Colorado Economic & Revenue Outlook

March 17, 2025

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

COLORADO
Governor Jared Polis

Contents

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Forecast in Brief

The economy is expected to start 2025 on relatively weaker footing after higher than previously anticipated growth in 2024. Over the course of this year, consumption and jobs growth are expected to slow while real estate markets and corporate profits are projected to stagnate. Economic growth is anticipated to experience volatility in the first two quarters of 2025 as businesses react to uncertainty around tariff policy changes, leading to fluctuating net exports and inventories. Uncertainty is also expected to be a headwind to business investments and consumer demand during the year, leading to a downward revision in overall economic growth. Inflation growth is expected to re-accelerate this year largely due to changes in tariff policies, but with Colorado being impacted marginally less than the nation as a whole. Given that consumers and businesses alike tend to reduce spending and investments when uncertainty is elevated, OSPB has revised the likelihood of a recession in the next 12 months up to 40 percent, from 25 percent in the previous forecast.

Revenue subject to TABOR is expected to remain above the TABOR cap through the duration of the forecast period, however, there is heightened downside revenue risk. Currently, TABOR surpluses of $301.5 million, $642.7 million, and $775.8 million are projected in FY 2024-25, FY 2025-26, and FY 2026-27, respectively.

Under this forecast, the General Fund ending balance is projected to be $1,122.0 million above the statutory reserve level in FY 2023-24 per the State Controller, followed by an ending balance in FY 2024-25 that is $87.6 million below the statutory reserve. In FY 2025-26, the numerous Governor's budget submissions, which were balanced with no surplus based on the January 31st budget submission letter, now has an expected $79.3 million surplus in the current forecast largely due to lower cash fund expectations relative to the December forecast.

General Fund	• FY 2024-25 is revised down $344.6 million, largely due to higher income tax refunds and lower sales tax revenue more than offsetting increased aggregate wage expectations. In FY 2025-26, revenue is revised up $108.5 million, as wages are expected to remain firm. • In FY 2026-27, revenue is revised down $30.6 million, as revisions down to sales tax revenue are nearly offset by revisions up to income revenue.
Cash Funds	• Cash funds are expected to decline by 3.0 percent in FY 2024-25 but then increase 11.1 percent in FY 2025-26. Compared with the December forecast, cash funds are revised down $217.5 million and $41.9 million in FY 2024-25 and FY 2025-26 respectively, largely a result of downward revisions to severance revenue.

Economic Outlook

Overview of Current Economic Conditions

The economy is expected to start 2025 on relatively weaker footing after higher than previously anticipated growth in 2024. Over the course of this year, consumption and jobs growth are expected to slow while real estate markets and corporate profits are projected to stagnate. Economic growth is anticipated to experience volatility in the first two quarters of 2025 as businesses react to uncertainty around tariff policy changes, leading to fluctuating net exports and inventories. Uncertainty is also expected to be a headwind to business investments and consumer demand during the year, leading to a downward revision in overall economic growth. In 2026, U.S. growth is again revised down largely due to an expected slowdown in jobs growth and a higher interest rate environment than previously anticipated that limits both consumption and investments. Despite relatively marginal revisions on an annual basis throughout the current forecast, elevated uncertainty of federal policy decisions creates the potential for further downside risk.

The local and national labor markets continue to slow and face potential disruptions from federal employment and immigration policies. A marginally tighter labor market is expected to bolster wage and salary growth in the short term, though income growth is expected to slow over the forecast period and weigh on consumer spending in turn. The Denver-Aurora-Lakewood area has been on a healthy disinflationary path and outperformed the U.S., with CPI growth at just 2.3 percent in 2024, led by falling energy prices and slowing shelter inflation growth. The energy price outlook suggests gradually declining oil prices in the next two years, while natural gas prices are expected to rise and return to levels at or above historic averages. The residential and commercial real estate markets both show signs of stagnation as new construction continues to fall and buyer demand is dampened by high interest rates.

The primary risks to the forecast center around the uncertainty of federal policy decisions and their economic impacts. The Trump administration and Congress aim to reduce government spending and create tax policy that could impact economic activity and the labor market depending on the level of austerity, while tariffs with key trade partners could disrupt trade flows, elevate inflation, and negatively impact demand. Given that consumers and businesses alike tend to reduce spending and investments when uncertainty is elevated, OSPB has revised the likelihood of a recession in the next 12 months up to 40 percent, from 25 percent in the previous forecast.

Overview of Economic Indicators

GDP: OSPB forecasts 1.6 percent GDP growth for 2025, a 0.3 percentage point revision down from the prior forecast, after stronger than expected 2.8 percent growth in 2024. Despite strong wage growth, elevated uncertainty is anticipated to be a drag on consumption and investments that weigh on GDP growth. Economic growth in the current quarter is expected to be weak due to net exports, but this is likely to then boost growth in the second quarter as elevated imports subside. GDP growth for 2026 is forecast at 1.5 percent (a 0.4 percentage point revision down), and 1.9 percent for 2027.

Labor Market: The labor market continues to moderate in Colorado and the U.S. OSPB expects the Colorado and U.S. unemployment rates to rise slightly in 2025 to 4.5 and 4.2 percent respectively, and remain at similar rates in the outyears. However, Colorado labor market data have recently been more volatile and less reliable as collection of Quarterly Census of Employment and Wages (QCEW) data was disrupted by a modernization of the unemployment insurance system. The publication of annual benchmarking revisions, which is expected to largely address existing data issues, was not available at the time of publication.

Wages and Income: State and national salary and wage growth is expected to remain higher than previously expected in 2025 due to tighter labor market expectations and then stabilize at similar growth rates in 2026 and 2027 in a slightly slower job growth environment. Personal income at the national and state level is expected to remain healthy but normalize near historic average growth rates after above-average growth in recent years, restrained by non-wage components like assets and proprietor income that are projected to remain weak.

Consumer Spending: National consumer spending remained strong in 2024 due to sustained services demand and a surprising resurgence in durable goods consumption, Though Colorado experienced relative weakness. U.S. retail sales in 2024 grew by 3.0 percent over 2023 levels, while Colorado's growth lagged at just 1.3 percent growth over the prior year. OSPB expects overall consumer spending to cool through 2025 into 2026, driven by slowing services demand despite a moderate rebound in real retail trade. Going forward, anticipated and actual inflation may reduce demand and re-focus consumer behavior more on essential purchases.

Inflation: The Denver-Aurora-Lakewood area continues a healthy disinflationary path thanks to low energy inflation and an influx of housing supply that alleviates rent prices, with CPI growth at 2.3 percent in January. U.S. CPI remains elevated at 2.8 percent growth in February year-over-year due to higher shelter and energy inflation. Food inflation is elevated for both, with large price increases in meat, poultry, fish, and eggs. OSPB now expects no cuts to the Federal Funds rate in 2025 due to higher inflation expectations and a relatively healthy labor market.

Energy: Oil and gas production growth in Colorado outpaced the U.S. in 2024 and is expected to continue slow growth in 2025, although state production for both remains below pre-pandemic levels. Oil prices have remained stable around $70-85 per barrel since late 2022 and are expected to remain stable until mid-2025, when they are anticipated to fall below $70 as global production outpaces demand. Natural gas prices have been below their 10-year average since 2023 but are expected to recover to above-average levels in 2025 and 2026 on growing demand.

Housing: The housing market remains cool in early 2025 as for-sale listings climb, but sales and new construction permits stall. Sales appear to be recovering slowly from the lows reached in mid-2024, but new monthly housing construction permits remain near their five-year lows. Buyer hesitation is likely due to high interest rates, insurance premiums, and property taxes. The Colorado market's growth in home values and rent prices is slower relative to the U.S. Risks to the housing market supply include the price of construction materials resulting from potential tariffs or actions to increase domestic supply and the potential labor force impacts of federal immigration and deportation policies.

Commercial Real Estate: The commercial real estate market in Colorado has continued to experience slowing construction for industrial and office buildings since 2022, and retail space since 2024. In 2024, total square footage of commercial construction decreased by 67 percent from a recent peak in 2022. Slowing warehouse and office construction could be related to rising vacancy rates, indicating a lack of demand for more of those property types. Commercial real estate loan delinquency rates have been on a slow rise since late 2022, reaching 1.6 percent in 2024 Q4.

Federal Policy Impacts: Several federal policy proposals have been discussed under the new Trump administration and Congress, many of which could potentially impact Colorado's budget and economy. Tax policy proposals include the continuation and expansion of existing tax credits, and the elimination of several current personal deductions which could affect Colorado revenue. Federal workforce policies and reductions in federal grants and contracts could impact multiple sectors of the labor market. Proposals to reduce federal contributions to Medicaid would put pressure on the state to backfill lost funding or reduce service levels. Other policy areas that could see significant changes under decreased federal funding include transportation, education, infrastructure, energy, environment, and health and human services.

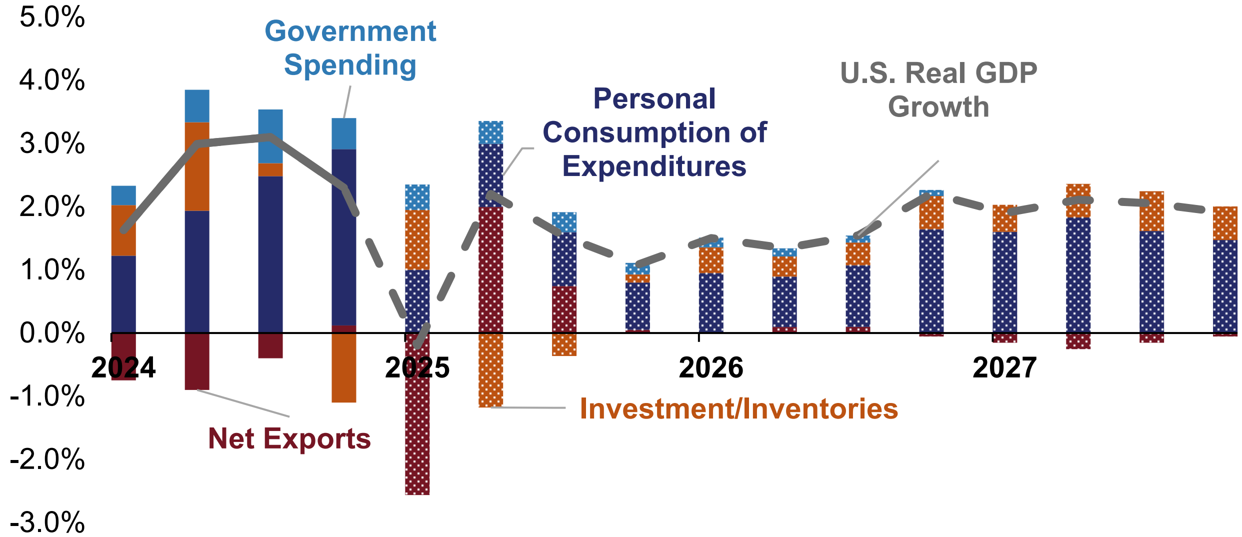
Forecast Risks

Short-term risks have primarily shifted to the potential impacts of uncertain federal policy changes around taxes, the labor market, tariffs, and federal funding that could directly or indirectly impact inflation, consumer behavior, business investment strategies, and resources that are available to Coloradans. Geopolitical conflicts persist, potentially threatening energy prices. New development in the residential and commercial real estate markets continues to stagnate. Longer-term, demographic trends are slowly changing the composition of Colorado's population. As a result, the labor force is seeing a growing share of older workers while prime working age adults 25-54 growth slows. Under current long run expectations, the 65 and older population will have a lower labor force participation rate, creating a headwind to contributions to the state through income and sales tax, while simultaneously increasing budgetary pressures on certain public service programs.

Gross Domestic Product

U.S. economic growth remained elevated at 2.8 percent in 2024, above the December forecast's expectations of 2.7 percent due to strong consumption to finish the year. Real GDP growth in the fourth quarter of 2024 was 2.3 percent, stronger than OSPB's expectation of 1.5 percent. The major drivers were higher than anticipated durable goods and overall consumption growth and solid investments. Aggregate investments and inventories category were a drag overall as inventories quickly shrunk due to high consumer demand. Figure 1 below depicts quarterly annualized growth in real GDP. The line represents GDP growth, and the bars depict the four components of GDP: 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 forecasts GDP growth to be 1.6 percent in 2025, a 0.3 percentage point downward revision that is largely due to decreased consumption and investment expectations because of increased uncertainty, despite continued strength in wage growth. Despite strong consumption growth to end 2024, positive PCE contribution to GDP growth is expected to slow in the first quarter of 2025 as consumer confidence is thought to fade due to increasing inflation expectations and wages normalize further. In the most recent national report from the Bureau of Economic Analysis, the savings rate is growing as PCE spending fell but income remained healthy. Inventories and net exports are expected to fluctuate significantly in the first half of the year as the potential for tariffs spurs increased imports and inventories in the first quarter, reversing course in the second quarter. While net exports are expected to stabilize in the second half of the year, the 2025 non-residential investments portion of the investments/inventories category is expected to grow more slowly than in 2024 due to a higher-than-expected interest rate environment and continued uncertainty around federal policies that could impact labor supply and supply chains. Government expenditures are expected to continue to contribute similarly to 2024 levels until the fourth quarter of 2025, given the recent passage of a bill to fund federal spending through September. Next federal fiscal year, the structure of a bill similar to the budget resolution that passed the House would result in lower expenditures that would likely have a marginal drag on GDP growth. While this forecast assumes overall government spending will generally align with that budget resolution, it does not consider specific program cuts that have not passed. State and local spending, which currently accounts for about 62 percent of all government expenditures, is still expected to grow at a moderate pace. Therefore, overall government spending is still anticipated to contribute positively to growth, but less than previously expected.

In 2026, OSPB forecasts GDP growth at 1.5 percent, a 0.4 percentage point downward revision due to labor market weakness and the resulting reduction in consumer spending. Downward revisions in jobs growth and lower consumer confidence in the first half of 2026 is expected to limit quarterly growth. OSPB expects no cuts to the Federal Funds rate until the first half of 2026, which mitigates both consumption and investment contributions to GDP growth until that time. Consumption and GDP growth are expected to return to healthy levels in the second half of next year, once household finances stabilize as a result of improving savings rates in the interim alongside a lower interest rate environment. In 2027, GDP growth is expected to normalize at 1.9 percent.

Labor Market

The labor market continues to moderate with 151,000 U.S. jobs added in February, while Colorado added 300 in December[1]. The U.S. unemployment rate has remained relatively stable at 4.1 percent, a year-over-year increase of 0.2 percentage points. Colorado unemployment has risen more quickly than the U.S. by 1.0 percentage point over the past year to 4.4 percent. The revised OSPB labor market forecast is shown below in Figure 2.

Figure 2. Labor Market Annual Forecast

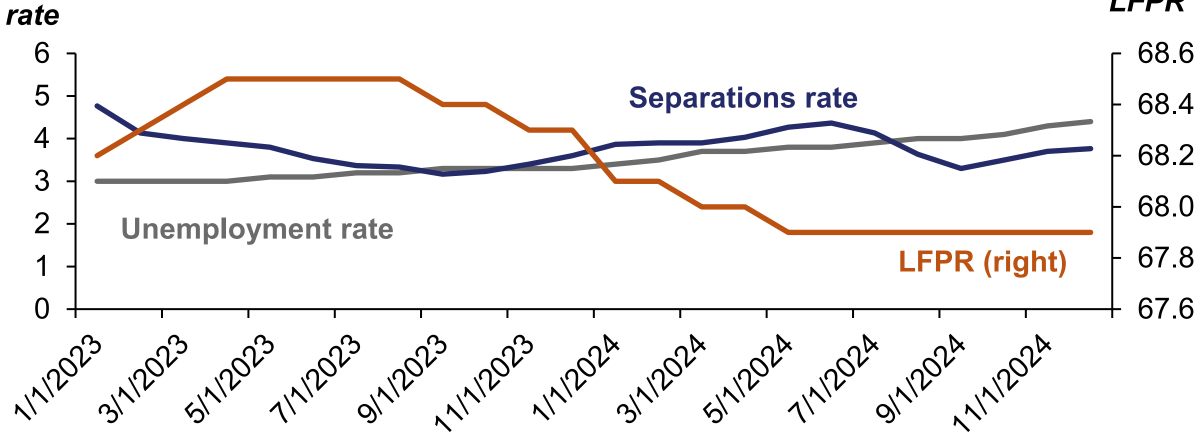
	2025	2026	2027
Jobs Growth			
Colorado	1.0%	0.7%	0.8%
United States	1.0%	0.7%	0.8%
Unemployment			
Colorado	4.5%	4.6%	4.5%
United States	4.2%	4.3%	4.3%

A significant caveat is that these data do not account for the change in 2024 jobs numbers following the annual benchmarking process by the Bureau of Labor Statistics (BLS), which was not published in time to incorporate into this forecast. It is likely that 2024 jobs growth will be revised down for Colorado, possibly significantly, but such a release does not indicate a change in OSPB's view of Colorado's labor market given strength in wages and salaries produced by

[1] State-level labor market data for January and February will not be released until after the March forecast is published.

Bureau of Economic Analysis and healthy withholdings revenue from individual income tax exceeding previous expectations. Due to recent data discrepancies from the Unemployment Insurance (UI) system updates in Q3 of 2023 that are being investigated by the Colorado Department of Labor and Employment and BLS, there is lower confidence in the currently available monthly data. This issue may also explain why reported Colorado unemployment rose significantly in the fourth quarter of 2024, shown in Figure 3. There has not been a sizeable increase in job separations, nor has there been an uptick in entrants to the labor force, so the magnitude of unemployment growth may be overstated.

Figure 3. Unemployment, Separations, and Labor Force Participation in Colorado, 2023-2024



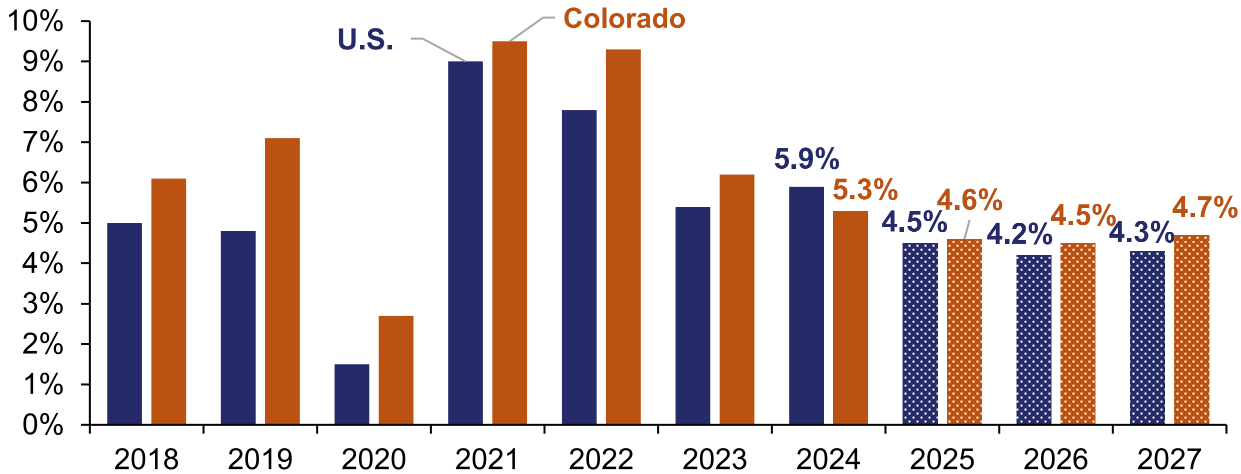
Source: Bureau of Labor Statistics.
Note: Separations rate shown as a three-month moving average.

In 2025, U.S. unemployment was revised down 0.2 percentage points to 4.2 percent in the March forecast, while jobs growth estimates have been revised up 0.1 percentage point to 1.0 percent growth. In 2026, jobs growth is revised down 0.3 percentage points, but OSPB expects the unemployment rate to remain unchanged due to labor participation dynamics. Overall, the U.S. labor market faces marginal headwinds, largely due to changes in federal policy including targeted cuts that impact the workforce directly or indirectly linked to federal funding (over 6 percent of the total workforce) and deportation initiatives. More detail can be found in the "Federal Policy Impacts" section of this forecast. There are expected to be elevated regional and industry impacts, but given the state share of federal workers is generally in line with the nation and that national data is more reliable at the moment than state specific data, OSPB assumes that the jobs trajectory in Colorado mimics that of the U.S. Aligning with U.S. jobs growth, OSPB revised down Colorado jobs growth by 0.1 percentage points in 2025 to 1.0 percent and by 0.8 percentage points in 2026 to 0.7 percent growth.

Wages and Income

National growth in wages and salaries remained above their 20-year average for the fourth consecutive year in 2024 as a cooling but fundamentally strong labor market propelled growth above 2023 levels. In 2025, U.S. wage and salary growth is expected to decelerate but remain above long-term average levels due to a tighter-than-expected labor market. Over the remainder of the forecast period, growth is expected to fall below average levels due to weaker job growth expectations. In Colorado, wages and salary growth is not finalized for 2024, but preliminary data shows the state underperforming national wage growth for the first time in over a decade. This is assumed to be a single-year anomaly as Colorado is expected to outperform the U.S. over the forecast period, while U.S. growth is also projected to decelerate below historic averages. Overall personal income remains above average at the national level as well through a combination of strong growth in wages, rental income, supplements to salaries and wages, and government transfers to individuals. Over the forecast period, personal income growth is expected to normalize as wage growth decelerates alongside softness in certain other components of non-wage personal income.

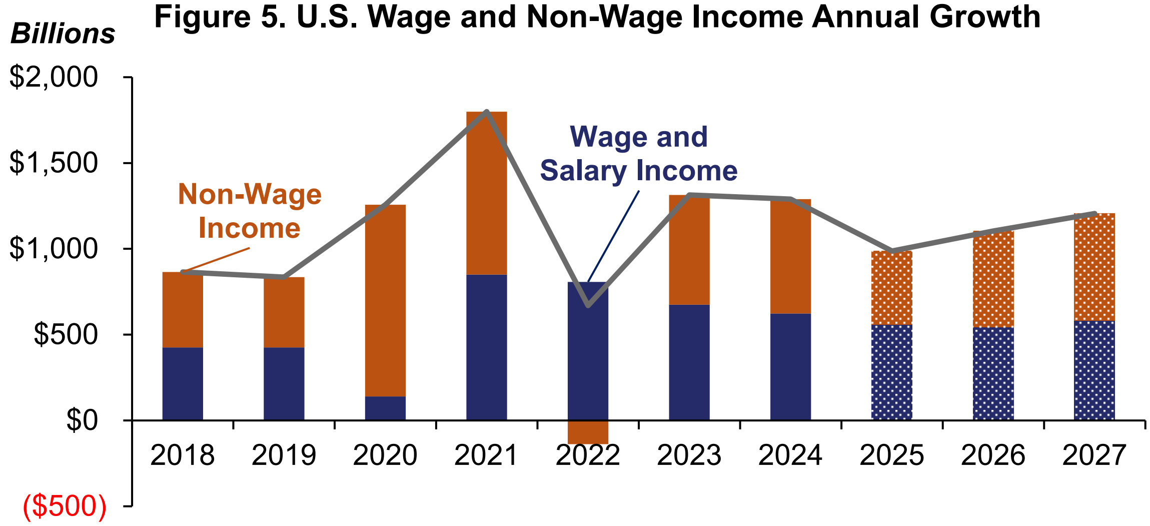
Figure 4. U.S. and Colorado Wage & Salary Growth by Year



Source: Bureau of Economic Analysis; March 2025 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 recovered, boosted by unprecedented federal fiscal stimulus. Since then, wage and salary growth has decelerated as the economy began normalizing with slowing consumer spending, broad-based disinflation, and a cooling labor market following the Federal Reserve's interest rate hikes and quantitative tightening. Despite these dynamics, wage and salary growth generally exceeded expectations from 2022 through 2024 as the overall economy's resilience contributed to elevated wage growth. In 2024, U.S. salary and wages grew 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 4.3 percent. National wage and salary growth is expected to remain above the long-term average with growth of 4.5 percent in 2025, which is an upward revision from the prior forecast of 0.3 percentage points due to expectations of a tighter labor market than previously expected. Growth is projected to normalize to average rates of 4.2 percent and 4.3 percent in 2026 and 2027, respectively. Colorado is projected to record above average salary and wage growth of 5.5 percent in 2024, following elevated growth rates ranging from 6.2 percent to 9.5 percent from 2021 to 2023. However, estimated growth in Colorado over 2024 is projected to underperform national growth for the first time since 2010. This is expected to be a one-time exception, with Colorado projected to outperform the nation in salary and wage growth over the remainder of the forecast period. 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 at 4.6 percent, 2026 at 4.5 percent, and 2027 at 4.7 percent.

