-End General Fund as a % of Appropriations*	22.7%	13.9%	15.2%	14.8%
21	*General Fund Statutory Reserve /B*	$2,031.5	$2,327.8	$2,413.1	$2,552.2
22	*Statutory Reserve %*	14.6%	15.1%	14.7%	14.8%
23	***Above/Below Statutory Reserve***	**$1,137.9**	**($186.6)**	**$73.9**	**$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

Line	Revenue	Final FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
1	**Beginning Reserves**	**$3,881.5**	**$4,843.5**	**$3,376.1**	**$3,769.6**
2	*State Education Fund*	$1,454.1	$1,674.1	$1,272.8	$951.8
3	*General Fund*	$2,427.4	$3,169.4	$2,103.3	$2,817.7
4	**Gross State Education Fund Revenue**	**$1,264.2**	**$1,183.1**	**$1,176.6**	**$1,234.6**
5	Transfer to State Education Fund	$0.0	$146.0	$0.0	$0.0
6	**Gross General Fund Revenue /B**	**$17,344.8**	**$17,754.5**	**$17,926.1**	**$18,936.0**
7	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$22,490.5**	**$23,781.1**	**$22,478.8**	**$23,940.2**
	Expenditures	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
8	General Fund Expenditures /C	$16,875.9	$18,820.6	$17,211.7	$19,179.9
9	State Education Fund Expenditures	$1,057.1	$1,730.4	$1,497.6	$1,681.1
10	**TOTAL OBLIGATIONS**	**$17,932.9**	**$20,551.0**	**$18,709.3**	**$20,861.0**
11	*Percent Change (from prior year)*	-10.7%	14.6%	-9.0%	11.5%
12	*Reversions and Accounting Adjustments*	($286.0)	$0.0	$0.0	$0.0
	Reserves	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
13	**Year-End Balance**	**$4,843.5**	**$3,376.1**	**$3,769.6**	**$3,079.2**
14	State Education Fund	$1,674.1	$1,272.8	$951.8	$505.3
15	General Fund	$3,169.4	$2,103.3	$2,817.7	$2,573.8

/A See the General Fund and Budget sections discussing the State Education Fund for information on the figures in this table.
/B This amount includes transfers to the General Fund shown in line 3 in Table 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

Line	Category	Final FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
1	**Transportation-Related /A**	**$1,425.1**	**$1,507.5**	**$1,564.8**	**$1,633.7**
2	Change	12.5%	5.8%	3.8%	4.4%
3	**Limited Gaming Fund /B**	**$92.9**	**$93.7**	**$95.7**	**$97.8**
4	Change	-23.4%	0.9%	2.0%	2.3%
5	**Regulatory Agencies**	**$96.1**	**$103.8**	**$106.9**	**$111.0**
6	Change	7.5%	8.0%	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**	**$216.6**	**$227.4**	**$198.6**
10	Change	-42.0%	-0.4%	5.0%	-12.7%
11	**Other Miscellaneous Cash Funds**	**$940.7**	**$981.7**	**$1,034.1**	**$1,047.7**
12	Change	7.1%	4.3%	5.3%	1.3%
13	**TOTAL CASH FUND REVENUE**	**$2,799.1**	**$2,930.0**	**$3,055.8**	**$3,117.0**
14	Change	1.5%	4.7%	4.3%	2.0%