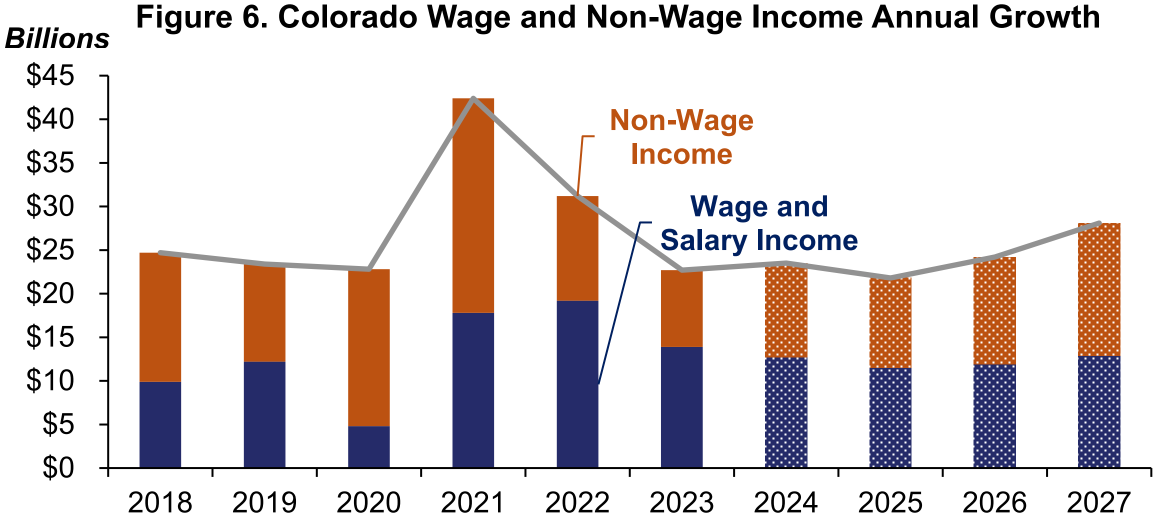
Figure 5. U.S. Wage and Non-Wage Income Annual Growth



Note: Chart depicts annual growth of nominal personal income. Dotted bars indicate forecast.
Source: Bureau of Economic Analysis; OSPB March 2025 Forecast.

Overall personal income growth, which includes wage and salary income and non-wage income, also grew at healthy levels in 2024. Personal income in the U.S. grew at 5.5 percent in 2024, outpacing the 20-year average of 4.7 percent. While wages grew at 5.9 percent, other positive contributors to growth from non-wage components included rental income growth of 6.9 percent, government and other transfers growth of 6.4 percent, and supplements to salaries and wages growth of 6.3 percent. Components that were weaker than the overall average included asset growth, which grew at 3.3 percent, and proprietor income, which grew at 2.8 percent. In 2025, national personal income growth is projected to decelerate to 4.0 percent, which is below historic average growth rates. Wage growth is projected to outpace personal income growth, as non-wage components like assets and proprietor income are projected to remain weak again alongside decelerating strength in rental income growth. Personal income growth is projected to accelerate in 2026 to 4.3 percent and grow to 4.5 percent in 2027. Growth over the forecast period is projected at slightly below average levels, and below the heights reached in 2021, 2023, and 2024 as the economy continues to normalize after the post-pandemic economic recovery.

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



Note: Chart depicts annual growth of nominal personal income. Dotted bars indicate forecast.
Source: Bureau of Economic Analysis; OSPB March 2025 Forecast.

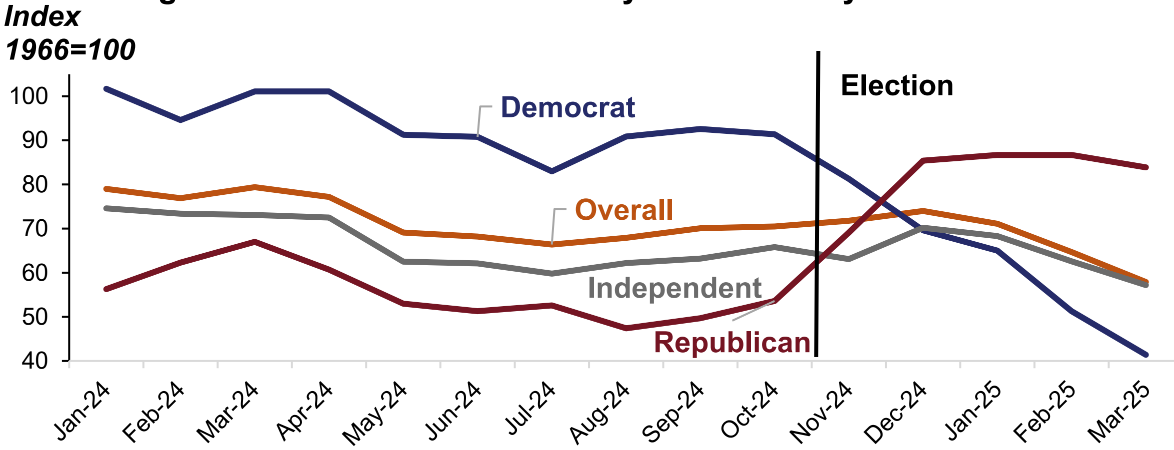
In Colorado, overall personal income is projected to grow at 5.0 percent in 2024, although that data is not finalized as of publication. This growth is slower than the 20-year average of 5.7 percent as slower wage growth and declining rents weigh on overall personal income in the state. Colorado personal income growth is seeing a similar trajectory to the U.S. as it decelerates from historic growth in 2021 and normalizes back to trend. Personal income growth in the state is expected to slow in 2025 to 4.4 percent before accelerating in 2026 to 4.7 percent and 5.2 percent in 2027. Similar to the U.S., personal income growth in Colorado is expected to remain just below its historic average rates but maintain healthy growth.

Over the forecast period, personal income at the national and state level is expected to remain healthy but normalize slightly below historic average growth rates after above-average growth in recent years. Salary and wage growth is expected to remain higher than previously expected in 2025 due to tighter labor market expectations before weakening in 2026 and 2027 in a slower job growth environment. Non-wage income is expected to have areas of weaknesses in 2025 before strengthening over the remainder of the forecast period.

Consumer Spending

Consumer spending in the U.S. remained strong in 2024 despite elevated credit card balances, due to sustained services spending and a rebound in durable goods spending. Overall, U.S. 2024 retail sales grew 3.0 percent over 2023 levels, while Colorado's growth lagged at just 1.3 percent growth over the prior year. Preliminary data suggest a strengthening of retail spending growth of around 4 percent growth nationally and 2.1 percent in Colorado in the fourth quarter of 2024, including local strength in durable goods spending on automobiles, furniture, and appliances. However, federal policy changes such as tariffs could cool consumer activity in real terms in coming years.

Figure 7. Consumer Sentiment by Political Party Identification

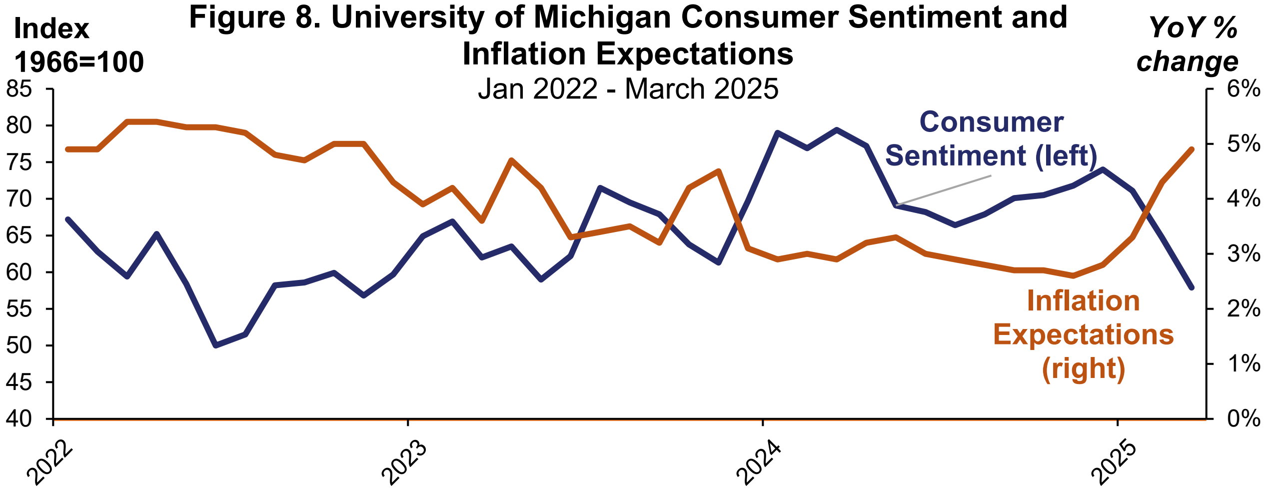


Source: University of Michigan

The University of Michigan consumer sentiment index has been on a steady upward trend through 2023 and 2024 after reaching a low point in the summer of 2022, shown in Figure 7 above. It reached a high point in early 2024 before a sharp cooldown and return to trend during the spring. Data through March of 2025 shows a steep decline, however interpretation is currently difficult as partisan sentiments about the economy in the aftermath of the November election have taken different trajectories, as seen in Figure 7. Sentiment by political party affiliation has effectively flipped from where it was prior to the election, making it difficult to assess how much of the shift is tied to a broader consensus assessment of the economy, versus diverging expectations along partisan lines.

Despite the partisan shuffling, recent readings of inflation expectations from both the University of Michigan survey as well as research from the Conference Board, an economic think tank, show an uptick among consumer inflation expectations, tied to the federal tariff announcements. This growing concern about rising prices could cause consumers to pull back spending, particularly on discretionary goods and services, and increase their savings to weather higher costs ahead. This has been supported by early 2025 data which show weak consumer spending and retail trade reports to begin 2025, despite continued growth in personal income.

Figure 8. University of Michigan Consumer Sentiment and Inflation Expectations
Jan 2022 - March 2025



Source: University of Michigan, FRED

Tied to concerns around inflation, OSPB expects durable goods growth to cool and turn negative through 2025 into 2026, before returning to a historical growth trend. Similarly, OSPB projects services and nondurable goods to cool throughout 2025, with nondurable goods rebounding first in early 2026 to historic growth rates, and services following by the end of the year. While future enacted policy is uncertain, OSPB expects the impacts of federal policy including tariffs and immigration will likely cause PCE to slow throughout 2025 and into 2026, before stabilizing and rebounding before the end of next year as business balance sheets stabilize and additional rate cuts expected by the Federal Reserve create an improved spending environment.

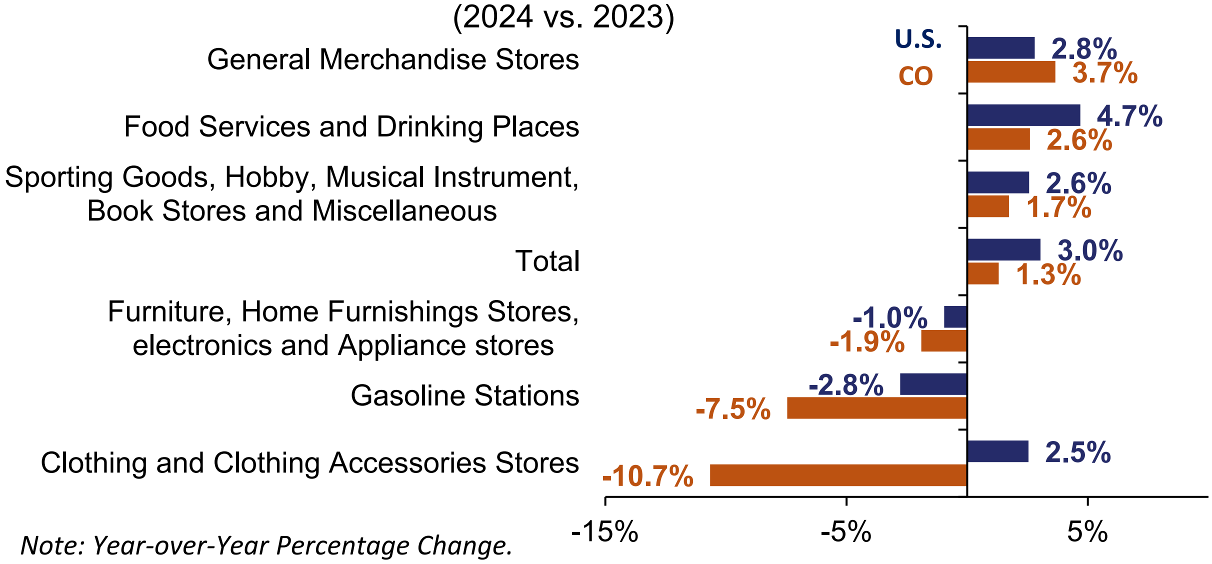
Locally, Colorado's 1.3 percent retail spending growth in 2024 lagged the nation[2], which saw 3.0 percent growth. Local growth has been concentrated in restaurants and general merchandising, with declines across durable good purchases, gasoline stations and clothing. Retail spending in the fourth quarter of 2024 showed a significant rebound in automobiles, and furnishings, electronics, and appliances locally and nationally. The fourth quarter was the strongest year-over-year quarter for Colorado in 2024 at 2.1 percent.

Figure 9 below compares Colorado and U.S. year-over-year retail sales growth by industry. The state's decrease in clothing can be largely attributed to base effects as January through May of 2023 was a record period for clothing sales, with 2024 reflecting a return to baseline trends. However, Q3 and Q4 continued to show significant year over year declines. 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 and remained steady locally and nationally. The decrease in

[2] A data error identified for this forecast caused an overestimate of local retail sales growth in the December forecast. Previously, OSPB reported aggregate Colorado retail growth at pace or marginally above U.S. growth, at around 2.4 percent. In fact, with the correct number it was lower at around 1%. This error is corrected for this forecasts' data.

home furnishings may reflect a relatively stagnant Colorado real estate market, where elevated interest rates incentivize potential home buyers to wait for more favorable conditions.

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

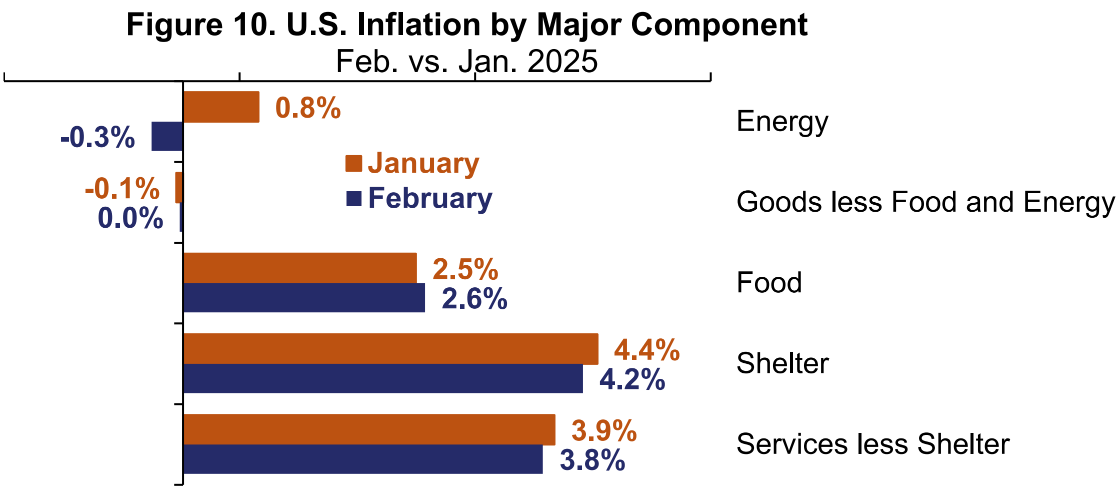


Note: Year-over-Year Percentage Change.
Source: U.S. Census Bureau, Colorado Department of Revenue.

Looking forward, the retail sales forecast is muddled by uncertainty around federal policy. OSPB anticipates the stated direction of federal policy on tariffs in particular to be inflationary, with additional behavioral responses to uncertainty also playing a role. Inflation increases retail sales growth nominally as goods and services prices increase, but may cause consumers to focus more on essential purchases and withhold discretionary spending on goods and services. The retail sales forecast is revised down from December, bringing projected Colorado growth to 3.0 percent in 2025, 3.8 percent in 2026 and 4.4 percent in 2027. While a rebound from recent sluggish growth is projected due to key categories like durable goods, clothing, and gasoline, the impact of higher prices is primarily what drives this projected growth, rather than increased consumer activity. For the U.S., OSPB forecasts retail trade growth of 2.9 percent in 2025, 3.5 percent in 2026, and 4.2 percent in 2027.

Inflation

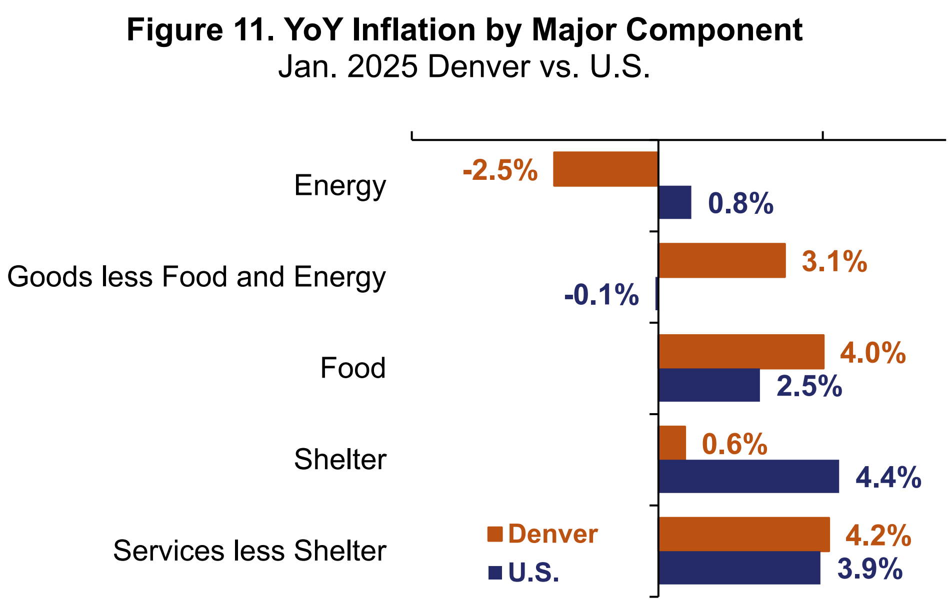
The most recent reports of the Consumer Price Index (CPI) for the U.S. and Denver-Aurora-Lakewood area show continuing divergence between national and local inflation. The U.S. CPI remains elevated at 2.8 percent in February as a result of sticky shelter inflation, defined as total spending on rented and owned housing units, at 4.2 percent year-over-year. Food inflation has also had large month-over-month increases driven by meat, poultry, fish, and egg prices as the Avian Flu continues to disrupt supply across the nation.



Source: Bureau of Labor Statistics; OSPB Calculations.

The Denver-Aurora-Lakewood area continues a healthier disinflationary path due to low energy inflation and an influx of multifamily housing supply that has helped alleviate rent prices and drive down shelter inflation to just 0.6 percent year-over-year in January. Note that the Denver Metro area has inflation reports published every other month, so February data comparable to the U.S. is not available. Shelter has a higher relative weight of 40.2 percent of the overall CPI in the Denver Metro area, compared to 35.5 percent nationally. The divergence in shelter inflation has driven a significant wedge between the U.S. and Denver Metro headline inflation figures.

Overall Denver Metro CPI came in at 2.3 percent year over year in January, 0.5 percent below the OSPB December forecast for the month. Shelter will likely continue to be the most important factor of Denver Metro inflation in 2025, and inflationary pressures will depend upon the evolving balance of housing supply and demand. Meanwhile, the U.S. CPI growth in January was 3.0 percent year over year, above expectations from the previous forecast. Due to a combination of negative energy inflation, low shelter

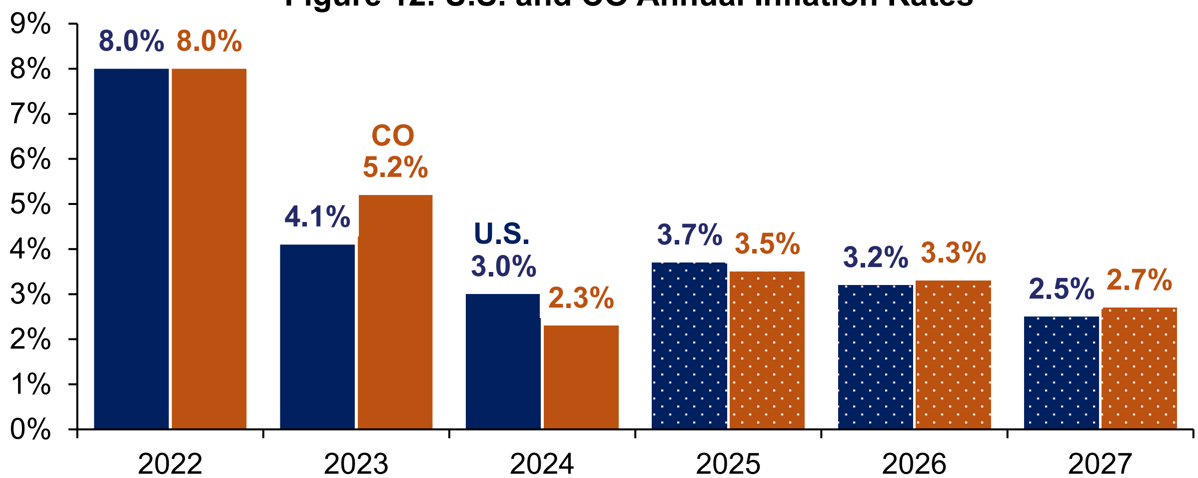


Source: Bureau of Labor Statistics; OSPB Calculations.

inflation, and moderate goods, services, and food inflation, Denver continues to diverge from the U.S., as the national disinflationary path has stalled. Expectations for U.S. and Colorado annual inflation are both revised up from the December forecast in all years, with large revisions to the U.S. in 2025. The forecast for U.S. CPI was revised up 0.8 percent to 3.2 percent for 2025, 2.8 percent for 2026, and 2.5 percent for 2027 based on current inflation expectations with short-lived elevated tariffs. However, the baseline forecast assumes current federal policy, which assumes the existing and announced tariffs as of March 10th on Canada, Mexico, and China, as well as targeted tariffs on steel and aluminum products remain in place. As a result of sustained tariffs, OSPB expects additional impacts of 0.5 percentage points to 3.7 percent in 2025, 0.4 percentage points to 3.2 percent in 2026, but no additional contribution to growth in 2027. Locally, prior to including the inflationary pressures of sustained tariffs, Denver CPI expectations were initially revised up 0.2 percentage points to 3.1 percent in 2025, 3.0 percent in 2026, and 2.7 percent in 2027. For Denver, after fully accounting for tariff impacts, there is an additional revision of 0.4 percentage points up to 3.5 percent in 2025, a 0.3 percentage point revision up in 2026 to 3.3 percent, and again no impact in 2027.

The 2025 revision to the OSPB forecast for U.S. inflation is in part driven by higher-than-expected data for December and January. The forecast then incorporates current tariffs as well as tariffs announced to begin on April 2, which include: 1) IEEPA[3] tariffs of 25 percent on Mexico and Canada with 30 day exemptions for products that fall under the USMCA[4] and only 10 percent tariffs on Canadian energy products, 2) IEEPA tariffs of 20 percent on China and

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



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

elimination of the Deminimis Exemption, and 3) Section 232 tariffs of 25 percent on aluminum, steel.[5] Given the threat alone of tariff implementation, there is evidence of inflationary factors driven by changes in consumer and producer behavior and expectations. The University of

[3] International Emergency Economic Powers Act
[4] United States–Mexico–Canada Agreement
[5] For more information about OSPB expectations on tariffs, please see the Tariffs Federal Policy Impacts section

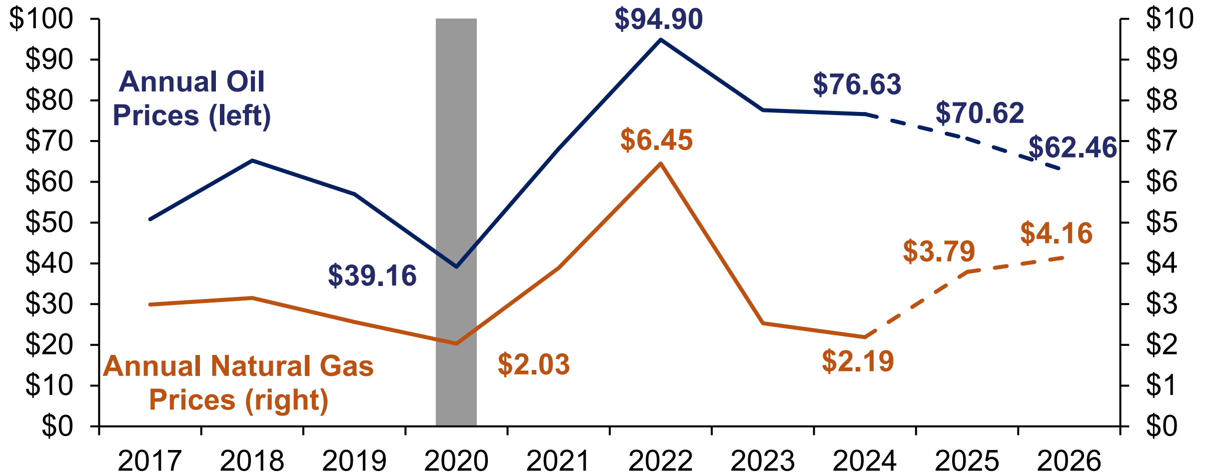
Michigan's Survey of Consumer Sentiment saw large, consecutive monthly increases in consumers' expectations of inflation in the year ahead. In December, consumers expected inflation to be 2.8 percent in one year, but by March it was up to 4.9 percent. Additionally, the survey tracks expected changes in business conditions in the year ahead, where the percentage of respondents who answered that "Business Conditions will be worse in a year" rose from 29 percent in November to 46 percent in January.

Economic uncertainty, recent CPI and PCEPI (Personal Consumption Expenditures Price Index) levels, and potential labor market weakness are all factors that the Federal Open Market Committee (FOMC) will consider in their next decision on the Federal Fund Rate in March. In late 2024, there was general expectation that the Fed would cut policy rates two or more times in 2025. Given this baseline inflation and labor market forecast, OSPB would expect the Federal Reserve to potentially place a hold on rate cuts in 2025 as the Fed monitors price stability. This is because the Federal Reserve's dual mandate is to seek maximum employment and price stability, and this forecast expects full employment but reacceleration of inflation. As rate cuts are expected to resume in 2026, consumer and business activity are expected to increase.

Energy

Oil and gas energy markets have generally maintained steadiness in the first quarter of 2025, although natural gas prices rose significantly in January due to seasonal impacts from cold weather. West Texas Intermediate (WTI) oil prices have remained atypically stable since the final quarter of 2022, ranging from $70-$85 per barrel on a quarterly basis over that timeframe. That stability is expected to continue over the first half of 2025 before prices are projected to decline in the second half of the year and fall below $70 per barrel for a sustained period due to global production growth outpacing demand. U.S. oil production reached a new annual record in 2024 and is expected to set another new record in 2025 before production flattens in 2026 on lower prices. While Colorado oil production still lags the U.S. relative to pre-pandemic trends, statewide oil production growth in 2024 outpaced the nation for the first time since 2019. Growth in Colorado production is expected to continue in 2025 at a slow pace. Oil prices face more downside risks due to global production increases and weaker global demand with the increased potential for tariffs threatening demand further. These downside risks outweigh upside risks related to geopolitical uncertainties and reduced production or supply interruptions. Natural gas prices, however, are recording an uptick and have upside price risk due to increasing inventory withdrawals tightening supply to end the winter season, growth in electricity demand, and increased global demand and U.S. export capability for liquefied natural gas (LNG) as additional LNG export terminals come online.

Figure 13. Annual Oil and Natural Gas Prices

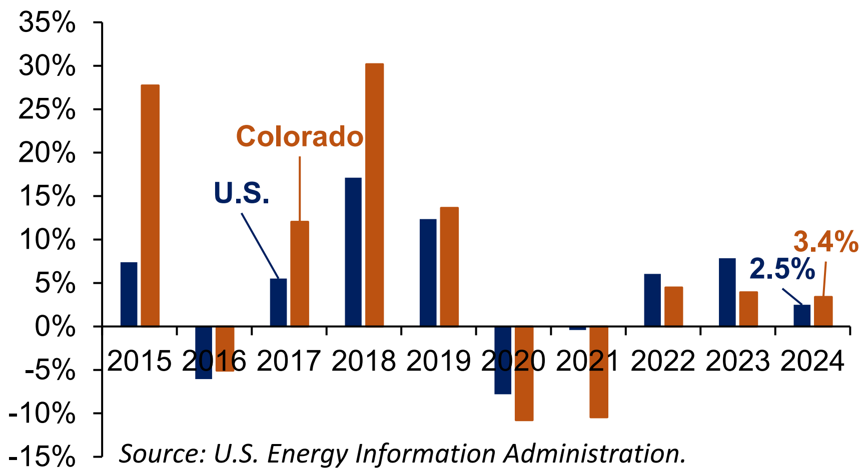


Note: Shaded area denotes recession. Dotted line indicates U.S. Energy Information Administration forecast. Henry Hub natural gas prices and West Texas Intermediate oil prices reflected.
Source: U.S. Energy Information Administration.

In 2024, the annual average WTI oil price per barrel was within one dollar of the year prior at $76.63, compared to $77.58 in 2023. This stability in price reflected a relatively steady market equilibrium following a period marked by supply and demand disruptions from 2020 through 2022. Through the end of February, prices in 2025 have maintained that steady trajectory, averaging $73.62 thus far on a monthly basis. Stable prices are projected to continue through the first half of 2025 before declining to $70 per barrel in the third quarter of 2025 and $68 per barrel in the fourth quarter, according to the U.S. Energy Information Administration's (EIA) February 2025 forecast. Prices are forecast to continue declining to $60 by the fourth quarter of 2026 with production growth expected to outpace global demand as OPEC-Plus begins to lift production cuts and non-OPEC growth remains resilient, leading to elevated inventories.

However, natural gas prices are projected to increase from the stable, yet below-average levels reached in 2023 and 2024 as recent cold weather has led to increased electricity and heating demand and elevated supply withdrawals. In January 2025, Henry Hub natural gas prices averaged $4.13 per million BTU. This was the first month since December 2022 that prices averaged above $4 per million BTU. According to the EIA February forecast, natural gas prices are projected to average $3.79 in 2025 and $4.16 in 2026, which are both above the ten-year average of $3.11. Domestic natural gas production growth wavered in 2024 due to lower prices and is expected to experience month-over-month declines in the first quarter of 2025, leading to below-average inventories and increasing prices over the course of the year.

Figure 14. U.S. and Colorado Crude Oil Production Growth

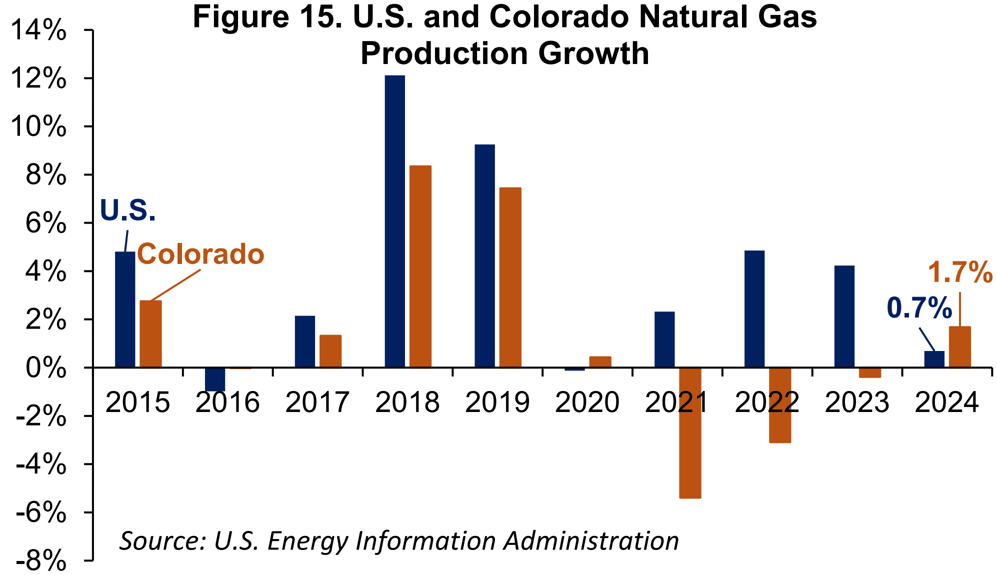


Source: U.S. Energy Information Administration.

U.S. oil production reached a new annual record in 2024, averaging 13.2 million barrels produced per day, compared to the prior record of 12.9 million set in 2023. In 2025, another record is expected to be set at 13.6 million barrels per day, according to the EIA. Domestic production growth is projected to flatten – though remain positive – in 2026 at 13.7 million barrels per day with oil prices expected to decline that year. While Colorado oil production has not recovered beyond pre-pandemic levels like U.S. production has, 2024 was the first year Colorado oil production growth outpaced the U.S. since 2019. Colorado recorded growth of 3.4 percent, while the U.S. saw 2.5 percent growth. Despite this positive growth, statewide oil production of 172.5 million barrels in 2024 was approximately 20 million barrels below the annual record set in 2019. Similar to the U.S., Colorado is projected to experience slow production growth in 2025 and 2026. This growth is expected despite declining rig counts, which are typically a harbinger of weakening near-term production levels, but technological advancements and efficiencies in drilling are allowing firms to produce more oil and gas with fewer rigs.

Similarly, statewide natural gas production growth outpaced the U.S. in 2024 at 1.7 percent compared to 0.7 percent for the first time since 2020. Like oil production, Colorado natural gas production has not recovered to pre-pandemic levels, while U.S. production now exceeds those levels. Both the U.S. and Colorado are expected to experience slow production growth

Figure 15. U.S. and Colorado Natural Gas Production Growth



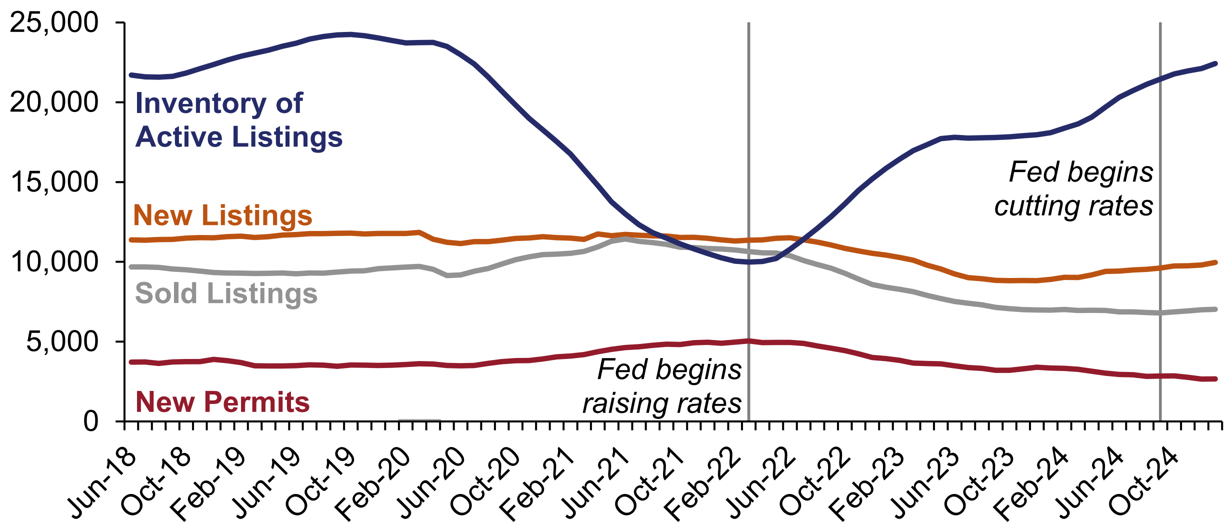
Source: U.S. Energy Information Administration in 2025 and 2026 as natural gas prices recover from their recent troughs to above-average levels. Near-term natural gas production expectations are also optimistic based upon increased electricity demand, as well as increased global demand for LNG, which could have an upward impulse on price and production. The most recent LNG export terminal in Plaquemines Parish, Louisiana became operational in January, and additional capacity is expected to come online during the forecast period. This new capacity could provide a tailwind to natural gas production through increased access to foreign markets.

While the Trump administration has made it one of their priorities to substantially increase domestic oil and gas production, investment decisions made by energy firms will largely be market driven. With capital discipline remaining the prevailing industry sentiment, production growth is expected to remain positive but restrained, as oil prices are projected to recede, and natural gas prices are expected to rise.

Housing

The housing market remains cool in early 2025 as for-sale listings continue to climb, but sales and construction permits show little sign of increasing activity. Figure 16 below illustrates a steadily growing number of active listings since early 2022, fueled by a slow increase in monthly new listings since late 2023. While sold listings appear to be recovering slowly from the lows reached in mid-2024, new monthly housing construction permits remain near their five-year lows. Buyer hesitation is likely due to high interest rates, insurance premiums, and property taxes, according to the Colorado Realtor's Association.[6]

Figure 16. Colorado Housing Market Indicators
(12-Month Moving Average)

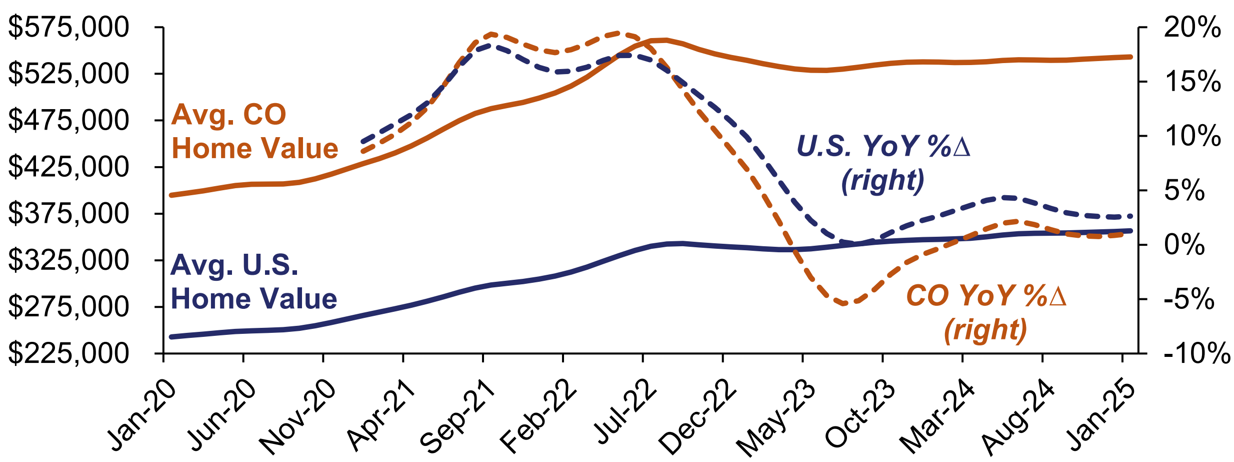


Source: Colorado Association of Realtors; U.S. Census Bureau.

[6] Colorado Association of Realtors (2025). Housing inventory hits the market as spring selling season approaches.

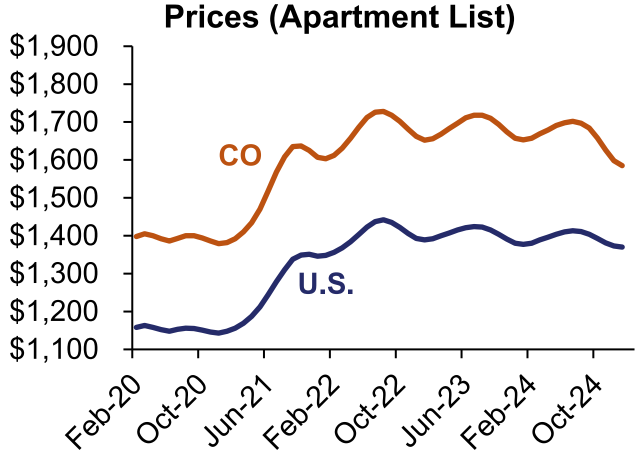
The stalled Colorado market has contributed to slowing growth in home values and rent prices relative to the U.S., as shown in Figures 17, 18, and 19, respectively. Home value appreciation in Colorado has lagged the U.S. since mid-2022 and remains flat in early 2025. Rent prices have historically moved in similar patterns for Colorado and the U.S., but in late 2024 Colorado rents began a marked decline as an influx of newly built apartments hit the market, increasing vacancy rates and putting downward pressure on rent prices across the state.[7]

Figure 17. U.S. vs CO Home Prices



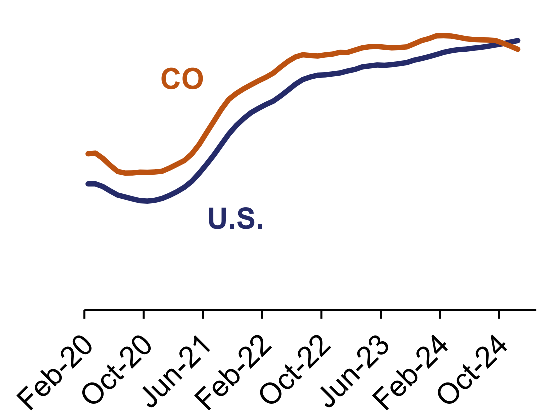
Source: Zillow.

Figure 18. Colorado vs. U.S. Rent Prices (Apartment List)



Source: Apartment List.

Figure 19. Colorado vs. U.S. Rent Prices (Zillow)



Source: Zillow.

[7] The Denver Post (2025). [Metro Denver apartment rents plunge in fourth quarter as a blizzard of new units descend on market](#).

With few signs of tailwinds for buyer and builder demand, including lower expectations for rate cuts by the Federal Reserve as described in the Inflation section, OSPB forecasts relatively slow growth in annual permits of 1.5 percent for 2025, 4.7 percent in 2026, and 7.0 percent in 2027, following three years of double-digit percentage declines.

Risks to the housing market supply include construction material price inflation from potential tariffs (which the current administration has proposed to offset by expanding American lumber production[8]), and the potential labor force impacts of federal immigration and deportation policies that could disproportionately affect the construction labor force. Risks to housing demand include persistent high mortgage rates and insurance premiums, and economic uncertainty among potential buyers.

Commercial Real Estate

The commercial real estate market in Colorado has shown mixed signs of activity, according to data from the CBRE Group. Vacancy rates for office buildings continued to grow to a recent high of 25 percent in late 2024 and new development continues to slow, although leasing activity and rent prices have been relatively stable over the past three to four years. Industrial construction has slowed considerably since the 2021 highs induced in part by ARPA, IRA, and IIJA funding availability. Since 2022, market absorption of new industrial construction has slowed while vacancy rates have increased. Retail space has been the strongest performing commercial real estate sector as availability rates have fallen steadily since 2021 and new development grew year-over-year in 2022 and 2023 (although 2024 retail development was down by 30 percent).

Early 2025 data suggest a continued deceleration in construction as seen in 2024, where the square footage of total commercial construction was down 67 percent from recent peak levels seen in 2022, including a 3 percent decline in retail, 81 percent decline in warehouses, and 41 percent decline in office space. The slowing warehouse and office construction could be related to rising vacancy rates, indicating a lack of demand for more of those property types. The retail construction strength of 2022 and 2023 also shows ongoing signs of weakening, even though demand has appeared healthy. Commercial real estate loan delinquency rates have been on a slow rise since late 2022, reaching 1.6 percent in the fourth quarter of 2024. While these delinquency rates are only slightly above the 10-year average, near-term default risks persist as loan maturities increase over the next 2-3 years. The combination of high interest rates, increasing vacancies, and slow demand are all likely to contribute to both the low levels of development, and increasing default risks in the commercial real estate market.

[8] Fox Business (2025). Trump issues executive orders addressing lumber production, national security concerns.

Federal Policy Impacts - Introduction

The current federal administration issued a wide range of executive actions impacting tariffs, immigration policy, the federal workforce, and federal funding. Alongside Congress, there is also movement towards significant tax cuts and spending reductions. The U.S. House of Representatives recently voted in favor of a budget resolution in February calling for up to $4.5 trillion in tax cuts, as well as spending reductions of at least $1.5 trillion. While this provides a framework for the expected size of federal spending starting next federal fiscal year beginning October 2025, there are no clear plans at this time on specific cuts. The current baseline forecast does not incorporate impacts of specific cuts to federal programs like Medicaid that have not been implemented. That being said, the following sections outline the proposed policies, Executive Orders, and their potential impacts and risks to the U.S., as well as the Colorado economy and state budget.

Federal Policy Impacts - Tariffs

The Trump administration has imposed several new tariffs (in addition to any existing tariffs) on all products from three key U.S. trade partners, including 1) IEEPA[9] tariffs of 25 percent on Mexico and Canada with 30 day exemptions for products that fall under the USMCA[10] and only 10 percent on Canadian energy products, 2) IEEPA tariffs of 20 percent on China and the elimination of the De minimis Exemption, and 3) Section 232 tariffs of 25 percent on aluminum and steel. The Trump administration is imposing these tariffs through executive authority as a matter of national security under the International Emergency Economic Powers Act. This section is based on the most recent information available as of March 10, and does not account for significant deviations from what has been announced up to this point. Future deviations, though, are likely to occur and the rather frequent changes to policy that are difficult to predict are a headwind to businesses, who are more likely to restrict investments during times of uncertainty, as well as consumers, who are likely to adjust spending behavior in relation to price changes.

In 2023, U.S. Personal Consumption Expenditures (PCE) totaled $18.9 trillion. In that same year, $1.3 trillion worth of products were imported from Canada, China, and Mexico. While PCE and imports aren’t directly comparable, their relationship provides context to the importance of imported products to the American consumer. Agricultural products are one example of imported goods where the direct impacts of tariffs can be identified. The U.S. imported $89.5 billion worth of agricultural products in 2023 from Canada and Mexico, including fruits, vegetables, grains, meats, seeds, live animals, oils, cereals, and more.

[9] International Emergency Economic Powers Act
[10] United States–Mexico–Canada Agreement

According to the BLS[11], the average U.S. consumer spent 12.9 percent ($9,985) on food (including food at home and food away from home) in 2023. Assuming no change in consumption, that 15 percent of all food consumed in the U.S. is imported[12], and that Canada and Mexico account for 43.9 percent of all imported food[13], the additional 25 percent tariffs on Mexican and Canadian imports are expected to increase the average annual cost of food for a U.S. consumer by $164. These effects have translated directly to a higher inflation forecast for OSPB for Denver and the U.S., where food alone accounts for 13.7 percent of overall inflation in the U.S. Consumer Price Index.

Tariffs are estimated to have a large impact on Q1 and Q2 2025 net exports. The trade balance of the U.S. has hovered around -3 percent for more than a decade, meaning the U.S. is a net importer. In December, the trade balance grew to -$122.1 billion, then set a record at -$153.3 billion in January as the anticipation of tariffs saw imports surge by $34.6 billion. In line with our GDP forecast, this will cause a net drag to GDP in Q1 2025, but frontloading imports will result in an expected sizable reduction in imports in Q2 2025. By the second half of the 2025, net exports will stabilize similar to existing comparative levels, but at the lower overall levels of imports and exports. Ultimately, tariffs are not expected to significantly change the U.S. trade balance over the forecast period and the U.S. is expected to remain as a net importer.

Similar inflationary pressures could be seen through other major components of inflation as well, including shelter, energy, goods, and services. For shelter, tariffs will increase the cost of construction inputs such as lumber, wiring, and appliances, which are frequently or entirely imported from China, Canada, or Mexico. With regard to energy, in 2023, the U.S. was a net importer of crude oil, with 59.8 million barrels of imported crude oil coming from Canada. Goods inflation will likely be most impacted by tariffs on China, which manufactures and exports many consumer products to the U.S. such as smartphones, electronics, appliances, toys, plastics, and furniture. The services sector will mostly face indirect inflationary impacts from tariffs, as service providers will have to pay more for the goods they use to provide their services like cars, computers, furniture, and other equipment. Altogether, it has been estimated that the Trump administration’s 2025 tariffs on China, Canada, and Mexico will directly result in cost increases of more than $800 per U.S. household in 2025 on average, equivalent to an after-tax income reduction of 0.8 to 1.1 percent[14].

In addition, U.S. producers, consumers, and workers are also likely to face the consequences of retaliatory tariffs. After the Trump administration announced the tariffs on Canada, Mexico, and China, all three countries immediately announced their plans to respond in kind. Canada released an initial list of $30 billion worth of U.S. imports on which a 25 percent tariff would be imposed, including agricultural goods (such as food, alcohol, and tobacco products), cosmetics,

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[11] BLS Reports (December 2024). Consumer expenditures in 2023.