/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

Line	Fund Name	Fund Code	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
1	Housing Development Grant Fund	23V0	$76.9	$42.0	$42.1	$46.4
2	General Fund - Unrestricted	1000	$55.4	$47.9	$49.6	$48.9
3	Medicaid Nursing Facility Cash Fund	22X0	$54.4	$57.5	$57.4	$57.6
4	School Fund	7050	$41.0	$42.8	$42.0	$42.4
5	Adult Dental Fund	28C0	$37.4	$54.9	$53.8	$54.5
6	Auraria Higher Education Center - Nonenterprise Activities	305M	$36.1	$37.2	$37.1	$37.2
7	Judicial Stabilization Cash Fund	16D0	$33.1	$36.3	$35.5	$35.8
8	Energy and Carbon Management Cash Fund	1700	$30.6	$30.6	$32.8	$30.6
9	Department of State Cash Fund	2000	$29.5	$40.8	$44.1	$44.4
10	Judicial Information Technology Cash Fund	21X0	$29.0	$29.2	$29.1	$29.3
11	Offender Services Fund	1010	$19.9	$20.9	$20.6	$20.8
12	Information Technology Revolving Fund	6130	$19.7	$10.2	$9.2	$9.5
13	Stationary Sources Fund	1190	$19.5	$16.6	$16.3	$16.5
14	Colorado Water Conservation Board Construction Fund	4240	$18.4	$18.2	$18.2	$18.3
15	Supreme Court Committee Fund	7160	$16.3	$15.8	$15.9	$15.9
16	Regular Capital Construction	4610	$15.5	$15.8	$15.7	$15.8
17	Benefit Recovery Fund	UIBR	$15.0	$15.0	$15.0	$15.0
18	Colorado Bureau of Investigation Identification Unit Fund	22Q0	$13.8	$11.2	$10.9	$11.0
19	Fleet Management Fund	6070	$13.4	$13.0	$13.8	$13.6
20	Victims Assistance Fund	7140	$12.9	$15.3	$14.5	$14.8
21	Justice Center Cash Fund	21Y0	$12.0	$13.2	$12.9	$13.0
22	State Fair Authority Fund	5100	$11.5	$11.5	$11.5	$11.5
23	Victims Compensation Fund	7130	$9.6	$9.9	$9.7	$9.8
24	Disability Support Fund	27Y0	$8.0	$8.3	$8.2	$8.3
25	Employment Support Fund	2320	$0.1	$3.8	$25.2	$25.5
26	**Total**		**$628.9**	**$618.0**	**$641.4**	**$646.5**

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

Line	TABOR Revenues	Final FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
1	General Fund /A	$16,630.6	$17,064.7	$17,324.5	$18,346.4
2	Cash Funds /A	$2,799.1	$2,930.0	$3,055.8	$3,117.0
3	**Total TABOR Revenues**	**$19,429.7**	**$19,994.7**	**$20,380.3**	**$21,463.4**
	Revenue Limit Calculation	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
4	Previous calendar year population growth	0.5%	0.6%	1.4%	0.7%
5	Previous calendar year inflation	8.0%	5.2%	2.3%	2.9%
6	**Allowable TABOR Growth Rate**	**8.5%**	**5.8%**	**3.7%**	**3.6%**
7	TABOR Limit /B	$14,588.1	$15,434.2	$16,003.5	$16,579.6
8	General Fund Exempt Revenue Under Ref. C /C	$3,485.1	$3,687.2	$3,823.7	$3,961.3
9	**Revenue Cap Under Ref. C /B /D**	**$18,073.2**	**$19,121.4**	**$19,827.1**	**$20,540.9**
10	***Amount Above/Below Cap***	**$1,356.5**	**$873.3**	**$553.1**	**$922.5**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$1,646.0**	**$873.3**	**$553.1**	**$922.5**
12	TABOR State Emergency Reserve Requirement	$542.2	$573.6	$594.8	$616.2