[12] USDA Economic Research Service (February 8, 2024). U.S. agricultural import values outpaced export values in fiscal year 2023.

[13] USDA Economic Research Service (January 7, 2025). USMCA.

[14] Tax Foundation (March 4, 2025). Trump Tariffs: Tracking the Economic Impact of the Trump Trade War.

plastics, clothing, textiles, rubber, wood, paper, glass, appliances, and industrial materials.[15] On March 4, the day the U.S. tariffs on Canada and Mexico went into effect, the Canadian government also indicated that this would escalate to $155 billion within the next 21 days.[16] Mexico has also promised retaliatory tariffs if necessary, but has not provided detail on impacted products. However, it is expected that these retaliatory tariffs would target goods including produce, steel, and aluminum, while automotives – a major export industry in Mexico – would likely be exempted, at least initially.[17]

On February 1, the U.S. implemented new tariffs on Chinese goods, spurring retaliatory tariffs that went into effect February 10. The Chinese tariffs affect $21.2 billion worth of U.S. exports and are levied at rates of 10 percent on oil, agricultural machinery, and large motor vehicles, and 15 percent on coal and liquefied natural gas.[18] China has also taken further action by: 1) imposing export controls on products related to five minerals that are critical for industrial, defense, superconductor, and solar cell materials and manufacturing; 2) announcing legal actions against U.S. companies, including investigating Google for monopoly activity; and 3) filing a complaint with the World Trade Organization (WTO) against the new U.S. tariffs.[19] Tariffs on additional trade partners have also been proposed, but as of March 10, nothing has been put into effect. In addition to the direct economic impacts of U.S. tariffs and retaliatory tariffs placed by other countries, the uncertainty of when (and whether) tariffs would be imposed has also created significant uncertainty among U.S. businesses and consumers. Tariffs were a central promise of the Trump presidential campaign, and his election in November led to increasing sentiment of rising inflation and increased imported goods purchases in a likely effort to preempt price hikes. In December, the U.S. trade deficit increased by 24.7 percent as imports rose 3.5 percent to a record high of $364.9 billion.[20] Consumers are also wary and consumer sentiment has plummeted - one survey found that 57 percent of U.S. consumers anticipate negative impacts to their purchasing power as a result of tariffs, and 75 percent believe price increases are imminent.[21] In Colorado, the tariffs are expected to cost small businesses $1.4 billion, much of which will be passed through to consumers.[22]

Tariffs can have wider economic impacts beyond costs and prices. Price increases from tariffs can reduce demand in both countries engaged in retaliatory tariffs, which may result in labor market disruptions in import- and export-dependent industries. A Brookings Institute analysis

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[15] Department of Finance Canada (March 4, 2025). List of products from the United States subject to 25 per cent tariffs effective March 4, 2025.

[16] CBS News (March 5, 2025). Trump's tariffs on Canada, China, and Mexico draw quick retaliation, as Trudeau calls them a "dumb thing to do."

[17] Reuters (February 2, 2025). Mexico vows retaliation to Trump tariffs without detailing targets.

[18] Tax Foundation (March 4, 2025). Trump Tariffs: Tracking the Economic Impact of the Trump Trade War.

[19] White & Case (February 5, 2025). China Imposes Retaliatory Tariffs and Non-Tariff Measures in Response to Trump Tariffs.

[20] Reuters (February 5, 2025). Record high imports pressure U.S. trade deficit.

[21] Pymnts (February 21, 2025). Tariff Uncertainty May Cause Young, Wealthy Consumers to Curb Spending.

[22] The Colorado Sun (March 5, 2025). Trump's tariffs are estimated to cost Colorado $1.4 billion a year. Consumers could feel the pain soon.

found that as many as 700,000 U.S. workers work in industries that could be affected by Chinese tariffs, including crude petroleum, natural gas, coal mining, automobile manufacturing, and manufacturing of heavy machinery. Colorado is slightly more vulnerable to tariffs than the U.S. as a whole, with 42 percent of exports and 49 percent of state imports attributable to Canada, Mexico, and China[23], compared to 39.1 percent of exports and 38.3 percent of imports for the U.S.[24]

Federal Policy Impacts – Tax Policy

A major priority of the Trump administration is tax policy, particularly given the expiration of many of the provisions of the Tax Cuts and Jobs Act (TCJA) following Tax Year 2025. The tax policies most anticipated to be a focus of these efforts include lowered individual tax rates, a more generous standard deduction, and caps on State and Local Tax deductions. Policymakers may also need to account for the President's campaign promises of exempting overtime wages and tips from the income tax. A TCJA extension is estimated to cost the federal government over $4 trillion as currently implemented, and the additional campaign promises, such as exempting tips and overtime wages, could add up to another $3.5 trillion to the cost.[25] Given that the budget resolution that passed the House includes $4.5 trillion in tax cuts overall, any additional tax changes beyond TCJA may require revenue offsets. No changes have been incorporated into the forecast, pending their passage and being signed into law. While the House has begun work on its tax changes through the budget reconciliation process, the Senate has not introduced its own bill to make broad tax policy changes, and at this time it is not clear whether they will follow the House's approach or continue to pursue their own legislation.

At this time, there is not a fully drafted bill outlining the specific priorities to be voted on and advanced, but a list of options developed by the House Budget Committee offered insights into possible new tax cut provisions as well as proposals to offset the significant cost of TCJA. Offsets included items such as removing currently existing deductions for things like home mortgage interest, student loan interest payments, and various employer provided benefits; as well as making new entities subject to tax like credit unions and non-profit hospitals, or increasing the tax on certain entities like endowments at higher education institutions. Notably, changes to the federal tax base will carry through to Colorado and impact state revenue collections.

Federal Policy Impacts – Labor and Workforce

The Trump administration has issued several executive orders and directives that will impact various sectors of the nation's workforce including immigrant labor, professional and scientific services, and federal employees.

[23] LendingTree (February 12, 2025). Trump's Tariffs (and Retaliatory Ones) for Canada, Mexico and China Would Impact These States the Most – and How Americans Feel About Their Impact.

[24] U.S. Census (March 6, 2025). Top Trading Partners – January 2025.

[25] Committee for a Responsible Federal Budget (Feb 6, 2025). Trump Tax Priorities Total $5 to $11 Trillion.

The Trump administration's stated policy goals of restrictive immigration policies and mass deportations of undocumented immigrants are likely to have significant impacts on industries that rely on immigrant labor, including agriculture, construction, and hospitality. Within its first month, the Trump Administration deported 37,660 migrants nationwide.[26] While this fell short of stated deportation goals, the combination of deportations or threat of deportations can impact immigrant labor, especially in agriculture, where nationally about 70 percent of harvest workers are immigrants and 40 percent are undocumented.[27] Colorado has a short harvest season and a relatively low reliance on undocumented workers, relying more on H-2A visa holders to harvest crops. However, it is unclear whether or how new immigration policies will affect authorized workers in agriculture and other industries.[28]

The high-skill workforce also faces headwinds, including the federal workforce and sectors that depend on federal funding and grants. Under the Trump administration, the Department of Government Efficiency (DOGE) aims to cut government spending and the federal workforce. Spending cuts pursued by the administration include federal funding that supports a wide range of sectors, impacting areas including transportation, energy, health care, water infrastructure, and more through grants and contracts to state and local government, Tribes, universities, nonprofits, and private businesses. As a hub for advanced industries including aerospace, biotech, and energy and natural resources, many of which receive substantial federal funding through grants and contracts, Colorado's industries and workforce would likely see impacts from cuts to these areas. Scientific research and development, for example, employs 942,000 workers nationwide and relies on federal grants for 40 percent of its funding.[29] The administration has put forth a new directive to cap indirect costs at 15 percent of awarded grants. Indirect costs, which fund essential infrastructure like building maintenance, lab equipment, and support staff, currently account for about $9 billion, or 18.7 percent of the National Institutes for Health's (NIH) entire budget.[30] Although currently blocked in court, this cap has the potential to severely restrict the hiring budgets of universities, research hospitals, and medical schools nationwide. Several universities have paused new graduate admissions while awaiting further guidance on their research budgets,[31] potentially putting research and support jobs at risk.

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[26] Reuters (February 22, 2025). Trump deporting people at a slower rate than Biden's last year in office.

[27] USDA Economic Research Service (January 8, 2025). Farm Labor.

[28] The Denver Post (January 31, 2025). Colorado farmers not worried about mass deportations affecting state's $47 billion agriculture industry.

[29] National Science Foundation (August 15, 2024). Analysis of Federal Funding for Research and Development in 2022: Basic Research.

[30] NPR (February 24, 2025). Medical research labs brace for possible funding cuts that could disrupt their work.

[31] Inside Higher Ed (February 25, 2025). Colleges Restrict Graduate Student Admissions After NIH Proposes Rate Cut.

The Trump administration has stated their intention to reduce the federal workforce by 10 percent, and has initiated efforts towards large reductions in force.[32] A deferred resignation offer was sent by the U.S. Office of Personnel Management to all federal employees in January[33] and accepted by about 75,000 workers[34], about half of the annual turnover of the federal workforce in a typical year.[35] In the weeks after the deadline, over 60,000 temporary and probationary employees were fired across 17 agencies.[36] An Executive Order directed agencies to submit plans for large-scale reductions in force by March 13th. Large scale federal employee layoffs could impact local economies and labor markets across the country. About two percent of Colorado's workforce are federal employees, in line with national averages. A quarter of all Colorado federal employees are based in Colorado Springs, many affiliated with the Air Force, and potential cuts to defense spending could potentially impact thousands of workers in the area.[37] The U.S. Forest Service and the National Oceanic and Atmospheric Administration (NOAA), two agencies that have already laid off a combined 4,000 employees, also have a significant presence in Colorado. Colorado hosts several other large federal agency branches whose employees could be affected, including the Veteran's Administration (VA), Housing and Urban Development (HUD), the U.S. Department of Agriculture (USDA), the U.S. Geological Survey (USGS), and the U.S. Mint.[38]

Additionally, there are a much broader group of workers in state and local government, nonprofits, and private businesses funded in whole or in part through federal grants or contracts, including approximately 7.5 million workers nationally that are funded through federal grants or contracts, according to Brookings.[39] Therefore, the extent of layoffs due to austerity measures have the risk of being more widespread than just the federal workforce. As an example, about 3,500 people work for federally funded labs in Boulder that could be threatened by federal grant funding cuts, even if they are not direct federal employees.[40]

[32] NPR (January 31, 2025). Trump wants to cut the federal workforce. Who they are and what that means.

[33] U.S. Office of Personnel Management (January 28, 2025). Fork in the Road.

[34] USA Today (February 15, 2025). Which agencies have been hit by federal layoffs? What to know about NPS, NIH, IRS, more.

[35] Partnership for Public Service (September 4, 2024). Recent trends in quits and retirements in the federal workforce.

[36] The Challenger Report (March 6, 2025). Job Cuts Surge on DOGE Actions, Retail Woes; Highest Monthly Total Since July 2020.

[37] Denver Gazette (February 17, 2025). Colorado Springs could feel outsized hit from federal workforce exodus.

[38] Colorado Public Radio (February 19, 2025). As job cuts for Colorado's federal workers roll across the state, some share their stories.

[39] Brookings Institute (January 28, 2025). Is government too big? Reflections on the size and composition of today's federal government.

[40] Boulder Reporting Lab (February 18, 2025). Federal workers in Boulder face uncertainty as mass layoffs ripple through government agencies.

Federal Policy Impacts - Medicaid

As President Trump endorsed a budget resolution that passed the House in February[41] which instructs the House Energy and Commerce Committee, which oversees a number of health care programs including Medicaid, to cut spending by at least $880 billion.[42] Medicaid is likely to absorb a large majority of these cuts. As part of a competing two-bill strategy, the Senate has also put forth a competing budget resolution that directs the Senate Finance Committee to cut $1 billion, which could also largely come from Medicaid.[43,44] While there is still significant uncertainty during the budget reconciliation process as to the amount and specific Medicaid policies that will be implemented to achieve these savings, the House Budget Committee laid out a list of potential policies.[45] Colorado spent $15 billion in total funding on Medicaid in FY 2023-24, $8.7 billion of which were federal funds, $4.5 billion were state general fund, and $1.8 billion were cash funds. Combined with the fact that 1.3 million Coloradans receive health care through Medicaid[46], these potential federal policy changes are likely to have significant impacts on the state budget and service provisions. OSPB considers the potential policy decisions that have been discussed and their impacts below.

Imposing work requirements for Medicaid eligibility

Work requirements could be implemented to generate savings through reduced enrollment. However, OSPB estimates a net neutral budget impact as implementation would require additional administrative resources. Past examples of work requirement policies in Arkansas yielded marginal savings while reducing enrollment coverage by 18,000.[47] Implementing work requirements would likely create significant administrative costs. Any savings from reduced caseload due to work requirements would likely only be for the able-bodied adult population, which is currently funded with 10% HAS fee and 90% federal funds, so there would be no General Fund savings.

Eliminate federal funding to states who provide state-funded coverage to non-citizens

While the HB22-1289 Cover All Coloradans program for children is currently only funded through General Fund, there is a possibility that Congress might implement financial penalties on states with programs like this that provide coverage to non-citizens. If so, the state could be required to backfill any reductions in federal funding for the core Medicaid program.

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[41] House Budget Committee (2025). What They are Saying: President Trump Endorses House Budget Resolution. (link)

[42] House Budget Resolutions FY25 (link)

[43] Medicare Rights Center (2025). New Congressional Attempt to Cut Medicaid Through Budget Reconciliation. (link)

[44] New York Times (2025). Senate G.O.P. Passes Budget Resolution, and Punts on Tough Questions. (link)

[45] House Budget Committee, Ways and Means Committee (2025) Reconciliation Options. (link)

[46] Colorado Department of Health Care Policy and Finance (2025). Report to the Community, FY 2023-24. (link)

[47] KFF (2015). 5 Key Facts About Medicaid Work Requirements.

<u>Reduce FMAP for Affordable Care Act (ACA) expansion adults from 90 percent to 50 percent</u>

Colorado is expected to serve over 400,000 ACA expansion adults in FY 2025-26. OSPB estimates that over $1 billion in General Fund would be necessary to maintain current total funding levels if the federal share of their coverage drops from 90 percent to 50 percent. The current 10 percent state share is paid from the TABOR-exempt Healthcare Affordability and Sustainability (HAS) fee.

<u>Eliminate the 50 percent FMAP floor</u>

Each state's FMAP is based on the relative per capita income compared to the national average, with the federal floor set at 50 percent. Without that FMAP floor, Colorado's FMAP may drop to 41 percent. If the FMAP floor were removed, the state Department of Health Care Policy and Financing estimates that approximately $900 million in federal funding would need to be replaced by state funds, potentially growing to $1.5 billion if the FMAP drops to 35%.[48]

<u>Other Options</u>

Additional options that have been presented include per capita limits on federal Medicaid spending, restrictions on types and reimbursement rates of care covered by federal funds, limiting Medicaid provider fees, and eliminating minimum staffing requirements for Long-Term Care facilities.

High Impact Area: Federal funding freezes would cause disproportionate impact

Federal funding freezes, and the risk of future reductions and stalls to state dollars, will disproportionately impact many communities in Colorado, but primarily low-income communities. In Colorado, about one in four access Medicaid, about six hundred thousand people are on SNAP at any given time, and over one hundred thousand people access housing vouchers and energy assistance programs annually. All of the aforementioned programs, and ones unlisted, will increase costs for individuals and families if they were to be reduced or eliminated, targeting communities already experiencing financial hardship which these programs aim to alleviate. In addition to federal assistance programs, funding freezes on IRA and IIJA funds will also pose disproportionate impacts to low-income communities in the long term. A vast majority of projects funded by these funding streams contribute to the reduction of energy costs, clean water and energy access, solar, and broadband access for primarily rural communities. Losses to these projects would stall long-term cost reductions, as well as continue to contribute to public health risks experienced by disproportionally impacted communities.

[48] Colorado Department of Health Care Policy and Finance (2025). CO Medicaid Insights & Potential Federal Medicaid Reduction Impact Estimates.

Federal Policy Impacts - Other

Spending Freeze

On January 27, the federal Office of Management and Budget (OMB) issued memorandum M-25-13, which directed federal agencies to temporarily pause grant, loan, and other financial assistance programs, excluding Social Security and Medicare.[49] OMB rescinded the memo on January 29, however, further communications from the administration stated that the funding pause was still being explored in particular related to Executive Orders that remained in effect. Currently, a federal judge has placed a preliminary injunction on this pause of federal funding and any subsequent attempts to categorically pause funding. If the federal funding pause were to go back into effect or take the form of a mass cancellation of grant and contract agreements, it is unclear what federal programs would be impacted, or how direct or indirect funding distributed to Colorado would be affected. While the full extent of the economic impact is unknown at this time, many of the programs targeted by the administration are ones that Colorado has been very successful in securing agreements for funding (e.g. IIJA and IRA discretionary grant programs), and grantees include state and local governments, Tribes, nonprofits, and private businesses contracted to assist with the work.

Transportation

The United States Department of Transportation (USDOT) has been active in changing transportation policies enacted by the prior administration[50], including electrification and emissions standards[51]. The Department has released guidance prioritizing funding in areas of the country with high birth and marriage rates and imposing other funding conditions. This shift in USDOT policies could leave regions of Colorado with lower birth and marriage rates at risk of losing federal transportation funds, especially in rural areas of the state, and would result in overall reduced levels of funding statewide.

Education

The Trump administration has initiated efforts to significantly cut the Department of Education by starting major layoffs of the departmental workforce, which combined with buyouts are reducing the agency's workforce by nearly half[52]. These reductions raise significant questions and uncertainties about the federal funds they distribute and potential budgetary impacts for the state, schools, universities, and students.

The administration is also making cuts to programs affecting food access in schools. In March 2025, USDA canceled over $13.1 million in funding for Colorado initiatives that help schools and

[49] Office of Management and Budget (2025). Memorandum M-25-13. (link)

[50] U.S. Department of Transportation (2025). U.S. Transportation Secretary Sean Duffy Takes Action to Rescind "Woke" DEI Policies and Advance President Trump's Economic Agenda. (link)

[51] U.S. Department of Transportation (2025). Sean Duffy Sworn in as Secretary of U.S. Department of Transportation and Takes Immediate Action to Make Cars More Affordable. (link)

[52] New York Times (2025). Trump Education Department Firings.

food banks purchase food from local farms[53]. Also, in January 2025, the House Budget Committee put forward a list of proposals for budget reconciliation, including $12 billion in cuts to school breakfast and lunch. This could significantly decrease the number of schools offering free meals to all students. It would also introduce paperwork requirements for school meals, that could limit student access to free and reduced-price meals in schools that do not participate in the Community Eligibility Provision (CEP). The CEP is a non-pricing meal service option designed for schools and districts in high-poverty areas, in which schools receive reimbursements based on the percentage of low-income students. Eligibility is currently set at 25 percent of students at the school being classified as "identified students." Identified students include any student who has been certified for free school meals without the use of a household income application. The proposed changes would raise this eligibility threshold to 60 percent, significantly expanding the criteria. According to the Food Research & Action Center, these changes to school breakfast and lunch programs could impact approximately 12.4 million students across 24,559 schools nationwide. For Colorado, the proposed increase in the CEP threshold could have a substantial financial impact. The state's Healthy School Meals for All (HSMA) Program would see considerable cost increases if the eligibility percentage rose from 25 to 60 percent. The Colorado Department of Education (CDE) estimates that even an increase to 40 percent would cost an additional $7 million in FY 2024-25, compared to current expenditures.

Infrastructure, Energy and Environment

Risks to federal funding for Colorado's infrastructure could delay projects and hamper economic development. Under the Trump administration, risks have increased to funding sourced from the Inflation Reduction Act (IRA), the Infrastructure Investment and Jobs Act (IIJA), and federal funding for environmental and infrastructure investments. With uncertainty surrounding federal funding on IRA and other federal funding streams, Colorado potentially faces $13.2 billion in stalled clean energy investment and climate resiliency initiatives. While the IIJA funding freezing has been temporarily rescinded, there remains a risk that the Administration could further revoke grant and state funding match opportunities for roads and bridges, water projects, drought and wildfire resiliency, and widespread broadband. Many federal departments paused disbursement of funds, causing states to increase spending, halt projects due to ungranted funds, or even directly reimbursing individuals' and local governments' expenditures.[54] Many of these funds have been un-paused by Court Orders, but their future still remains uncertain.

Other infrastructure-related funding freezes are also likely to impact the state economy. Rural energy initiatives funded through the Empowering Rural America (New ERA) program have also been stalled. The funding totaled $9.7 billion, of which Tri-State Generation had been awarded $2.7 billion to invest in renewable energy and reduce electricity costs for rural communities in

[53] Colorado.gov (2025). Governor Polis: USDA Cuts Hurt Colorado Kids & Farmers.

[54] New York Times (2025), Trump's Halt on Climate Spending Freezes Jobs and Stalls Projects.

Colorado, Wyoming, New Mexico, and Arizona.[55] [56] Investments in the Colorado River and various water efficiency projects are also implicated by the federal funding freeze. Water projects in Colorado are critical to the state economy as these investments reduce costly water waste and limit threats of drought and wildfire, both of which pose high economic risks to the State. The IRA had allocated $15.4 billion for Western Water, with $5.3 billion specifically dedicated to projects in the Colorado River basin.[57]

Government Efficiency

The Trump Administration formed the Department of Government Efficiency (DOGE) with a wide-ranging mandate to reduce federal spending and improve efficiency. DOGE has taken several high-profile actions with support from the Office of Management and Budget (OMB), such as effectively eliminating many USAID programs and pausing many Consumer Financial Protection Bureau (CFPB) regulatory activities. Additionally, job losses in the federal government and a range of private sector industries tied to federal contracts are expected as a result of DOGE's actions to reduce federal spending, discussed further in the Federal Policy Impacts – Labor and Workforce section above. These reductions could threaten economic stability and create budget and forecast challenges. While DOGE and OMB actions currently face legal challenges that will restrict or delay their implementation[58], there is significant uncertainty as to the extent and degree of future actions will be.

Health and Human Services

The list of potential federal budget cuts introduced by the House includes the elimination, reduced funding, and/or eligibility reform for several health and human services programs including the Social Services Block Grant (SSBG), Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance to Needy Families (TANF), and Affordable Care Act (ACA) health insurance subsidies.[59,60] The proposals detail up to $21 billion in cuts to TANF, nearly $300 billion in cuts to SNAP, and the elimination of $15 billion in funding to the SSBG. While the magnitude of these federal funding reductions is uncertain, they are likely to impact Colorado through increased state spending to maintain service levels, or reductions in service provision to some of the most vulnerable Coloradans.

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[55] The Colorado Sun (2025), Tri-State won $2.5 billion to close coal plants, get new renewable energy for rural customers.

[56] The Colorado Sun (2025), $3.2 billion in funding for Colorado rural electric co-ops and Tri-State frozen as clean energy programs are reconsidered.

[57] Bureau of Reclamation (2025), Biden-Harris Administration announces new Colorado River Environmental Funding Totaling over $388.3 Million.

[58] ABC News, (2025) Is Elon Musk's government role unconstitutional? What the Supreme Court might say.

[59] Federal Funds Information for States (FFIS) (2025). House Budget Committee Reconciliation Options Highlight Medicaid.

[60] Federal Funds Information for States (FFIS) (2025). Reconciliation Options: Health and Human Services.

Forecast Risks

Short-Term Risks

Risks to Colorado's near-term economy have primarily shifted to the potential impacts of uncertain federal policy decisions – particularly on the state budget. The previous section outlines several areas where federal changes could directly impact Colorado's economy and budget, including taxes, labor market, tariffs, and federal funding to support Medicaid, human services, transportation, infrastructure, education, energy, and environment. The secondary impacts of any federal policy changes also pose significant economic risks such as inflationary pressures from tariffs, economic disruptions from labor market imbalances, and a decrease in federal funding that requires additional state spending and/or reduced services. Current interest rates are in restrictive territory and continue to weigh on investment and lending activity throughout the economy. Geopolitical conflicts persist in Ukraine and the Middle East, potentially threatening energy prices. New development in the residential and commercial real estate markets continue to stagnate, reducing economic activity and slowing the growth of available inventories. In a worst-case scenario, economic activity could slow to recessionary levels even as inflation remains elevated or accelerates, reminiscent of the 'stagflation' period in the 1970s. Though weighted to the downside, upside risks to the forecast include slower than expected inflation, more federal reserve interest rate cuts, greater policy clarity and certainty at the federal level, and tax policy reform that incentivizes jobs growth and boosts consumption.

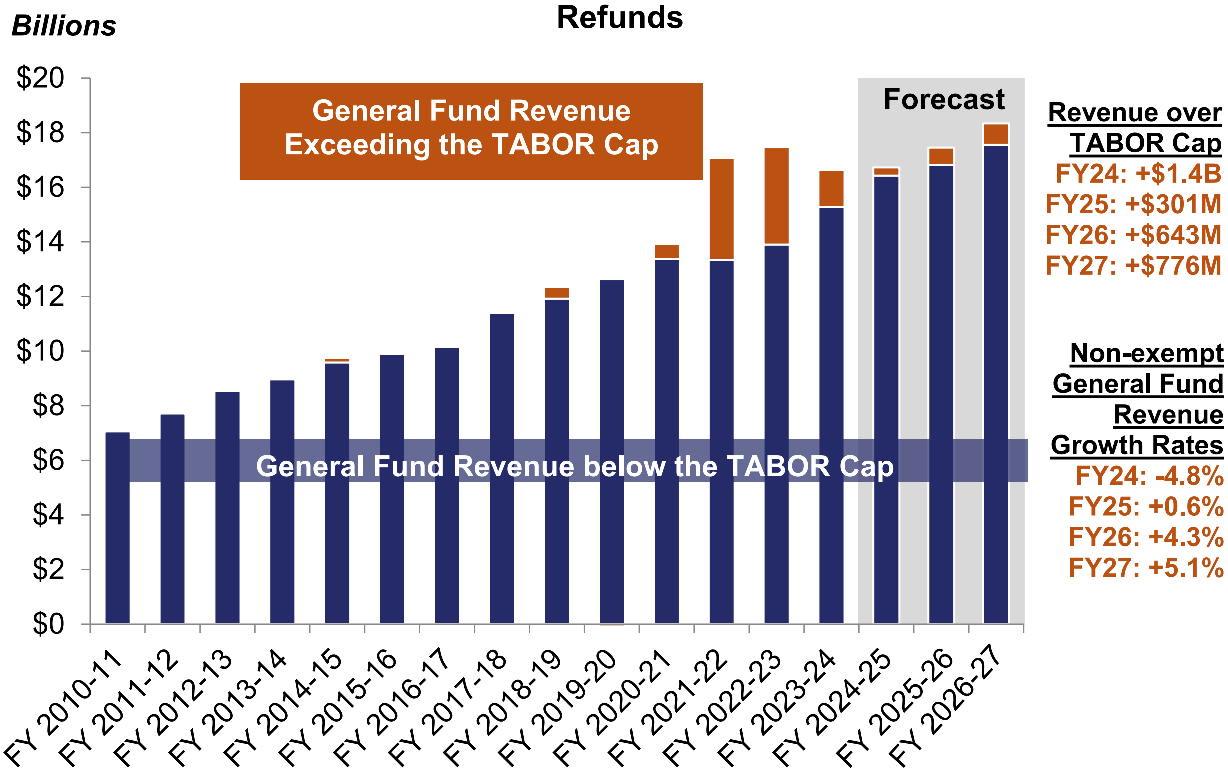
Long-Term Risks

Demographic trends are slowly changing the composition of Colorado's population as growth from births and migration slow, and an increasingly larger share of the population reaches retirement age. As a result, the labor force is seeing a growing share of older workers while growth among prime working age adults 25-54 slows. A larger share of the 65 and older population are expected to be retired, which is a headwind to state income and sales tax revenue, while simultaneously increasing budgetary pressures on public service programs like: Medicaid; Senior Homestead; Area Agencies for Aging; Property Tax, Rent, and Heat rebates; and the Colorado Public Employees' Retirement Association (PERA) retirement plans. 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 slowly decline again by 0.1 percent in FY 2024-25 to $17,227.4 million. This relatively flat revenue growth is due to increasing individual income tax revenue being offset by falling sales tax receipts and corporate income tax revenue declines. In FY 2024-25, this reflects a downward revision of $344.6 million in total General Fund revenue compared to the December forecast largely due to elevated individual income taxpayer refunds and continued sales tax weakness. In FY 2025-26, General Fund revenue is projected to grow by 4.3 percent to $17,974.8 million from continued growth from individual income tax revenue alongside a return to positive growth in sales tax revenue. This is an upward revision from the December forecast of $108.5 million largely due to higher expectations in individual income tax withholdings revenue more than offsetting other downward revenue revisions. General Fund revenue growth in FY 2026-27 is projected to grow by 4.9 percent to $18,862.4 million. This is a minimal downward revision of $30.6 million from the December forecast.

Figure 20. Total Non-Exempt General Fund Revenue and TABOR Refunds



General Fund revenue exceeded the TABOR cap by $1.4 billion in FY 2023-24 and is projected to exceed the TABOR cap throughout the forecast period, although it is expected to narrow considerably in FY 2024-25. A $301.5 million TABOR surplus is projected in FY 2024-25, which is a downward revision of $571.8 million from December and would be the smallest TABOR surplus since FY 2019-20 when there was no surplus. There is an elevated risk that revenue falls below the TABOR cap in FY 2024-25 depending upon actual tax receipts in the final four months of the fiscal year. The TABOR surplus is expected to grow in FY 2025-26 to $642.7 million and $775.8 million in FY 2026-27.

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 4.2 percent in FY 2024-25 to $10,461.5 million. The growth comes from strong withholdings revenue and firm wage growth in the state more than offsetting elevated taxpayer refunds. In FY 2025-26, revenue is projected to grow by 6.5 percent to $11,142.9 million and grow by 5.0 percent in FY 2026-27 to $11,697.1 million.

Corporate Income Tax: Following four consecutive years of elevated growth, corporate income tax revenue is projected to decline by 13.9 percent to $2,408.1 million in FY 2024-25 from the peak reached in FY 2023-24 of $2,796.6 million. Revenue is expected to fall in FY 2024-25 on slowing corporate profits and a reversion to trend. Another decline of 4.0 percent is expected in FY 2025-26 to $2,311.1 million. Growth of 7.4 percent is projected in FY 2026-27. Corporate income tax revenue is revised down across the forecast period on lower corporate profit expectations.

Sales and Use Tax: After tepid sales and use tax growth of 0.9 percent in FY 2023-24, a revenue decline of 0.5 percent is projected in FY 2024-25 to $4,575.0 million. Revenue growth is projected to rebound in FY 2025-26 by 4.4 percent to $4,778.3 million before increasing by 4.4 percent again in FY 2026-27 to $4,987.4 million. For the full forecast period, sales and use tax revenue is revised down from the prior forecast due to weaker statewide retail demand expectations.

Proposition EE Tax and Other Excise Tax: Proposition EE revenue is expected to increase by 15.5 percent in FY 2024-25 to $240.0 million before declining in FY 2025-26 by 1.4 percent to $236.5 million. Revenue is projected to decline again in FY 2026-27 to $231.2 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.

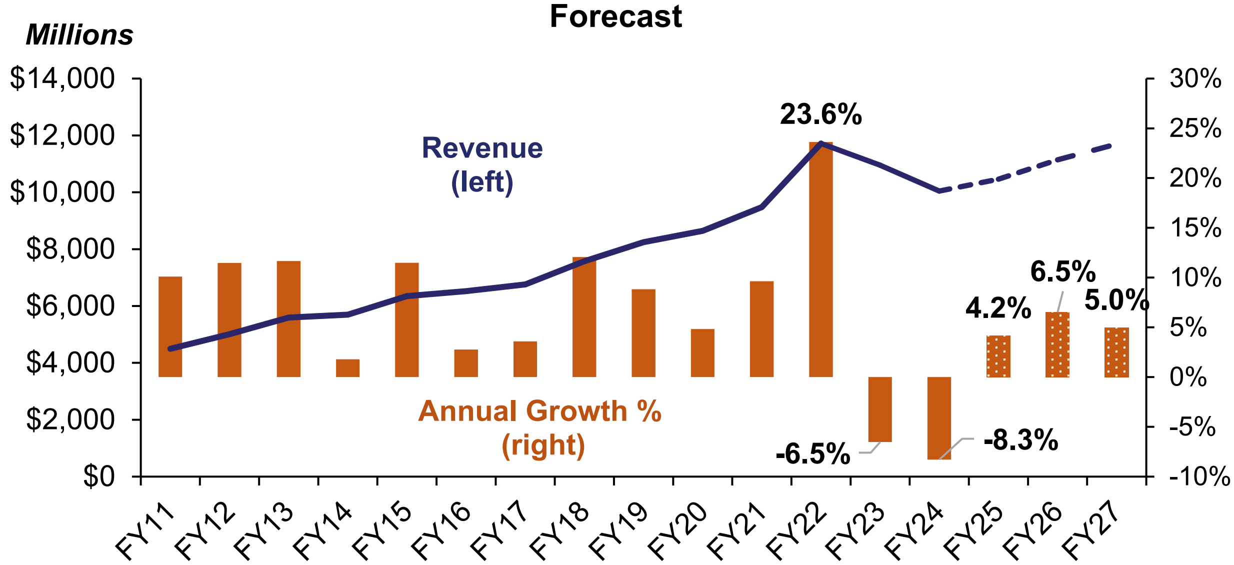
Other General Fund Revenue: Other General Fund revenue is projected to decline by 2.7 percent to $827.5 million in FY 2024-25 due to lower interest revenue. In FY 2025-26, revenue is projected to decrease again by 0.9 percent to $820.0 million with similar expectations in FY 2026-27.

State Education Fund Revenue: In FY 2024-25, the State Education Fund revenue diversion is expected to fall 6.9 percent to $1,126.1 million due to base effects from a one-time correction in FY 2023-24. Growth of 4.2 percent to $1,173.9 million in FY 2025-26 is projected before growth accelerates in FY 2026-27 to 5.1 percent and $1,233.6 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 4.2 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, slower small business activity, and tax policy changes which weighed on revenue. With growth of 4.2 percent expected in FY 2024-25, revenue is projected to increase to $10,461.5 million ($10.5 billion). This is a downward revenue revision of $140.8 million from the December forecast due to elevated taxpayer refunds and weakened cash with returns outweighing strength and upward revisions in withholdings revenue from firm wage growth. More information related to the revenue trends from individual income tax components is provided later in this section.

Figure 21. Individual Income Tax Historical Revenue and Forecast

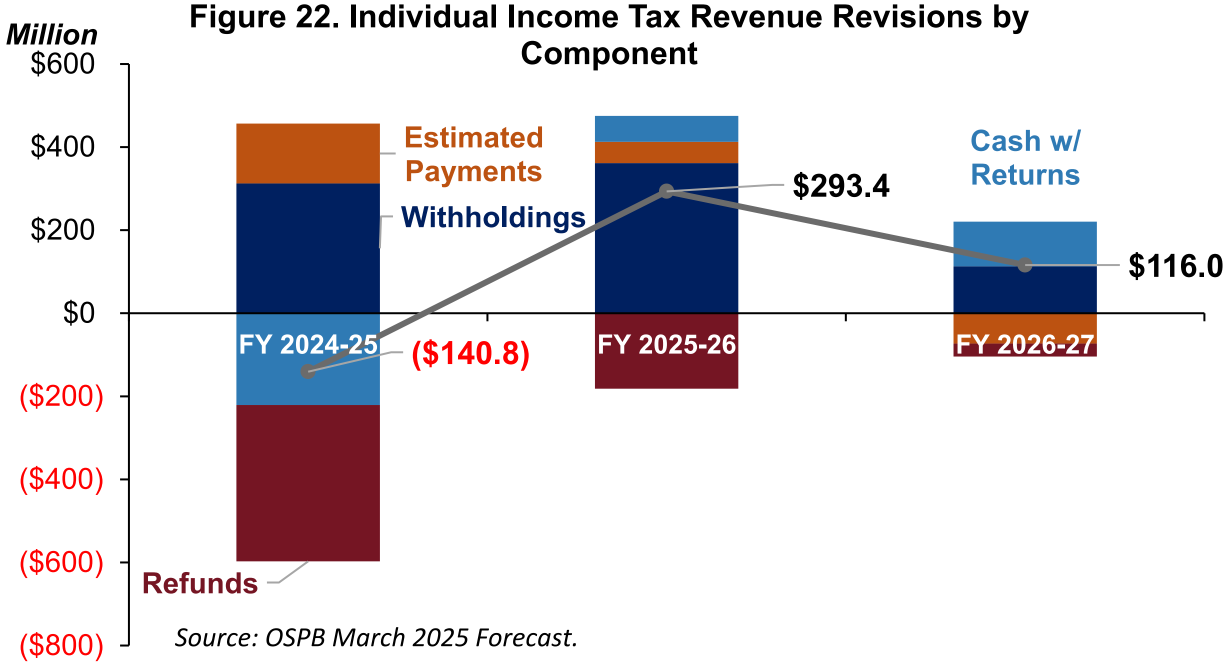


Sources: Colorado Department of Revenue, OSPB Forecast.
Note: Shaded bars and dotted line(s) indicate forecast.

In FY 2025-26, individual income tax revenue is forecast to grow by 6.5 percent to $11,142.9 million as strong withholdings in FY 2024-25 create a higher base in FY 2025-26 alongside less drag from refunds. This is an upward revision of $293.4 million from the December forecast. Finally, in FY 2026-27, revenue is forecast to increase 5.0 percent on normalizing trends across all individual income tax components. This is an upward revision of $116.0 million from the December 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 $589.7 million, including by $376.6 million in the current year. 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 have remained firm despite wage growth deceleration. Through eight months of cash-basis collections in FY 2024-25, withholdings revenue has grown 5.3 percent over the prior year. Withholdings are revised up $312.5 million in FY 2024-25, by $361.5 million in FY 2025-26, and by $112.9 million in FY 2026-27. In FY 2024-25, the upward revision in withholdings is more than offset by the aforementioned downward revision in refunds. This is illustrated in Figure 22. However, the FY 2024-25 individual income tax revenue performance will largely be determined from March and April revenue collections when the bulk of tax returns are filed and the majority of revenue related to cash with returns and refunds are received. Throughout the forecast period, withholdings revenue is projected to remain firm, leading to overall individual income tax revenue growth.

Figure 22. Individual Income Tax Revenue Revisions by Component



Source: OSPB March 2025 Forecast.

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

Impacts 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. The forecast currently assumes current law and the expiration of the TCJA at the end of 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 a $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 23 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. In the December 2024 forecast, the full amounts of the tax credits were turned on in Tax Year 2025, given projected FY 2025-26 TABOR revenue was expected to grow at more than 2 percent. In FY 2026-27, OSPB expects that the maximum available credits will be in place as well, given that compound annual growth of 4.9 percent from FY 2024-25 is projected. These revenue growth triggers are laid out in Figures 24 and 25 below. Given that OSPB projects the full amount of both credits will be offered through TY 2026, this raises the total revenue reduction from credits claimed by individuals to approximately $1.0 billion, as illustrated in Figure 23.

Figure 23. New Tax Credits Impacting Individual Income by Tax Year ($M)

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

Figure 24. 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

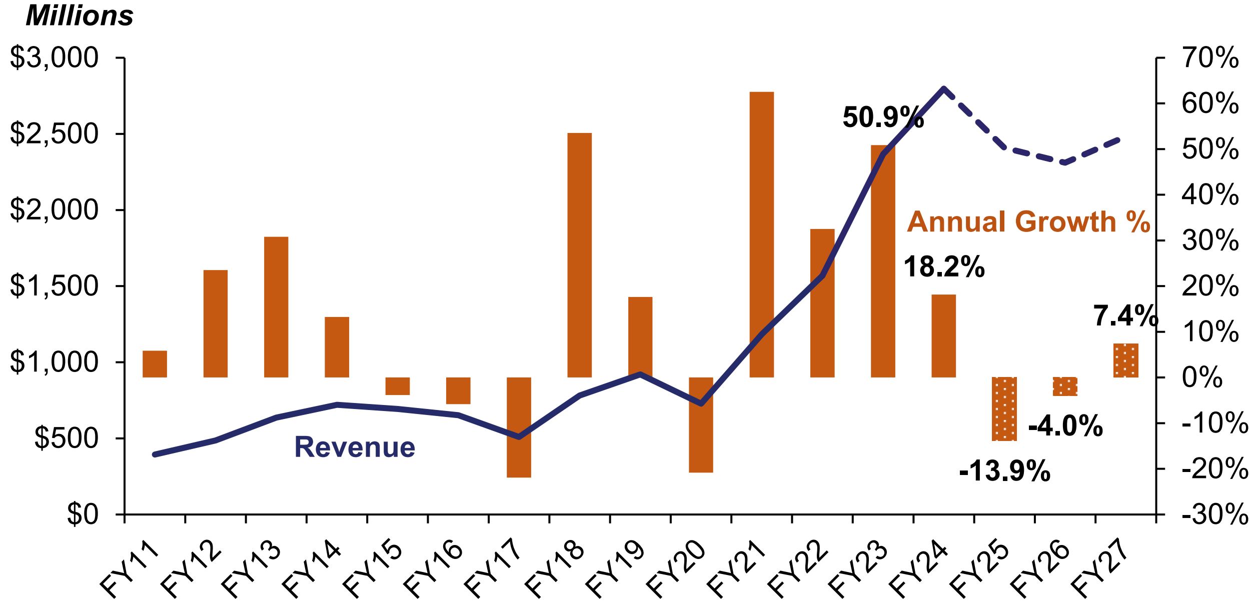
Figure 25. Earned Income Tax Credit Trigger Levels (beginning TY26)

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 13.9 percent to $2,408.1 million in FY 2024-25 following four consecutive years of elevated growth rates. Compared to the December forecast, corporate income tax revenue in FY 2024-25 is revised down by $85.3 million, as revenue collections year-to-date have weakened in recent months due to increased taxpayer refunds. Year-to-date receipts of corporate income tax revenue are declining in FY 2024-25 relative to FY 2023-24 at a moderately accelerating pace through eight months of cash-basis collections, leading to the downward revision. A revenue decline of 10.8 percent was projected in December versus the 13.9 percent decline expected in this forecast. Corporate income tax revenue is forecast to decline further by 4.0 percent to $2,311.1 million in FY 2025-26, which is a small downward revision of $28.5 million, as corporate taxpayer refund expectations grow for next fiscal year, as well. Positive growth of 7.4 percent is projected to return in FY 2026-27 with revenue collections of $2,482.6 million. Tax policy adjustments from the 2024 regular legislative session are included within this forecast and result in revenue reductions over the forecast period. These tax policy adjustments are discussed in more detail below.

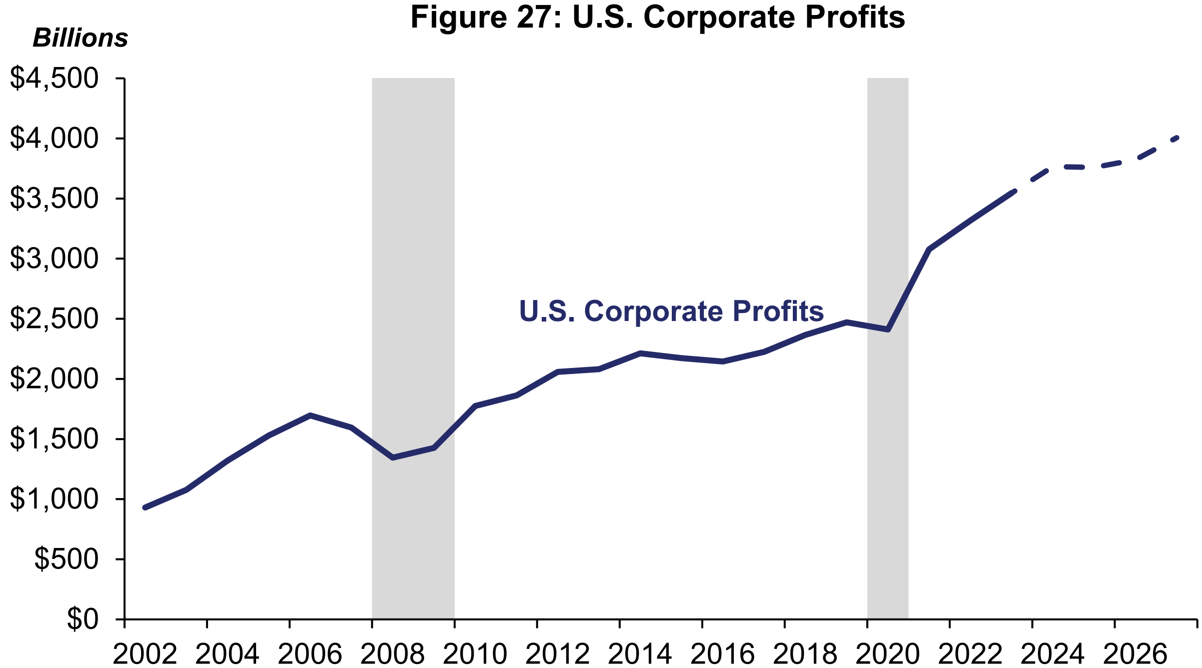
Figure 26. Corporate Income Tax Historical Revenue and Forecast



Sources: Colorado Department of Revenue, OSPB Forecast.
Note: Shaded bars and dotted lines indicate forecast.

The growth in corporate income tax revenue in the past four fiscal years is largely due to U.S. corporate profits growing to record levels above $3 trillion beginning in 2021. From 2020 to 2024, U.S. corporate profits grew from $2.4 trillion to an estimated $3.8 trillion at a compound annual growth rate of 11.9 percent. Subsequently, elevated profits and record corporate income tax revenue have been recorded at the state level. 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 by an additional 6.9 percent to a new record annual level of $3.5 trillion. In 2024, corporate profits are projected to grow again by 6.5 percent, as businesses navigated a restrictive monetary environment over the year. Corporate profits are projected to marginally decline in 2025 by 0.2 percent as growth normalizes with slow growth of 1.7 percent expected in 2026. In 2027, profits are forecast to grow 4.8 percent and eclipse $4 trillion as the economy is expected to positively respond to an increasingly neutral monetary policy environment by that time.

Figure 27: U.S. Corporate Profits



Note: Shaded area denotes recession. Dotted line indicates forecast.
Source: Bureau of Economic Analysis, OSPB March 2025 Forecast.

Impact from Tax Policy Changes

Changes to tax policy during the 2024 regular legislative session are impacting forecast revenue 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. The forecast currently assumes current law and the expiration of the TCJA at the end of 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 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 expires. 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 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 28: 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

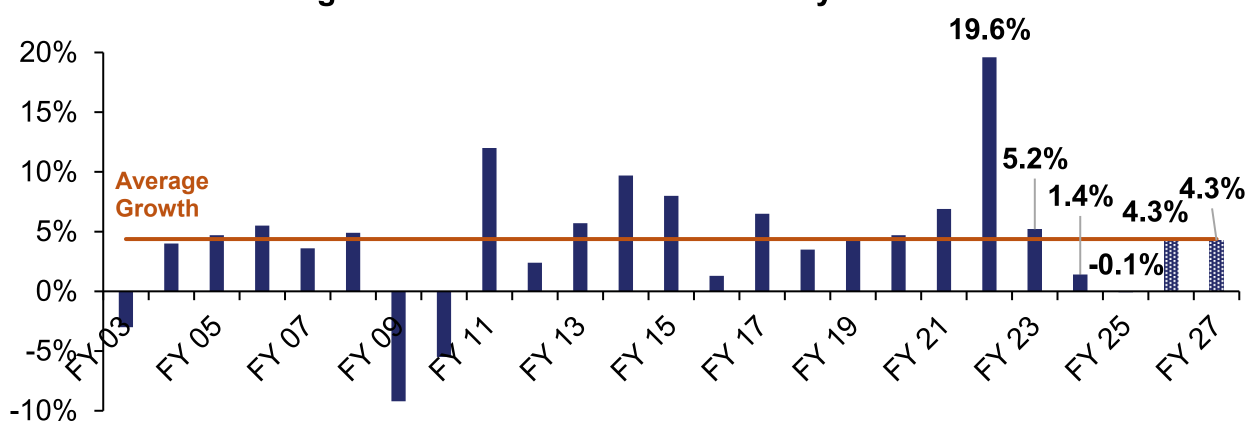
Sales revenue in FY 2023-24 recorded 1.4 percent growth, reaching $4,362.6 million following 5.2 percent growth in FY 2022-23. Despite some strength to end the fiscal year, 1.4 percent growth represents the slowest sales tax growth since FY 2015-16. Through February, in FY 2024-25 sales tax revenue growth is trending even slower with just 0.6 percent growth in year-to-date collections compared to last fiscal year. While holiday spending did show more significant growth than other recent months, it still fell below December forecast projections. With weak revenue year-to-date along with the announcement of new tariffs and souring consumer sentiment, OSPB anticipates a relative decline in purchases of taxable goods over the next year, leading to downward revisions in the sales tax forecast.