/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

Transfers from Other Funds (Bill Number and Description)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
12-47.1-701 (d) Ltd. Gaming Revenue Transfer to the General Fund	$23.635	$22.796	$23.931	$25.206
HB92-1126 Land and Water Management Fund	$0.078	-	-	-
HB05-1262 A35 Tobacco Tax 24-22-117 (1)(c)(I)	$0.619	$0.572	$0.586	$0.562
HB08-1216 Consumer Outreach and Education Program	$0.005	-	-	-
HB20-1427 (Prop EE) - 2020 Tax Holding Fund	$4.050	$4.050	$4.050	$4.050
SB21-213 Use Of Increased Medicaid Match	$8.808	$7.200	$1.163	-
HB23-1272 Tax Policy That Advances Decarbonization	$12.917	$26.208	$30.087	$13.187
Proposition II Passage Return Funds to General Fund	$5.624	-	-	-
HB23-1304 Affordable Housing Financing Fund	$0.029	-	-	-
SB23-215 State Employee Reserve Fund General Fund Transfer	$4.914	-	-	-
HB24-1413 Severance Tax Transfers	-	$69.346	-	-
HB24-1414 Repeal COVID Heroes Collaboration Fund	-	$3.430	-	-
HB24-1415 State Employee Reserve Fund	$31.160	-	-	-
HB24-1424 College Opportunity Fund Transfer to General Fund	$1.496	-	-	-
HB24-1426 Controlled Maintenance Trust Fund Transfer	-	$48.883	-	-
Transfers to Other Funds (Bill Number and Description)	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
SB11-047/HB24-1396 Bioscience Income Tax Transfer to OEDIT	-$14.439	-$13.383	-$15.026	-$20.605
HB13-1318/SB 17-267 Transfers of Special Sales Tax to MTCF	-$126.083	-$128.877	-$135.361	-$137.122
SB17-267 Sustainability of Rural CO (Transfer MJ Special Sales Tax to Public School Fund)	-$22.093	-$22.583	-$23.719	-$24.027
HB20-1116/HB24-1398 Procurement Technical Assistance Program Extension	-$0.220	-$0.220	-$0.220	-$0.220
HB20-1427 (Prop EE) - 2020 Tax Holding Fund	-$207.823	-$235.865	-$237.415	-$235.933
Proposition EE - Preschool Programs Cash Fund	-	-	-	-
HB24-1349 (Prop KK) - Firearms and Ammunition Excise Tax Cash Fund	-	-$11.880	-$37.503	-$39.513
SB22-195 Modifications To Conservation District Grant Fund	-$0.148	-$0.148	-$0.148	-$0.148
HB23-1041 Prohibit Wagering On Simulcast Greyhound Races	-	-$0.025	-$0.050	-
HB23-1107 Crime Victim Services Funding	-$3.000	-	-	-
HB23-1273 Creation of Wildfire Resilient Homes Grant Program	-$0.100	-	-	-
HB23-1290 Proposition EE Funding Retention Rate Reduction	-$5.624	-	-	-
HB23-1305 Continue Health Benefits in Work-related Death	-$0.150	-$0.150	-$0.150	-
SB23-001 Authority Of Public-private Collaboration Unit For Housing	-$5.000	-	-	-
SB23-005 Forestry And Wildfire Mitigation Workforce	-$1.000	-$1.000	-$1.000	-$1.000
SB23-044 Veterinary Education Loan Repayment Program	-$0.540	-	-	-
SB23-056 Compensatory Direct Distribution to PERA	-$10.000	-	-	-

Transfers to Other Funds (Bill Number and Description), continued	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
SB23-166 Establishment of a Wildfire Resiliency Code Board	-$0.250	-	-	-
SB23-199 Marijuana License Applications and Renewals	-$4.095	-	-	-
SB23-205 Universal High School Scholarship Program	-$25.000	-	-	-
SB23-255 Wolf Depredation Compensation Fund	-$0.175	-$0.350	-$0.350	-$0.350
SB23-257 Auto Theft Prevention Cash Fund	-$5.000	-	-	-
SB23-283 Mechanisms For Federal Infrastructure Funding	-$84.000	-	-	-
HB23B-1001: ERA Transfer	-$15.100	-	-	-
HB24-1043 State Contribution to FPPA Death & Disability Fund	-	-	-$2.050	-$2.050
HB24-1152 Accessory Dwelling Units	-$5.000	-$8.000	-	-
HB24-1176 Behavioral Health Grant for Capital Project	-	-$4.000	-	-
HB24-1211 State Funding for Senior Services Contingency Fund	-$2.000	-	-	-
HB24-1213 Gen Fund Transfer Judicial Collection Enhancement	-$2.500	-	-	-
HB24-1214 Community Crime Victims Funding	-$4.000	-	-	-
HB24-1237 Programs for the Development of Child Care Facilities	-	-$0.250	-	-
HB24-1280 Welcome, Reception, & Integration Grant Program	-	-$2.500	-	-
HB24-1313 Housing in Transit-Oriented Communities	-	-$35.000	-	-
HB24-1364 Education-Based Workforce Readiness	-	-$5.000	-	-
HB24-1365 Opportunity Now Grants & Tax Credit	-	-$4.000	-	-
HB24-1379 Regulate Dredge & Fill Activities in State Waters	-	-	-	-$0.248
HB24-1386 Broadband Infrastructure Cash Fund for DOC	-	-$4.571	-	-
HB24-1390 School Food Programs	-	-$14.912	-	-
HB24-1397 Creative Industries Cash Fund Transfer	-	-$0.500	-	-
HB24-1420 Transfer to Colorado Crime Victim Services Fund	-	-$4.000	-	-
HB24-1421 Modifying Public Safety Program Funding	-	-$3.000	-	-
HB24-1439 Financial Incentives Expand Apprenticeship Programs	-	-$4.000	-	-
HB 24-1465 Program Changes Refinance Coronavirus Recovery Funds	-$0.400	-	-	-
HB 24-1466 Refinance Federal Coronavirus Recovery Funds	-	-$1,394.624	-	-
SB 24-170 America 250 - Colorado 150 Commission	-	-$0.250	-	-
SB24-214 Implement State Climate Goals	-$0.125	-$0.400	-$0.400	-$0.400
SB24-218 Modernize Energy Distribution Systems	-	-$0.800	-	-
SB24-221 Funding for Rural Health Care	-	-$1.740	-	-