Figure 29. 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	$4,358.5	-0.1%	$216.5	-7.2%	$4,575.0	-0.5%
FY 2025-26	$4,547.3	4.3%	$231.0	6.7%	$4,778.3	4.4%
FY 2026-27	$4,741.3	4.3%	$246.1	6.5%	$4,987.4	4.4%

While an uptick in growth is expected during the forecast period, statewide retail sales have continued to fall below expectations prompting additional downward revisions. With these assumptions, OSPB has revised sales tax revenue down in FY 2024-25 by $84.3 million, resulting in total collection expectations of $4,358.5 million, which is a marginal decline from the prior year. The revision down is informed by year-to-date collections for this fiscal year being largely on pace with last year, and declining consumer sentiment suggesting a consumer pullback towards the end of the fiscal year. For FY 2025-26, growth is projected to increase to 4.3 percent, which is anticipated to be concentrated in the latter half of the year, but this is a downward revision of $65.9 million from the previous forecast, resulting in total sales revenue of $4,547.3 million. In FY 2026-27, growth is projected to remain steady at 4.3%, leading to a total of $4,741.3 million collected, reflecting a $119.3 million downward revision from December.

Figure 30. Sales Tax Growth History and Forecast



Note: Dotted bars indicate forecast. Orange line is the 20-year average state sales tax growth rate.
Source: Colorado Department of Revenue, OSPB March 2025 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 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. 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.

FY 2024-25 is forecast to be $37.8 million, which is a $1.0 million downward revision from December, tied to the slumping sales tax collections. FY 2025-26 collections are projected at $39.6 million, a marginal $1.2 million downward revision. FY 2026-27 collections are projected to be $42.4 million, another downward revision connected to the lowered sales tax forecast. 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 HDGF by $35 million and replaced them with an annual allocation of tax credits.

Figure 31. 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**	**$37.8**	**$39.6**	**$42.4**
Change	0.4%	-47.0%	4.9%	6.9%

Use Fees

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 a further 7.2 percent to $216.5 million, which is a $6.0 million downward revision from the previous forecast. This decline is primarily informed by use tax revenue collections year to date and the changing consumer confidence landscape. For FY 2025-26, use tax collections are revised down by $17.9 million from the previous forecast, similar to the decline in sales tax, resulting in total expected revenue of $231.0 million, however, OSPB projects use revenue in FY 2025-26 will see its first year over year increase since FY 2022-23. In FY 2026-27, OSPB projects an increase of 6.5 percent over the previous fiscal year rising to $246.1 million in total collections, but still a decline of $21.2 million from the December forecast. Use tax revenue growth in the out years of the forecast is tied to an expected increase in home and other construction in the state, which is a large driver of use tax collections for materials purchased out of state but transferred within for building. Still, expectations of a longer-term restrictive monetary policy environment due to sticky inflation along with potential industry-specific tariffs have led OSPB to delay and decrease the expectation of that increased activity, leading to the revisions down from December.

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 fall 2.4 percent in FY 2024-25 to $190.2 million before decreasing another 1.4 percent to $187.6 million in FY 2025-26. In FY 2026-27, moderate growth of 3.6 percent to $194.3 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. Beginning in FY 2024-25 there is an additional off-the-top transfer to the Tobacco Education Programs Fund in CDPHE of $20.0 million, which then rises to $30.0 million in FY 2026-27.

Figure 32. Proposition EE Tax Rates

	2021	2022	2023	Jan. 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%

Estimated revenue has been revised up by $4.1 million from the December forecast to $240.0 million in FY 2024-25, down by $0.9 million to $236.5 million in FY 2025-26, and down by $4.7 million to $231.2 million in FY 2026-27. As shown in Figure 32, 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 33.

Figure 33. Proposition EE Revenue and Distributions

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Total Revenue	**$207.8**	**$240.0**	**$236.5**	**$231.2**
Other Transfers	$15.0	$35.0	$35.0	$35.0
Preschool Programs Cash Fund	$192.8	$205.0	$201.5	$196.2

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 long-term. 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 three 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[61]. 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.
- The City and County of Denver recently passed 24-1765, which is a city-wide ban on the sale of flavored tobacco products that will go into effect March 18, 2025. OSPB has estimated this will decrease long-run growth of Proposition EE Nicotine taxes by 1.5 to 2.5 percent, but with only marginal impacts in the forecast period.

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 0.6 percent to $55.6 million in FY 2024-25,

[61] National Center for Health Statistics, 2024, "National Health Interview Survey."

then grow by 2.6 percent to $57.1 million in FY 2025-26, and grow by 1.5 percent to $57.9 in FY 2026-27. Tobacco revenue dropped 8.9 percent to $21.6 million in FY 2023-24, then is forecast to increase by 9.8 percent to $23.7 million in FY 2024-25, decrease 4.2 percent to $22.7 million in FY 2025-26, and fall 1.5 percent to $22.4 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 3.6 percent to $21.2 million in FY 2024-25, decline by 11.3 percent to $18.8 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 to authorize a 6.5 percent tax on any guns, precursor parts, and ammunition to fund mental health services 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. 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.

The OSPB forecast sales over time at a 5.4% 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 revenue by fiscal year are presented in Figure 34 below.

Figure 34. Firearms and Ammunition Excise Tax Cash Fund (FAETCF) Forecast

	Forecast FY 2024-25[62] ($M)	Forecast FY 2025-26 ($M)	Forecast FY 2026-27 ($M)
Guns/Parts Excise Taxes	$5.9	$24.4	$25.7
Ammunition Excise Taxes	$3.1	$12.9	$13.6
Total Revenue	**$9.0**	**$37.3**	**$39.3**

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

[62] The excise tax becomes effective in April 2025. This forecast corrects and updates the annual totals to account for three months of estimated accrual-basis revenues for FY 2024-25 (instead of four). The first full fiscal year of collections will be FY 2025-26.

nearly $400,000 in the first year and approximately $200,000 annually thereafter, and then distributed as follows:

- The first $30 million, adjusted for inflation, to the Colorado Crime Victim Services Fund in the Division of Criminal Justice of the Department of Public Safety
- The next $5 million to the Behavioral and Mental Health Cash Fund for veteran mental health services
- The next $3 million to the Behavioral and Mental Health Cash Fund for behavioral health crisis response system services for children and youth
- The next $1 million to the School Disbursement Program Cash Fund, subject to annual appropriation by the General Assembly.

Figure 35 below shows the estimated distribution from the FAETCF over the forecast period.

Figure 35. 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.)	$8.6	$30.0	$30.9
Veteran's Mental Health Services	-	$5.0	$5.0
Children & Youth Behavioral Health Crisis Response System	-	$2.1	$2.9
School Security Disbursement Grant Program	-	-	-
Collections in Excess of $39M	-	-	$0.3
Total FAETC Distributions	**$9.0**	**$37.3**	**$39.3**

As written, the FAETCF faces two key fiscal challenges. First, the language approved by voters limits annual 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 under TABOR, or voters must approve a new ballot measure to retain the revenue above $39 million. Second, the inflationary adjustment on the Colorado Crime Victim Services Fund allocation means that by FY 2026-27, inflationary growth combined with the $39 million limit will squeeze out transfers to the School Security Disbursement Grant Program allocation.

Other General Fund Revenue

Other General Fund revenue includes insurance premium tax revenue, interest and investment income, and court receipts. In FY 2023-24, Other General Fund revenue continued on previous strong gains in recent years with 7.2 percent growth to $850.1 million total. 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 $35.2 million, primarily driven by insurance and interest income. For FY 2025-26 and FY 2026-27, OSPB has revised down expected revenue by $19.5 million and $12.7 million, respectively, largely due to expected revisions in insurance revenue.

Investment yield percentage and record TABOR surpluses have driven record revenues in interest income with an increase of 33.5 percent to $251.6 million in FY 2024-25. The investment yield of over 3.5 percent last year is likely to not be sustained, however, inflation is anticipated to remain higher in the coming years than anticipated in prior forecasts, which may indicate the Federal Funds rate will remain at a higher level for longer. This would boost interest rates, having an impact on Colorado investment income. However, OSPB does not anticipate revenue to exceed FY 2023-24 levels, as rates have already eased since last summer and General Fund revenue is expected to decline slightly in FY 2024-25. OSPB projects there will be year over year declines for interest revenue over the forecast period as the Federal Funds rate is gradually cut. For FY 2024-25, interest income is revised down by $17.3 million and is expected to decrease 37.6 percent year-over-year. This downward trend is anticipated to continue into FY 2025-26 with a 21.6 percent decrease in interest income due to falling interest rates as monetary policy is expected to ease next year before stabilizing in FY 2026-27 with a 2.4 percent decline in interest income. FY 2026-27 declines will be buoyed by increasing expectations for non-exempt general fund beyond what the state can appropriate and the amount that the State is accruing interest on those funds.

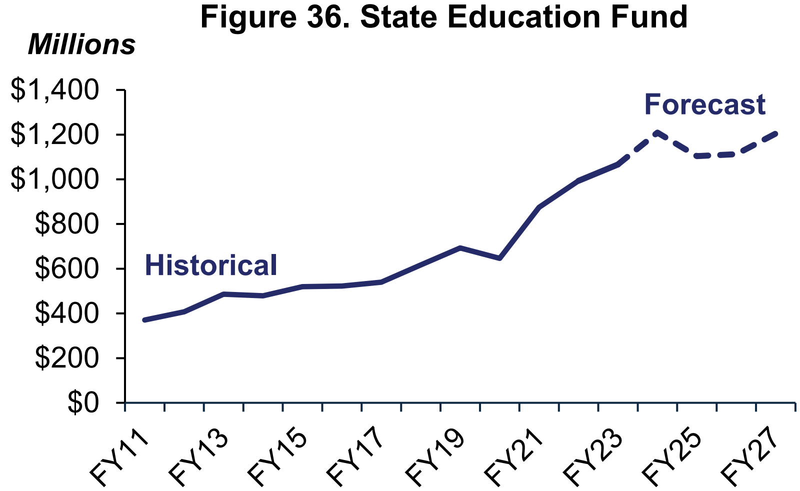
During FY 2023-24, insurance revenue grew by 4.9 percent from the prior year, strengthening its pace during the second half of the fiscal year. OSPB is forecasting 13.0 percent growth in FY 2024-25 to $612.5 million with this growth being driven by new fiscal impacts from numerous bills passed in the 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 March forecast for insurance revenue in FY 2024-25 has been revised down $15.2 million, FY 2025-26 has been revised down $17.2 million, and FY 2026-27 has been revised down $17.2 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 3.7 percent and 0.4 percent respectively, with revenue of $635.0 million and $637.5 million.

For TABOR non-exempt Other General Fund, revenue has tracked with previous expectations, leading to minimal revisions. Other General Fund is projected to grow by 2.2 percent in FY 2024-25 and by 7.3 percent in the following fiscal year.

State Education Fund

Revenue to the State Education Fund (SEF) from income taxes reached $1,209.0 million (or $1.2 billion in FY 2023-24, reflecting 13.3 percent growth from FY 2022-23 revenue. In FY 2024-25, income tax revenue to the SEF is expected to decrease by $82.9 million, or 6.9 percent, to $1,126.1 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. Without the prior-year corrections in FY 2023-24, the SEF revenue diversion would otherwise grow by 4.9 percent in FY 2024-25. SEF revenue expectations are downwardly revised from the December forecast, when OSPB expected the SEF revenue diversion to be $1,145.9 million. This revision down is primarily due to downward revisions in OSPB forecasts for both individual and corporate income tax for FY 2024-25. In FY 2025-26, revenue is forecast to grow by 4.2 percent, totaling $1,173.9 million. This is an upward revision of $23.1 million from the December forecast, primarily because of expectations of higher individual income tax collections in FY 2025-26. Finally, in FY 2026-27, OSPB forecasts SEF revenue to be $1,233.6 million, a 5.1 percent increase from the previous year. This is an upward revision of $14.3 million from the December forecast.

Figure 36. State Education Fund



Source: Colorado Department of Revenue, OSPB Forecast.

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

Revenue Outlook – Cash Funds

Cash funds are taxes, fees, fines, and interest collected by various state programs to fund services and operations. These revenue sources are designated by statute for a particular program and as such are distinct from General Fund revenue, which is available for general purpose expenditures. The following section highlights those cash fund revenues that are subject to TABOR or that have significant fiscal implications. Note that in this section, all forecasts reported here reflect current law and any adjustments from legislation that has passed. The forecasts reported here do not reflect any proposals from the Governor's multiple budget submissions. 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 decrease by 3.0 percent to $2.71 billion. This is downward revision from December of $217.5 million, driven by significant revisions down in severance tax revenue. Cash fund revenue is expected to rebound in the following fiscal year with 11.1 percent growth to $3.01 billion total, followed by more muted growth in FY 2026-27 of 2.8 percent to $3.10 billion in cash fund revenue. These are $41.9 million and $19.5 million revisions downward, respectively, driven by updates to severance tax and transportation-related revenue.

Overview of Cash Funds

Transportation: Transportation-related revenue is coming off a strong year of double-digit year-over-year percentage growth in FY 2023-24. Revenue growth is expected to continue more moderately. In FY 2024-25, OSPB forecasts 4.9 percent growth for total transportation revenue, but the increase is largely driven by the full year of restored Road Safety Surcharge fees as well as statutory increases in the Road Usage Fee. The largest contributor to transportation revenues, motor and special fuel taxes, is anticipated to again decline slightly in FY 2024-25, with the drag coming from diesel tax revenue. The following two fiscal years are expected to both grow at 4.1 percent.

Limited Gaming: Limited Gaming revenue collections are largely in line with previous expectations. Revenue for gaming has been consistent after settling from post-pandemic increases. The revenue has stabilized, and the amount of Adjusted Gross Proceeds (AGP) has been slightly above the previous fiscal year's collections to date. OSPB anticipates limited gaming revenue to have marginal growth in the coming years as it returns to pre-pandemic trends. FY 2024-25 is projected to collect $93.6 million in TABOR non-exempt limited gaming revenues, followed by $95.5 million in FY 2025-26, and $97.6 million in FY 2026-27.

Severance: Severance tax revenue in FY 2024-25 is significantly revised down in this forecast following a historic net-negative revenue collection of $94.6 million in February. This record negative month has fundamentally changed the severance tax revenue outlook for FY 2024-25 to $31.8 million in annual revenue expectations, reflecting a $184.8 million downward revision from the December forecast. The record negative month is resulting from significant refunds that are likely tied to ad valorem credits that can be claimed by oil and gas taxpayers. In FY 2025-26, severance tax revenue is projected to normalize to just-above average levels at $199.6 million before dropping 10.7 percent in FY 2026-27, reflecting lower oil price expectations.

Other Cash Funds Subject to TABOR: Miscellaneous Cash Funds are being revised down in both FY 2024-25 and FY 2025-26. Revisions are largely tied to lower cash fund revenues subject to TABOR in the current year and base effects in the out-year. Miscellaneous cash fund revenue is forecast to grow by 2.1 percent in FY 2024-25 to $957.9 million, followed by stronger 7.1 percent growth in FY 2025-26 before slowing to 3.4 percent growth in FY 2026-27.

Notable Cash Funds Not Subject to TABOR: Proposition FF revenue was largely unchanged, outside of a correction to revenue accruals in FY 2023-24 and FY 2024-25 based on updated information. Marijuana revenue has been revised down once again on downward price pressures, but signs of wholesale volume increases provide muted optimism that revenue will increase by FY 2026-27. Federal Mineral Lease (FML) revenue is revised down due to weak collections through the first half of the fiscal year but increasing natural gas prices are expected to apply upward pressure on the revenue stream in the coming months and also lead to an upward revision in FY 2025-26 revenue. Sports betting wagers remain strong, but Colorado operators' hold percentage remains lower than the national average. Strong sports betting tax revenues are anticipated in the coming years, with increasing hold and declining free bets for state tax liability exemptions. Lottery is a new addition included in the OSPB quarterly economic and revenue forecast. Scratch sales are expected to grow again after a slight decline last fiscal year, but Jackpot game sales have struggled due to lower prize pools. The Statutory Distribution is not expected to receive funds in FY 2024-25, though $0.9 million is projected to go to the Outdoor Equity Fund in FY 2025-26.

Transportation

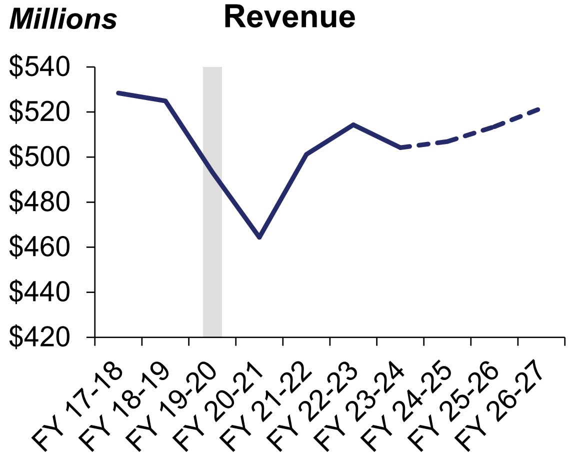
Transportation- related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a handful of smaller cash funds. In FY 2023-24, total transportation-related revenue grew by 12.5 percent to more than $1.4 billion. The revenue stream is anticipated to stabilize with more mild growth through the forecast window, beginning with 4.9 percent growth in FY 2024-25. The following two fiscal years are expected to both have 4.1 percent growth in total transportation-related revenue. OSPB has revised down transportation revenue estimates by $12.8 million in FY 2024-25, $9.3 million in FY 2025-26, and $14.3 million in FY 2026-27. These revisions down from the December 2024 Forecast is driven by prolonged weakness in motor and special fuel taxes as well as aviation revenue, while total registration revenue will see strong near-term growth related to the restoration of fees.

Figure 37. Detailed Transportation Cash Fund Forecast

Highway Users Tax Fund (HUTF)	Actual FY 23-24	Forecast FY 24-25	Forecast FY 25-26	Forecast FY 26-27
Motor and Special Fuel Taxes	$648.9	$645.8	$658.3	$668.9
Percent Change	*-0.5%*	*-0.5%*	*1.9%*	*1.6%*
Road Usage Fees	$92.9	$119.7	$153.0	$186.3
Percent Change	*631.5%*	*28.8%*	*27.8%*	*21.8%*
Total Registrations	**$389.6**	**$433.9**	**$439.7**	**$446.2**
Percent Change	***18.6%***	***11.4%***	***1.3%***	***1.5%***
Registrations	$242.1	$243.8	$245.3	$248.2
Road Safety Surcharge	$104.0	$147.0	$150.5	$152.6
Late Registration Fees	$43.5	$43.1	$43.9	$45.4
Other HUTF	$86.5	$91.1	$93.9	$96.9
Percent Change	*19.5%*	*5.3%*	*3.1%*	*3.2%*
Total HUTF	**$1,218.0**	**$1,290.5**	**$1,344.9**	**$1,398.3**
Percent Change	***14.3%***	***5.9%***	***4.2%***	***4.0%***
Non-HUTF	**Actual FY 23-24**	**Forecast FY 24-25**	**Forecast FY 25-26**	**Forecast FY 26-27**
State Highway Fund	$27.8	$30.0	$29.3	$28.5
Percent Change	*1.1%*	*7.9%*	*-2.3%*	*-2.7%*
Other Transportation Funds	$179.3	$174.2	$181.3	$192.6
Percent Change	*3.5%*	*-2.8%*	*4.1%*	*6.2%*
Total Transportation Revenue	**Actual FY 23-24**	**Forecast FY 24-25**	**Forecast FY 25-26**	**Forecast FY 26-27**
Total Transportation	**$1,425.1**	**$1,494.7**	**$1,555.5**	**$1,619.4**
Percent Change	***12.5%***	***4.9%***	***4.1%***	***4.1%***

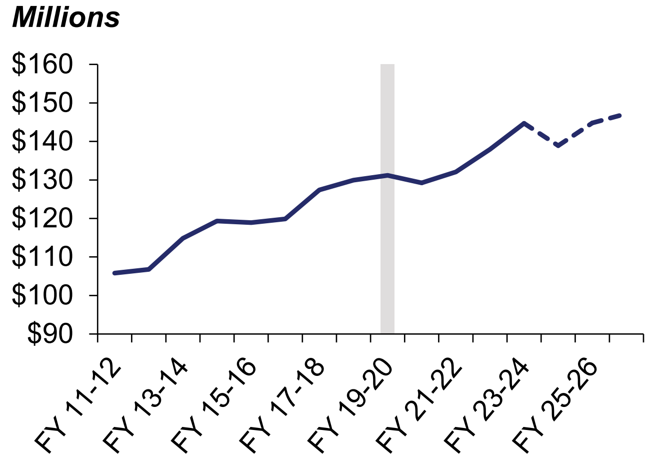
The Highway Users Tax Fund is the largest transportation-related cash fund, with revenue primarily coming from motor fuel taxes and motor vehicle registrations. Motor fuel taxes make up over half of the HUTF and comprise both gas and diesel tax revenue. Gasoline revenues grew consistently from FY 2012-13 to a $528.4 million peak in FY 2017-18. Starting in FY 2018-19, gasoline revenue began experiencing declines and multiple years of turbulent revenue driven largely by the pandemic reducing commuting and travel. After FY 2020-21, the revenue appeared to be recovering with year-over-year increases until FY 2023-24, when gasoline tax revenue declined by 2.0 percent. OSPB anticipates a slow recovery for gas tax revenue in the coming years, as Vehicle Miles Traveled (VMT) trends stabilize, with downward risk to revenue from electric and more-fuel efficient vehicles. Special fuel tax revenue (primarily from diesel sales) is experiencing a different trajectory relative to gasoline tax revenue. Special fuel revenue began to accelerate beyond previous trends coming out of the pandemic. OSPB theorizes this is in line with the growth in retail sales and consumer spending observed as a result of excess savings accumulated during the pandemic. Diesel is utilized in freight shipping, which saw increases across the state with the rise in retail sales during the economic recovery. In FY 2024-25, however, Special Fuel revenue is 11.5 percent lower through seven months of collections in the current fiscal year when compared to the same period in the previous fiscal year. This downward revenue trend is likely related to the weakness recorded in retail sales over 2024 weighing on diesel demand. Revisions down in the HUTF are largely driven by those revisions down in Special Fuel expectations.

Fig. 38 Gasoline Tax Revenue



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

Fig. 39 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, there are statutorily planned increases to this fee, which is raised until it hits 8 cents per gallon in FY 2028-29 then begins growing again in FY 2031-32 and thereafter at the pace of inflation. This is expected 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 full fiscal year with the completely restored Road Safety Surcharge since the reduced fee was put in place and recent reports show continued strength in Late Registration Fee revenues. Top-line registration has remained sturdy, and with no significant jump in population or car sales expected in the near future, marginal growth is forecasted for this revenue. 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 40. HUTF Distributions

HUTF Distributions	Actual FY 23-24	Forecast FY 24-25	Forecast FY 25-26	Forecast FY 26-27
Off-the-Top Deductions	$200.0	$210.6	$223.0	$236.3
State Highway Fund (CDOT)	$625.6	$662.1	$687.0	$710.9
Counties	$235.8	$248.9	$257.9	$266.6
Cities	$156.7	$168.8	$176.9	$184.6
Total HUTF	**$1,218.0**	**$1,290.5**	**$1,344.9**	**$1,398.3**

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 anticipates the SHF will continue to increase into FY 2024-25 with 7.9 percent growth largely driven by interest and special transport permits, before declining on lower interest expectations and further spend down of the balance of the State Highway Fund.
The majority of other miscellaneous transportation revenue is from the Aviation Fund and the Colorado DRIVES Fund, while other smaller funds also make up the remainder of the other transportation. The Aviation Fund has been extremely turbulent and experienced big gains after the pandemic while travel was elevated, but the fund has experienced declines more in line with historical norms. The DRIVES cash fund remains stable with revenue from various sources such as the purchase of identification cards and documents. Many of the registration-related funds (AIR Account, Emergency Medical Services Account, etc.) are relatively steady or expect marginal gains like top line registration. The Multimodal Cash Fund is tied to the Retail Delivery Fee which has planned fee increases and is forecast to grow continuously through the next three years. Lastly, the License Plate Cash Fund continues to grow amid production fee increases and is anticipated to exceed $12 million in the current fiscal year.

The Transportation Forecast reflects current law. In the Governor’s multiple budget submissions, there were various policy proposals that would impact transportation revenue. These proposals are not reflected in the OSPB baseline forecast shown above, but are included in Table 4b within the Appendix section of this forecast document.

Limited Gaming

Total limited gaming in Colorado, which contains TABOR exempt and TABOR non-exempt taxes on gaming revenue, interest, and fees, increased with 1.9 percent growth in FY 2023-24. Colorado utilizes a graduated tax rate which increases based on casinos increases in adjusted gross proceeds (AGP). Adjusted gross proceeds is essentially the revenue from the casino after paying out winnings to players. Growth in total limited gaming revenue is driven by increases in AGP, which is an indication in how much casinos are profiting, and how much Coloradans are playing at casinos. In FY 2023-24, Colorado casinos had a total of $1.1 billion in AGP, and through the first seven months of FY 2024-25, Colorado casinos have collected $641.5 million.

These collections are 0.8 percent higher through the same period last fiscal year. With more muted growth on the horizon, OSPB expects this revenue stream to hold slightly ahead of the previous year, driven by minor gains in AGP and operators working to meet a threshold in total tax revenue to permanently put an Electronic Player Credit rule in place. In the out-years, growth is anticipated to be slightly stronger but more in line with pre-pandemic norms. These numbers and the corresponding distributions are shown in Figure 41 below.

Figure 41. Limited Gaming Distributions

Distribution of Limited Gaming Revenues (millions)	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
A. Total Limited Gaming Revenues (Incl. Fees & Interest)	**$179.3**	**$180.3**	**$182.6**	**$185.9**
Annual Percent Change	1.9%	0.6%	1.3%	1.8%
B. Total Limited Gaming Revenue	**$124.5**	**$125.3**	**$127.3**	**$129.7**
C. Total Extended (Limited) Gaming Revenue	**$54.8**	**$55.0**	**$55.3**	**$56.3**
D. Total Amount to Base Revenue Recipients (Total Limited Gaming Revenue Less Expenses)	**$114.6**	**$114.8**	**$115.2**	**$116.0**
Amount to State Historical Society (28%)	$32.1	$32.1	$32.3	$32.5
History Colorado (80% of 28%)	$25.7	$25.7	$25.8	$26.0
Grants to Cities for Historical Preservation (20% of 28%)	$6.4	$6.4	$6.5	$6.5
Amount to Counties (12%)	$13.7	$13.8	$13.8	$13.9
Amount to Cities (10%)	$11.5	$11.5	$11.5	$11.6
Amount to Distribute to Remaining Programs (State Share) (50%)	$57.3	$57.4	$57.6	$58.0
Local Government Impact Fund	$6.0	$6.1	$6.1	$6.1
Colorado Tourism Promotion Fund	$15.0	$15.0	$15.0	$15.0
Creative Industries Cash Fund	$2.0	$2.0	$2.0	$2.0
Film, Television, and Media Operational Account	$0.5	$0.5	$0.5	$0.5
Advanced Industries Acceleration Fund	$5.5	$5.5	$5.5	$5.5
Innovative Higher Education Research Fund	$2.1	$2.1	$2.1	$2.1
Responsible Gaming Fund	$2.5	$2.5	$2.5	$2.5
Transfer to the General Fund	$23.6	$23.7	$23.9	$24.3
E. Total Amount to Amendment 50 Revenue Recipients (Extended Limited Gaming Revenue Less Expenses)	**$46.4**	**$47.1**	**$48.0**	**$49.4**
Community Colleges, Mesa and Adams State (78%)	$36.2	$36.7	$37.4	$38.5
Counties (12%)	$5.6	$5.7	$5.8	$5.9
Cities (10%)	$4.6	$4.7	$4.8	$4.9
F. Total Amount to Counties and Cities Originally From Limited Gaming	**$31.6**	**$31.7**	**$31.8**	**$32.0**
Amount to Counties (12%)	$13.7	$13.8	$13.8	$13.9
Amount to Cities (10%)	$11.5	$11.5	$11.5	$11.6
Grants to Cities for Historical Preservation (20% of 28%)	$6.4	$6.4	$6.5	$6.5
G. Gaming Revenue Subject to TABOR (Total Limited Gaming Revenue Less Distribution to Locals)	**$92.9**	**$93.6**	**$95.5**	**$97.6**
Annual Percent Change	-23.4%	0.7%	2.1%	2.2%

Severance

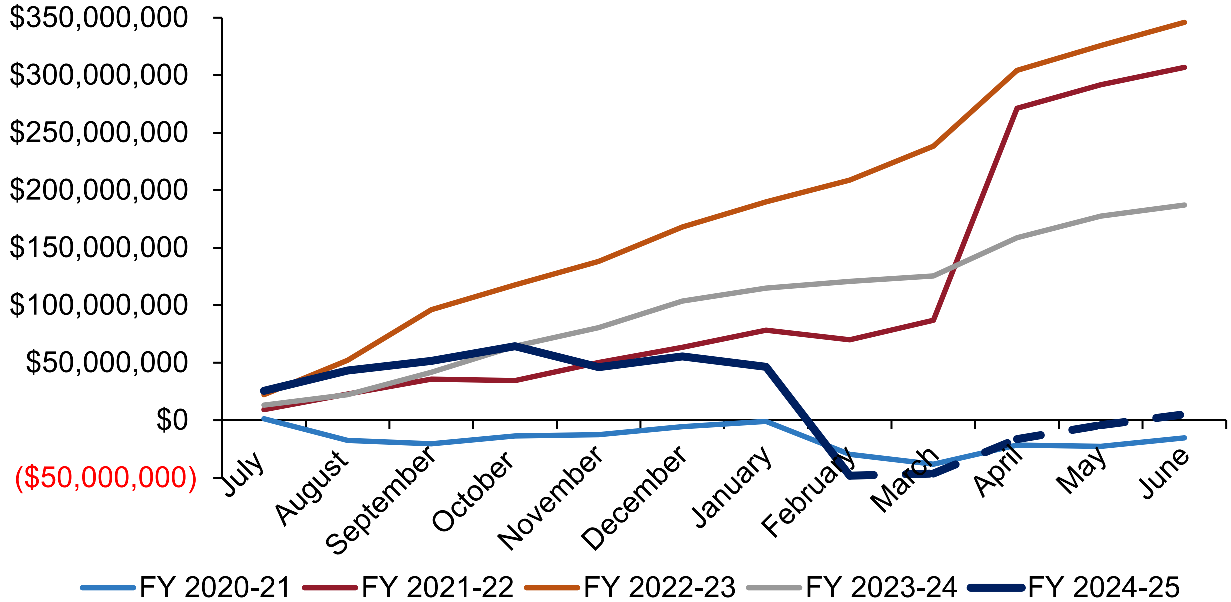
Severance revenue in FY 2024-25 is significantly revised down in this forecast following a historic net-negative revenue collection of $94.6 million in February. A monthly record $110.5 million in refunds were distributed to oil and gas taxpayers that month, well outpacing the $15.9 million in tax collections paid to the State, resulting in a negative month of revenue collections. This record negative month has fundamentally changed the severance tax revenue outlook for FY 2024-25 to $31.8 million in annual revenue expectations, reflecting a $184.8 million downward revision from the December forecast. In FY 2024-25, interest revenue accrued in funds related to severance tax is expected to comprise the majority of revenue with oil and gas revenue projected to be just slightly positive at approximately $300,000. The record refund amount recorded in February is not related to oil and gas markets, which maintain firm price and production fundamentals to begin 2025, but is likely due to ad valorem credits that can be claimed by oil and gas taxpayers. Ad valorem tax credits can be applied to the severance tax liability of oil and gas taxpayers based upon prior-year property tax liabilities the taxpayer paid to local governments. More information related to ad valorem credits is provided below. In FY 2025-26, severance tax revenue is projected to normalize to just-above average levels at $199.6 million, as ad valorem credits are not projected to weigh on revenue in that fiscal year to the same extent as this year. In FY 2026-27, revenue is forecast to decline by 10.7 percent to $178.3 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. For both FY 2025-26 and FY 2026-27, these reflect downward revenue revisions from the December forecast due to lower oil price expectations over those fiscal years. Economic assumptions underpinning this revenue forecast can be found in the Energy section of this document.

Figure 42. Severance Tax Forecast ($ millions)

	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Oil & Gas	$178.1	$0.3	$170.9	$153.2
Coal	$6.6	$6.9	$6.6	$6.4
Metals	$1.7	$2.2	$2.1	$2.1
Interest	$32.0	$22.4	$20.1	$16.6
Total	**$218.4**	**$31.8**	**$199.6**	**$178.3**
YoY Change	*-41.7%*	*-85.4%*	*527.3%*	*-10.7%*

In the December 2024 OSPB forecast, FY 2024-25 severance tax revenue collections were projected at $216.6 million, similar to FY 2023-24 revenue. December forecast expectations were largely based on revenue collections year-to-date for both fiscal years tracking at similar levels. In fact, through October of both FY 2023-24 and FY 2024-25, a nearly exact $64.4 million had been collected in both fiscal years. These revenue trends led to similar FY 2023-24 revenue expectations for FY 2024-25. However, since October, FY 2024-25 revenue has plunged.

Figure 43. Cumulative Severance Tax Revenue by Month: Past Five Fiscal Years

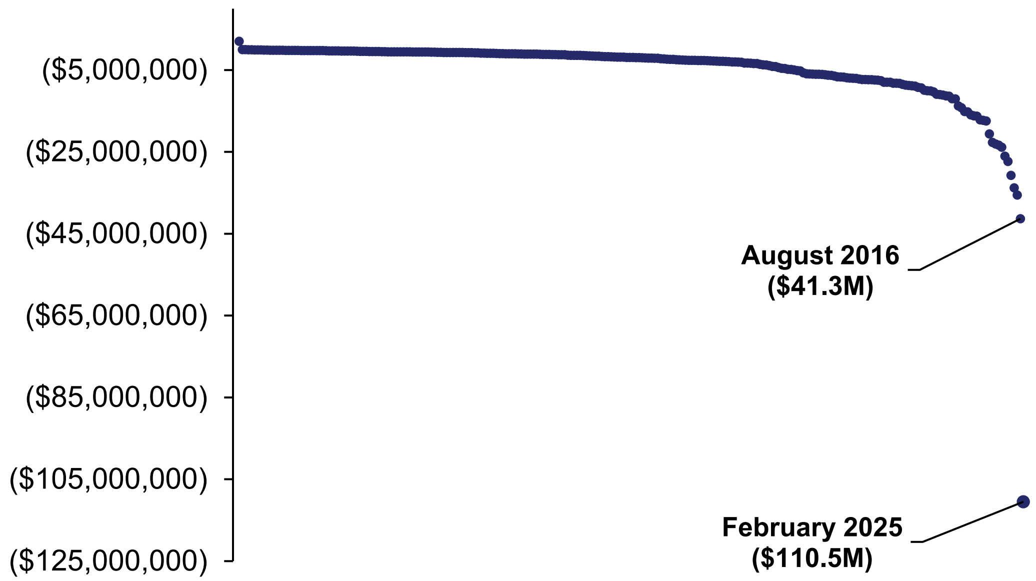


Note: Dotted line indicates FY 2024-25 revenue forecast for the remainder of the fiscal year. Revenue depicted on the chart excludes interest revenue.

Through February, year-to-date severance tax revenue in FY 2024-25 is -$48.2 million (excluding interest revenue). By the end of the fiscal year, revenue is expected to turn slightly positive and record $9.4 million in non-interest revenue collections, led by coal severance revenue. Annual collections for FY 2024-25 will largely be dependent upon April revenue collections when, even in weak revenue years, the plurality of annual severance tax revenue is collected. On average, more than one-quarter of severance tax revenue collections take place in April. Figure 43 illustrates cumulative monthly revenue over the past five fiscal years and the forecast for the remainder of FY 2024-25.

The FY 2024-25 severance tax revenue forecast has been greatly impacted by the record amounts refunded to oil and gas taxpayers in February. The $110.5 million refunded to oil and gas taxpayers is nearly triple the previous record monthly refund amount of $41.3 million, which took place in August 2016. This record refund is depicted in Figure 44. Outlier refunds such as this are virtually impossible to forecast as they are largely dependent upon taxpayer behavior and the availability of ad valorem tax credits that the taxpayer can claim.

Figure 44. Monthly Severance Tax Oil and Gas Refunds since 2004 *(Lowest to Highest)*

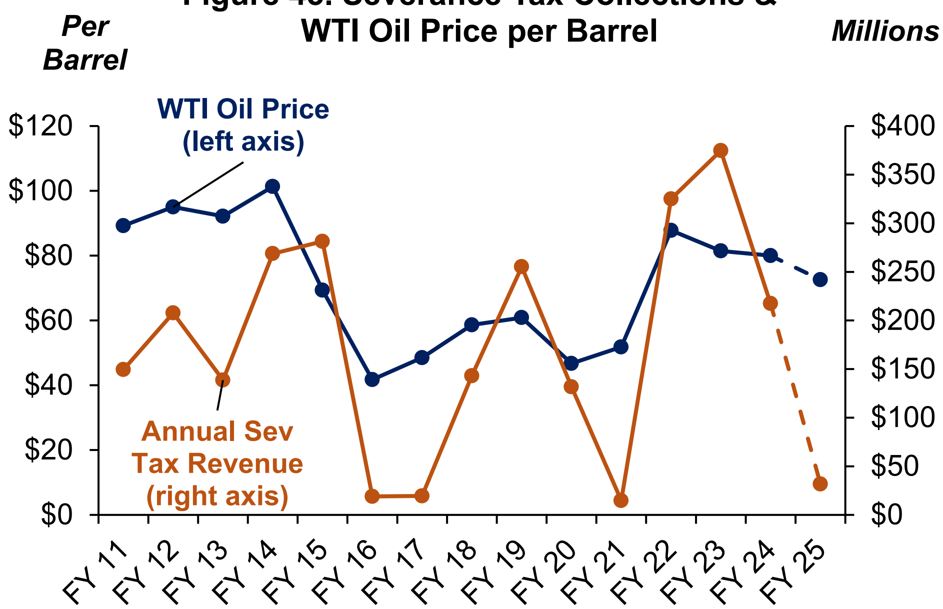


Source: Colorado Department of Revenue

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. Currently, taxpayers can reduce their severance tax liability by 75 percent of the property taxes paid as an ad valorem credit. However, there is an inherent lag built into this tax structure, as the property taxes that are applied to the taxpayers' severance tax liability are based upon property taxes paid one or two years ago, depending upon if the taxpayer pays taxes on an accrual basis or cash basis. The record refund levels in February were likely due to ad valorem credit claims based upon property taxes paid in 2023, which were assessed on 2022 oil and gas prices. In 2022, West Texas Intermediate oil prices averaged nearly $95 per barrel and Henry Hub natural gas prices averaged $6.45 per million BTU, which were approximately 50% higher than the ten-year average for oil and double the ten-year average for natural gas prices. These elevated prices led to high property tax assessments for oil and gas taxpayers, which are now being applied as ad valorem credit claims against their severance tax liability.

In typical years, ad valorem credit claims take place that reduce oil and gas taxpayer severance tax liability but do not necessarily lead to significant refunds. Often times, the taxpayer still owes severance taxes, but it is at a reduced amount due to the application of ad valorem tax credits. However, there have been instances historically similar to FY 2024-25 where elevated taxpayer refunds lead to near-zero severance tax revenue collections. These instances usually happen after downside economic shocks to oil and gas markets like FY 2020-21 after the pandemic recession and weak global oil demand or FY 2015-16 and FY 2016-17 following the shale market bust in late 2014. The precipitous decline in FY 2024-25 revenue, however, does not correspond with market weakness. While oil prices have declined off elevated 2022 levels, they have remained above the ten-year average over FY 2024-25, and oil production growth in Colorado has remained positive.

Figure 45. Severance Tax Collections & WTI Oil Price per Barrel



Source: Colorado Department of Revenue; Energy Information Administration.

A sharp decline in revenue like what has been recorded in FY 2024-25 historically only took place with sharp declines in price or production. In FY 2015-16, oil prices had declined 59 percent from the FY 2013-14 peak on an annual basis. Exacerbated by significant ad valorem credit claims from when oil prices were elevated, revenue fell to near zero for both FY 2015-16 and FY 2016-17. In FY 2020-21, revenue fell to near-zero after oil prices fell by 23 percent on an annual basis from the recent peak and was accompanied by a 21 percent production decline, leading to ad valorem credit claims from a higher price and production environment weighing on revenue. In FY 2024-25, oil prices have gradually declined by 17 percent on an annual basis over three years compared to the recent FY 2021-22 peak (a slow average annual decline of 5.7 percent), but oil production in 2024 actually increased over 2022 levels by seven percent. These comparatively positive energy market dynamics in FY 2024-25 made the historic refund processed in February surprising since historically, elevated refunds from ad valorem credit claims only happened following oil and gas market crashes.

While ad valorem credit claims were expected to weigh on severance tax revenue in FY 2024-25, the scale of the refunds this year were unexpected since the underlying oil and gas markets remain fundamentally strong and were thought to offset the revenue drags from ad valorem credit claims. With this being the first fiscal year that severance tax revenue will likely be near-zero without a corresponding economic recession or energy market crash, it is likely that the relationship between state severance tax revenue collections and ad valorem credits have changed to some degree due to increased production in the state and increased property tax assessments of oil and gas production. More research into this potentially evolving relationship will be required.

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 $300,000 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.

By statute, the remaining 50 percent of severance tax revenue is distributed to the Department of Natural Resources and the other 50 percent is allocated to the Department of Local Affairs. Of the amount distributed to the Department of Natural Resources, 50 percent is allocated toward water projects and loans while the other 50 percent is used for departmental programs, including natural resource and energy-related programs. For the Department of Local Affairs, 70 percent of their share is allocated toward local impact grants and loans for local governments socially or economically impacted by mineral extraction, while 30 percent is distributed to local governments based on measures related to oil, gas, and mining activities. That distribution is reflected in Figure 46.

Figure 46. Severance Tax Forecast Distribution Table

	Actual 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**	**$9.4**	**$179.5**	**$161.7**
Distribution				
Decarbonization Tax Credits Administration	$13.7	$23.5	$29.4	$18.7
Department of Natural Resources	$86.4	$4.5	$75.1	$71.5
Department of Local Affairs	$86.4	$4.5	$75.1	$71.5

Note: The FY 2024-25 distribution to Decarbonization Tax Credits Administration is higher than overall severance tax revenue due to statutory provisions stating, "the state treasurer shall credit the discrete increased amount of severance tax for oil and gas production that is attributable to the reduction of the credit against tax." Despite oil and gas severance tax revenue forecasted at $0.3 million in FY 2024-25, there is still additional tax revenue remitted to the state due to the reduced ad valorem credit, projected at $23.5 million. The remaining FY 2024-25 allocation to the Department of Natural Resources and the

Department of Local Affairs is distributed from projected coal and metals severance tax revenue of a combined $9.1 million.

Finally, in the Governor's November 1, 2024 budget submission and subsequent January budget submissions, there were various policy proposals that would transfer certain severance tax revenue to the General Fund throughout the forecast period following the initial distributions. Note that based on the updated severance forecast, OSPB is submitting a new comprehensive severance tax request to the Joint Budget Committee in order to support DNR, DOLA, CEO, and DOR funding simultaneously with this forecast. These proposals are not reflected in the OSPB baseline forecast shown above. These specific proposals are included in Table 4b within the Appendix section of this forecast document, and additional information regarding the proposals can be found on the OSPB website.

Other Cash Funds Subject to TABOR

The State receives revenue from a variety of other, smaller cash funds. This includes non-exempt cash fund revenue to the Department of Regulatory Agencies (DORA), which is made up of revenue from professional and occupational licensing, the Public Utilities Commission, and other sources. DORA revenue in FY 2023-24 came in at $96.1 million. As a result of recent or upcoming increases for professional and occupational fees across DORA's Cash Funds, FY 2024-25 revenue is expected to grow by 11.1 percent to $106.8 million, followed by a more moderate 2.5 percent increase in revenue in FY 2025-26 to $109.5 million, and continuing at 2.5 percent for $112.2 million FY 2026-27.

The category of "Other Miscellaneous Cash Funds" includes revenue from over 400 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 2023-24 and separates out the rest of the smaller cash funds. That list of 25 funds, or the "Top 25", accounted for 67.2 percent of revenue in the Miscellaneous Cash Fund forecast in FY 2023-24 and is expected to average 64.1 percent across the forecast period. OSPB has updated the list of Top 25 Funds as of the December Forecast and the new Top 25 cash funds 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 December 2024 OSPB Forecast, FY 2024-25 revised down 2.4 percent and $23.8 million, FY 2025-26 has been revised down by 0.8 percent and $7.9 million, and FY 2026-27 has been revised up 1.3 percent and $13.5 million. The below table details the forecasted revenue through FY 2026-27.

Figure 47. Miscellaneous Cash Funds Revenue Estimates (Millions)

	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Top 25	$619.9	$629.8	$627.8	$657.2	$664.0
Other	$258.6	$308.0	$330.1	$369.0	$397.1
Total	$878.4	$937.8	$957.9	$1,026.2	$1,061.1

Figure 48. Miscellaneous Cash Funds Revenue Estimates (Growth)

	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Top 25	4.8%	3.2%	-0.3%	4.7%	1.0%
Other	-6.9%	15.0%	7.2%	11.8%	7.6%
Total	1.0%	6.8%	2.1%	7.1	3.4%

As highlighted in many of the previous 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 the forecast for Miscellaneous Cash Funds are driven by reduced year-to-date actuals in Cash Funds outside the Top 25, as well as mixed effects in the Top 25 Funds. In the Top 25 Funds, OSPB revised down several funds due to reduced year-to-date actuals, but this was offset by the increased dental benefit from HCPF's February forecast for the Adult Dental Fund for FY 2024-25 and FY 2025-26. This forecast only considers current law, however, there are some proposals included in the Governor's FY 2025-26 November 1 and subsequent Budget Submissions, 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. As a note, the estimated savings of some balancing proposals, like November 1st's Statewide R-01: Transfer Certain Interest Income Revenue Subject to TABOR, are updated with every forecast to reflect updated revenue expectations in line with the request.

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), sports betting, and lottery 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, the Water Plan Implementation Cash Fund, Conservation Trust Fund, CO Parks and Wildlife, Great Outdoors Colorado (GOCO), the Wildlife Cash Fund, the Outdoor Equity Fund, and the Parks and Recreation Cash Fund. Each of these funds and their respective revenue impacts are 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 securing additional federal funding for school meals. In the previous forecast, OSPB made significant downward revisions across the forecast period due to the impact of tax filers with zero Colorado taxable income but Aggregate Gross Income (AGI) exceeding $300,000. For Tax Year 2023, reported in 2024, the average HSMA revenue per qualifying return was $583.18.