Transfers for Capital Construction (Bill Number and Description)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Placeholder for Level 1 Controlled Maintenance	-	-	-$30.000	-$30.000
HB15-1344 Fund National Western Center and Capital Projects	-$20.000	-$20.000	-$20.000	-$20.000
SB23-243 General Fund Transfers to Capital Construction Fund	-$294.170	-	-	-
SB23-294 Increase General Fund Transfers to Capital Construction Fund	-$18.213	-	-	-
HB24-1215 Transfers to the Capital Construction Fund	-$18.971	-	-	-
HB24-1425 Transfers for Capital Construction	-	-$232.156	-	-
SB24-222 State Funding to Relocate Two State Entities	-	-$1.900	-	-
Transfers for Transportation (Bill Number and Description)	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
SB21-260 Sustainability of the Transportation System	-	-$117.500	-$117.500	-$117.500
Transfers to the State Education Fund (Bill Number and Description)	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
SB23B-001 SEF Transfer	-	-$146.000	-	-
Transfers Subtotals	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
Total transfers into General Fund	**$93.335**	**$182.485**	**$59.817**	**$43.005**
Total transfers out of General Fund	**-$900.218**	**-$2,419.583**	**-$620.892**	**-$629.116**
(Subtotal) Transfers to Other Funds	**-$543.865**	**-$1,902.027**	**-$453.392**	**-$461.616**
(Subtotal) Transfers for Capital Construction	**-$351.353**	**-$254.056**	**-$50.000**	**-$50.000**
(Subtotal) Transfers for Transportation	**-$5.000**	**-$117.500**	**-$117.500**	**-$117.500**
(Subtotal) Transfers to the State Education Fund	**-**	**-$146.000**	**-**	**-**
Total Net Transfers	**-$806.883**	**-$2,237.098**	**-$561.075**	**-$586.111**

Table 9: Rebates and Expenditures

Line	Rebates & Expenditures	Final FY 2023-24	Percent Change	Forecast FY 2024-25	Percent Change	Forecast FY 2025-26	Percent Change	Forecast FY 2026-27	Percent Change
1	Cigarette Rebate to Local Governments	$6.8	-10.9%	$5.9	-12.8%	$6.0	1.6%	$5.7	-5.5%
2	Marijuana Rebate to Local Governments	$19.5	-11.0%	$19.9	2.2%	$20.9	5.0%	$21.2	1.3%
3	Old-Age Pension Fund/Older Coloradans Fund	$102.9	8.4%	$106.6	3.6%	$109.6	2.8%	$111.2	1.5%
4	Aged Property Tax & Heating Credit	$12.1	1.0%	$11.7	-3.7%	$10.2	-12.5%	$10.3	1.2%
5	Homestead Exemption	$161.2	-1.5%	$169.1	4.9%	$180.2	6.6%	$184.8	2.5%
6	TABOR Refund Portion of Homestead Exemption	($161.2)		($169.1)		($180.2)		($184.8)	
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%	$30.9	18.0%	$26.0	-16.0%	$22.7	-12.7%
12	Fire/Police Pensions	$4.1	-3.5%	$4.6	11.1%	$4.8	4.4%	$4.8	-0.5%
13	Amendment 35 General Fund Expenditure	$0.6	-8.7%	$0.6	-7.6%	$0.6	2.4%	$0.6	-4.0%
14	Property Tax Exemption Reimbursement to Local Governments	$16.4	-1.2%	$17.8	8.1%	$17.9	1.0%	$18.0	0.5%
15	**Total Rebates & Expenditures (Excluding TABOR Refund)**	**$241.9**	**43.4%**	**$198.0**	**-18.2%**	**$196.0**	**-1.0%**	**$194.5**	**-0.8%**