Figure 49. HSMA Revenue Forecast

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Forecast	FY 2025-26 Forecast	FY 2026-27 Forecast
Revenue (Millions)	$42.7	$112.0	$117.2	$108.1	$84.3
Growth	*N/A*	*162.4%*	*4.6%*	*-7.7%*	*-22.0%*

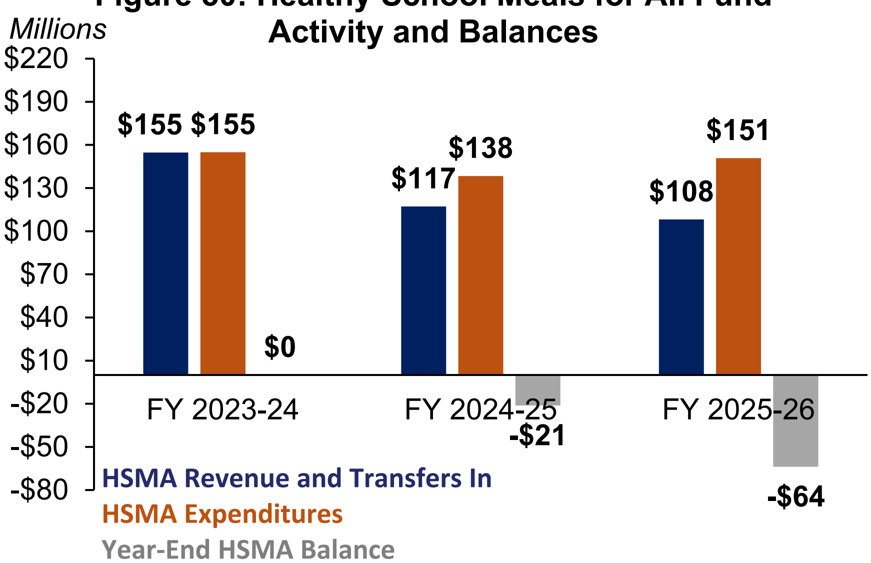
In the December forecast, OSPB reported that the actual revenue for HSMA in FY 2023-24 was $127.0 million, marking the first full year of revenue that was recorded for the program. However, after receiving the final Tax Year 2023 revenue data from the Department of Revenue (DOR), OSPB discovered that Proposition FF revenue was $15.0 million lower than initially accounted for in the initial year-end, accrued revenue figures for FY 2023-24. As a result, OSPB is adjusting the FY 2023-24 revenue estimate down by $15.0 million to $112.0 million. This correction to the FY 2023-24 accrual based on updated information also impacts the revenue forecast for FY 2024-25. For FY 2024-25, revenue is now projected to increase by 4.6 percent, reaching $117.2 million, an $11.4 million upward revision from the previous forecast. The primary reason for the adjustments in both FY 2023-24 and FY 2024-25 is the alignment of Proposition FF accrued revenue with the actuals received after the December forecast. Note that Table 4 of the Appendix includes an accounting adjustment while Table 8 removes the HB24-1390 transfer to reflect how the Office of the State Controller is expected to implement this correction based on new information. FY 2025-26 is revised down slightly by $0.1 million from the December forecast to $108.1 million, and revenue for FY 2026-27 is also revised down by $0.1 million to $84.3 million in FY 2026-27. These adjustments are minimal, primarily reflecting changes in personal income expectations. The most recent taxpayer data received since the December forecast is incredibly limited and does not warrant larger revisions. Starting from FY 2025-26, revenue is projected to decline by 7.7 percent compared to FY 2024-25, followed by a further drop of 22.0 percent in FY 2026-27. These declines are primarily driven by the expiration of the Tax Cuts and Jobs Act (TCJA) standard deduction provisions on December

31, 2025, which is expected to negatively affect 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. If TCJA were to be extended, OSPB estimates it could lead to an additional revenue of approximately $20 million in FY 2025-26 and $50 million in FY 2026-27.

As previously mentioned, the FY 2023-24 revenue for Proposition FF was revised to reflect the actual revenue received in December 2024. After this adjustment, the available revenue for the HSMA program in FY 2023-24 amounted to $154.7 million, while program expenditures were approximately $154.8 million. Starting on July 1, 2024, the HSMA Cash Fund was established by HB24-1390, which required any remaining revenue from FY 2023-24 to be transferred into this new fund. However, the actual recorded revenue left no balance in the HSMA Cash Fund at the close of FY 2023-24, as shown in Figure 50.

In the December forecast, OSPB estimated that $26.3 million should be held in a HSMA Reserve Account until a potential ballot measure for Proposition FF, which seeks to retain revenue above the Blue Book, is presented to voters in November 2025. However, based on the actual revenue of $112.0 million for FY 2023-24, OSPB now projects that only $12.4 million should be reserved for the ballot measure.

Figure 50: Healthy School Meals for All Fund Activity and Balances



Starting in FY 2024-25, HSMA program expenditures are expected to exceed revenue under current law. An additional $21.3 million will be needed to support the program in FY 2024-25, while approximately $42.6 million will be required in FY 2025-26. In FY 2023-24 and FY 2024-25, the General Assembly has supplanted the HSMA Program by allocating additional funding from the State Education Fund (SEF) to cover meal reimbursements, as the program's expenditure needs have exceeded its revenue. The General Assembly continues to consider legislation around future measures for the HSMA program through HB25-1274: Healthy School Meals for All Program. This bill would refer two ballot measures to the voters at the November 2025 statewide election concerning funding for the HSMA Program.

Marijuana

Total marijuana revenue is expected to decline 4.0 percent in FY 2024-25, followed by a decline of 1.5 percent in FY 2025-26, before growing 3.5 percent in FY 2026-27. The total revenue revisions down of $9.9 million in FY 2024-25 and $25.5 million in FY 2025-26 are largely a result of a downward shift in the expected price path that is expected to more than offset slowly increasing volume of sales.

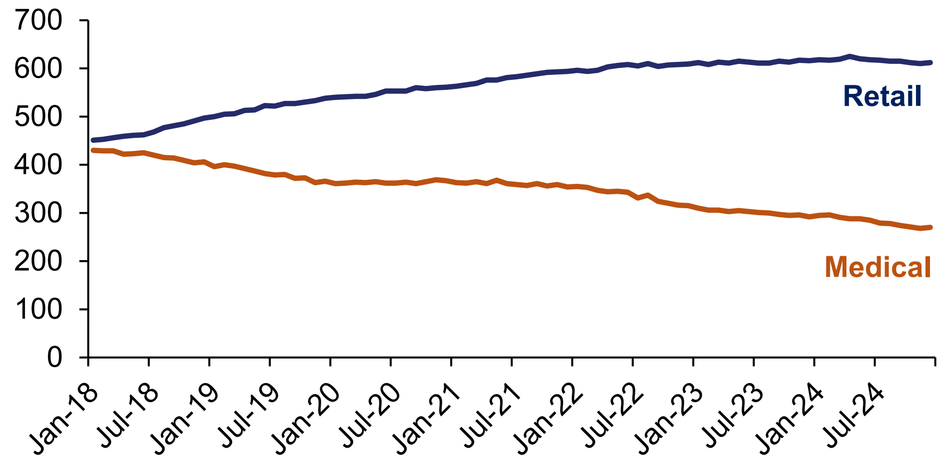
Figure 51. Marijuana Tax Revenue through FY 2026-27

Marijuana Tax Revenue	Actual 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	$190.2	$187.6	$194.3
Retail Marijuana 15% Excise Tax	$47.9	$42.5	$41.7	$44.0
Interest Earnings	$4.1	$4.0	$3.5	$3.0
Total Proposition AA Taxes	**$247.0**	**$236.7**	**$232.8**	**$241.3**
2.9% Sales Tax & Interest (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$3.9	$4.0	$4.4	$4.4
Retail Marijuana 2.9% State Sales Tax	$1.2	$1.2	$1.1	$1.1
Interest Earnings	$0.2	$0.2	$0.2	$0.2
Total 2.9% Sales Taxes & Interest	**$5.3**	**$5.4**	**$5.7**	**$5.6**
Total Marijuana Taxes	**$252.3**	**$242.1**	**$238.4**	**$246.9**

Prices have fallen throughout FY 2024-25, with the Average Market Rate (AMR) dropping to $699 per pound in Q3 2024, then $658 in Q4 2024 and staying at that level for Q1 2025. Wholesale sales volume has finally begun to rebound, with October, November, and December all reporting year-over-year increases. However, these modest increases are still associated with lower revenue due to the decreased prices, and indicate that the market may be settling, rather than growing. As a result, OSPB expects excise tax revenue to fall slightly during the current and upcoming fiscal year before rebounding in FY 2026-27, though not back to FY 2023-24 levels.

Due in part to the recent steep AMR decline (down by $92 per pound since Q1 2024), OSPB now expects marijuana revenue to trough in FY 2025-26. Though increased wholesale sales volume has not led to increased revenue, increased demand for wholesale products indicates that demand for retail products may follow. However, this assumption depends on prices increasing, which has not occurred since Q4 2023, when the AMR rose from $703 to $750 per pound. Lower prices have not stimulated demand in any meaningful way, as sales volume and revenue for retail marijuana have fallen continually since 2022 for concentrate and 2023 for flower. Medical marijuana, on the other hand, has not had positive growth since early 2021, and revenue is now approximately one third of the levels observed back then. Furthermore, decreased demand for medical marijuana has coincided with a drop in licenses, while retail licenses have remained stable. As such, it is not likely that medical marijuana will rebound to the extent that retail is expected to alongside wholesale increases.

Figure 52. Marijuana Seller Licenses, 2018-2024



Source: Colorado Department of Revenue, Marijuana Enforcement Division.

Marijuana revenue goes to a number of different sources once collected, the largest being (1) the Marijuana Tax Cash Fund from the retail special sales tax and (2) BEST School Capital Construction from the excise tax on wholesale purchases. Allocations to each of these funds are shown in Figure 53 below in addition to the revisions downward from the previous forecast.

Figure 53. Forecast-Over-Forecast Revisions by Fund

Marijuana Tax Revenue (March)	Total Revenue	Local Share	General Fund	BEST	Public School Fund	Marijuana Tax Cash Fund
Final FY 2023-24	$252.3	$19.5	$27.3	$47.9	$22.1	$135.5
Forecast FY 2024-25	$242.1	$19.0	$26.6	$42.5	$21.6	$132.4
Forecast FY 2025-26	$238.4	$18.8	$26.3	$41.7	$21.3	$130.5
Forecast FY 2026-27	$246.9	$19.4	$27.2	$44.0	$22.0	$134.2

Change from December	Total Revenue	Local Share	General Fund	BEST	Public School Fund	Marijuana Tax Cash Fund
Final FY 2023-24	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Forecast FY 2024-25	-$9.9	-$0.8	-$1.2	-$0.8	-$1.0	-$6.1
Forecast FY 2025-26	-$25.5	-$2.2	-$3.0	-$3.0	-$2.5	-$14.8
Forecast FY 2026-27	-$22.8	-$1.8	-$2.5	-$4.3	-$2.0	-$12.2

Federal Mineral Lease

Following below-average collections in FY 2023-24 due to depressed natural gas prices, federal mineral lease (FML) revenue is projected to decline again in FY 2024-25 after a weak first half of the fiscal year that saw 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 – a decline of 51.6 percent in prices, similar to the revenue decline. Through the first half of FY 2024-25, Henry Hub prices averaged $2.28 per million BTU, leading to revenue weakness early in the fiscal year, however, prices increased over January and February to average of $4.16. These price increases will likely lead to higher revenue collections in the second half of the fiscal year compared to the first half. Royalty revenue derived from natural gas production on federal leases accounts for roughly half of total FML revenue in Colorado, while oil comprises approximately one-quarter. This results in natural gas price fluctuations impacting FML revenue collections more than severance tax revenue, which is more reliant on oil production and price. The U.S. Energy Information Administration forecasts that natural gas prices will remain above long-term average levels over the course of 2025 and 2026. Energy price assumptions are discussed in more detail in the energy section of the economic outlook.

FML revenue is projected to decline by 14.5 percent in FY 2024-25 to $82.9 million. Through the first half of the fiscal year, $36.5 million was collected, however, second-half collections are expected to increase to $46.5 million on higher natural gas prices. Compared to the December forecast, this is a $9.7 million downward revenue revision following a below-expectation second quarter collection. In FY 2025-26, FML revenue is estimated to grow by 37.4 percent to $113.8 million with natural gas prices expected to hover at above-average levels for the full fiscal year. This represents an upward revision of $7.3 million from December on expected strength in natural gas prices outweighing declining oil prices. Finally, revenue is projected to decline slowly by 2.3 percent to $111.1 million in FY 2026-27, largely reflecting a steady sector from the year prior. Since FY 2016-17, annual FML revenue collections have averaged $103.9 million. Detailed FML revenue and distribution forecast expectations can be found in Figure 54.

Figure 54. Federal Mineral Lease Forecast Distribution Table

($ in millions)	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Total FML Revenue	**$96.9**	**$82.9**	**$113.8**	**$111.1**
Change	-44.2%	-14.5%	37.4%	-2.3%
Bonus Payments (portion of total)	**$0.4**	**$0.4**	**$0.4**	**$0.4**
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**	**$82.5**	**$113.4**	**$110.8**
State Public School Fund	$46.6	$39.8	$54.8	$53.5
Colorado Water Conservation Board	$9.6	$8.2	$11.3	$11.1
DOLA Grants	$19.3	$16.5	$22.7	$22.2
DOLA Direct Distribution	$19.3	$16.5	$22.7	$22.2
School Districts	$1.6	$1.4	$1.9	$1.9

Sports Betting

Since sports betting became legal in Colorado through the passage of Proposition DD in 2020. Since its legalization, sports betting has been popular throughout the U.S. The majority of states in the U.S. have now approved some form of sports betting, and over half of American adults now have access to regulated retail and/or sports betting sites in their own state[63]. Its popularity is demonstrated by increasing numbers of wagers each month, with over $13 billion wagered in the legal states in January alone. In Colorado, the prevalence of sports betting has not diminished with $657 million wagered in January, which is the second biggest month ever, following December 2023 ($716 million wagered). With the popularity of sports betting rising in the state, there has been substantial growth in tax revenue. The key factors driving sports betting growth are wagers, operator hold, and effective tax rate. OSPB anticipates growth in wagers through the forecast window, with the strongest growth coming in the near term with an anticipated 13.9 percent year over year growth in sports betting tax revenue in FY 2024-25. The revenue stream is expected to stabilize with $36.6 million in FY 2025-26 and $38.4 million in FY 2026-27.

Figure 55. Colorado Sports Betting Taxation Revenue Distribution

	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Total Sports Betting Tax Revenue	$30.4	$34.7	$36.6	$38.4
Year-Over-Year Change	*19.0%*	*13.9%*	*5.7%*	*4.8%*
Hold-Harmless Fund (6%)	$1.8	$2.1	$2.2	$2.3
Behavioral Health Administration	$0.1	$0.00	$0.00	$0.00
Water Plan Implementation Cash Fund	$28.2	$32.2	$34.0	$35.6

As mentioned above, the amount of wagers remains crucial to sports betting tax revenue within the state. Wagers continue to grow, but growth indicates it could be diminishing, and the amount bet by Coloradans can be heavily seasonally dependent due to the sports available during a given month. The sports most popular among Coloradans to bet on are pro basketball and football, so there are typically elevated wagers during the seasons of those, whereas the off seasons for those sports see consistently less wagers. In fiscal year 2023-24, there was a 16.2 percent increase in wagers from the previous fiscal year, but in the first seven months of this current fiscal year, there has been 6.5 percent increase on the previous fiscal year's first

[63] Legal Sports Report (2025). US Sports Betting Revenue and Handle.

seven months. OSPB expects that continued growth of wagers at a high level is unlikely due to difficulty to expand further in the highly penetrated market.

Another key factor in the growth of sports betting tax revenue is operator hold percentage, which is the portion that operators retain after distributing payment to winners. When compared to the rest of the nation, Colorado has a low hold percentage, which reduces the taxable base. Colorado is currently the state with the second lowest hold percentage after Nevada, with currently a 7.1 percent hold relative to the national average of 8.6 percent. The low operator hold percentage could be attributable to a bias or predisposition of bettors to favor “hometown” teams which have experienced relative success in recent years with championships in their respective leagues from the NHL’s Colorado Avalanche and the Denver Nuggets. Some of the expected growth in the forecast window is attributed to operator hold percentage trending more toward the national average and increasing the taxable base for operators.

Lastly, the effective tax rate can have a substantial impact on revenues collected from the taxation of sports betting. Colorado’s taxes sports betting by taxing Net Sports Betting Proceeds (NSBP) by 10 percent. This entails that sports betting operators can deduct Federal Excise tax and a portion of free bets offered to bettors from their state tax liability. This means the tax rate of Colorado on NSBP is different from a 10 percent tax on Gross Gaming Revenues (GGR). Colorado House Bill 22-1402, Responsible Gaming Grant Program, put into statute parameters for how much operators could deduct from their taxable base in terms of free bets as a percentage of wagers offered. This percentage will continue decline until July 1, 2026, at which point only up to 1.75 percent of the total amounts of all bets can be deducted from NSBP. The increases the taxable base of sports betting tax revenues will apply elevated pressure to the revenue stream amidst stagnating wagers.

As shown in Figure 55 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.

Lottery

Lottery sales have risen significantly in recent years, with proceeds being divided according to both constitutional and statutory formulas, discussed in Figure 57 at the end of this section. Between FY 2018-19 and FY 2023-24, on average, the largest portion of lottery sales is from scratch cards, which make up approximately 69 percent of total sales. After scratch, jackpot games Powerball and MegaMillions make up 19 percent of lottery sales. Four games make up the remaining 12 percent of lottery sales: Lotto, Lucky for Life, Cash 5, and Pick 3. Figure 56 shows projections of lottery sales broken down by lottery game.

Figure 56. Lottery Sales (millions)

	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Scratch	$588.6	$600.9	$617.1	$627.8
Powerball	$135.5	$66.5	$85.6	$85.5
MegaMillions	$74.6	$68.6	$62.6	$61.1
Lotto	$46.4	$41.8	$46.8	$48.0
Lucky for Life	$23.9	$23.5	$23.3	$23.8
Cash 5	$15.7	$14.8	$13.7	$12.9
Pick 3	$16.0	$15.6	$14.2	$14.4
Total	**$900.8**	**$831.7**	**$863.3**	**$873.5**

In FY 2022-23, lottery sales increased by 7.6 percent, which slowed to 1.2 percent in FY 2023-24. In the current fiscal year, OSPB is projecting a 7.7 percent decline in sales. This is seen most acutely in Powerball, which is anticipated to decline by 50.9 percent. To a lesser degree, MegaMillions and Lotto are expected to decline by 7.9 percent and 9.9 percent respectively, while other revenue streams are expected to remain steady.

The drop in sales revenues is partially explained by a lower quantity of jackpots that reach a prize exceeding $1 billion this year. When jackpot games reach this point, ticket sales increase as consumers are drawn to the larger prize amount. Thus far in FY 2024-25, only one jackpot has hit this threshold, which occurred in January. It takes at least 12 weeks for jackpots to grow to one billion dollars, and OSPB does not anticipate another jackpot game to pass a $1 billion prize in the remaining fiscal year. Therefore, OSPB expects total revenues to be rather muted in the current fiscal year.

In FY 2025-26, sales from scratch are forecasted to continue to increase, Powerball sales are expected to partially recover from their dip in FY 2024-25, and the remaining lottery games are forecasted to remain steady. Overall, OSPB is projecting 3.8 percent sales growth in FY 2025-26 before slowing down to 1.2 percent growth in FY 2026-27 based on stable demand.

The amount available for distribution is overall sales minus costs to support vendors, retailer commissions and bonuses, prize expenses, marketing and communications, and other expenses. Between FY 2018-19 and FY 2024-25, the lowest percentage of sales going to the distribution was 21.3 percent. However, based on possible increased cost pressures, OSPB assumes that 20.6 percent of total lottery sales will be available for distribution during the forecast period. Of the funds that enter the distribution, the Colorado constitution stipulates that 40 percent be sent to the Conservation Trust Fund to support municipalities and counties, whereas 10 percent of revenues are directed towards the Parks and Outdoor Recreation Cash Fund for the acquisition, development, and improvement of state parks and recreation areas. Of the remaining funds, Great Outdoors Colorado (GOCO) receives an amount up to an inflation-adjusted figure, known as the GOCO cap, which in FY 2024-25 is $86.0 million.

Any funds that remain after the constitutional disbursements have been made are then distributed according to a statutory formula. Accordingly, the first $3 million is sent to the Outdoor Equity Grant Program, and the subsequent $3 million is sent to the public school capital construction assistance (BEST) program. Any remaining funds are then divided among the Wildlife Cash Fund (25 percent), the Parks and Outdoor Recreation Cash Fund (25 percent), and the BEST program (50 percent). In line with the constitutional distribution formula, a total amount of $171.3 million would yield $68.5 million (40 percent) to the Conservation Trust Fund and $17.1 million (10 percent) to the Parks and Outdoor Recreation Cash Fund. Distributions to GOCO would then receive $85.7 million, $0.3 million below the GOCO cap in FY 2024-25, with no funds available for the statutory spillover. Figure 57 breaks down anticipated lottery distributions.

Figure 57. Lottery Distribution (millions)

	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Total Distribution	**$196.4**	**$171.3**	**$177.8**	**$179.9**
Constitutional Distribution	**$180.0**	**$171.3**	**$176.9**	**$179.9**
Conservation Trust Fund	$78.6	$68.5	$71.1	$72.0
GOCO	$81.8	$85.7	$88.0	$90.0
CPW	$19.6	$17.1	$17.8	$18.0
Statutory Distribution	**$16.4**	**$0.0**	**$0.9**	**$0.0**
Outdoor Equity Fund	$3.0	$0.0	$0.9	$0.0
BEST	$8.2	$0.0	$0.0	$0.0
Park/Outdoor Rec CF	$2.6	$0.0	$0.0	$0.0
Wildlife CF	$2.6	$0.0	$0.0	$0.0

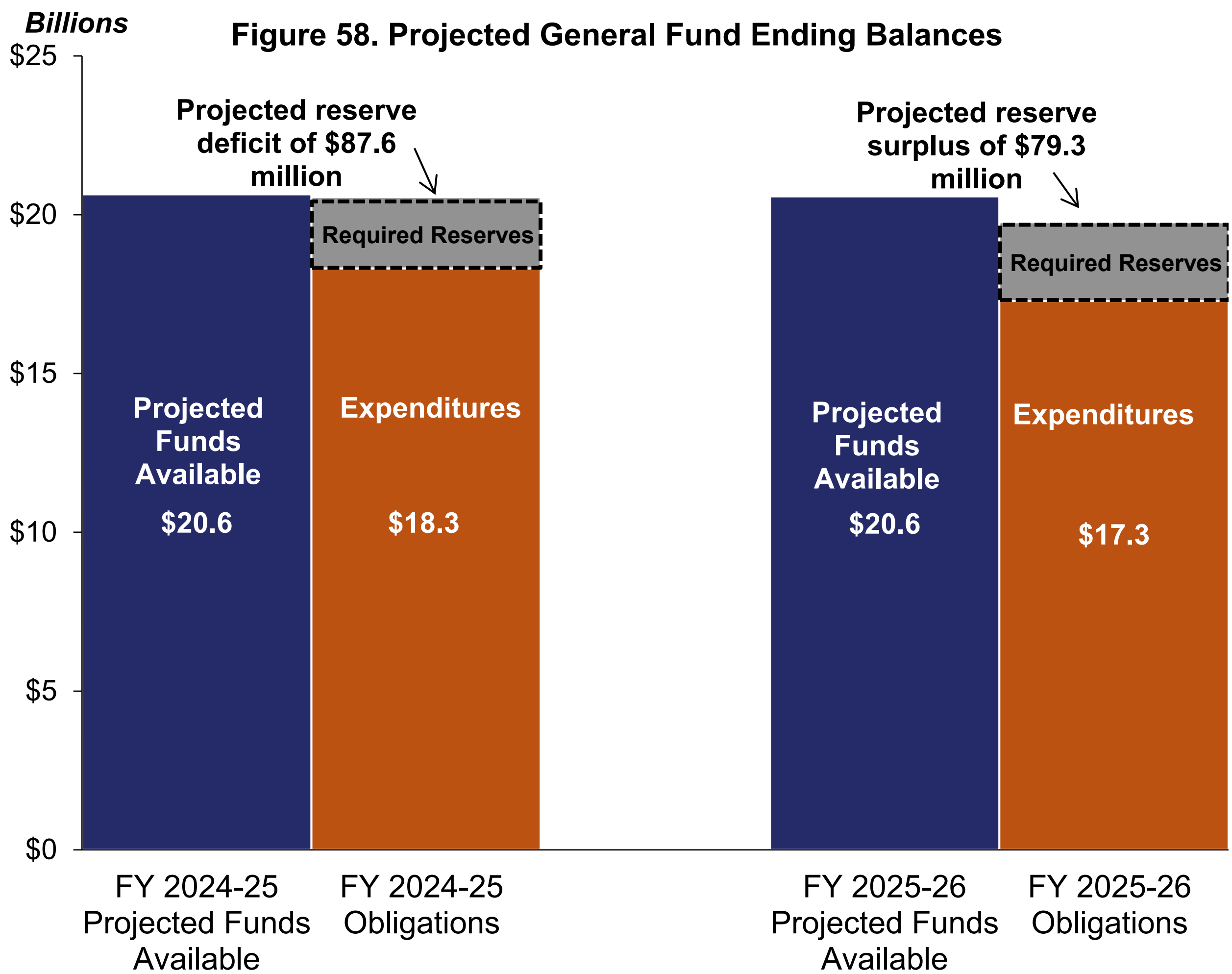
In FY 2025-26, OSPB expects distributions to spillover slightly into the Outdoor Equity Fund portion of the statutory distribution as sales are expected to increase faster than the growth of the GOCO cap. Then, in FY 2026-27, distribution amounts are expected to fall $1.1 million short of the GOCO cap, with no funds being available for the statutory distribution.

Budget Outlook

General Fund

In FY 2024-25, revenue is expected to fall 0.1 percent, a downward revision of $344.6 million as increased withholdings expectations are more than offset by reductions in other income categories as well as estimated sales tax revenue. In FY 2025-26, gross general fund revenue is expected to grow moderately at 4.3 percent, largely due to the base effects of wages on withholdings revenue in the out-year now offsetting weaker revenue elsewhere and resulting in an upward revision of $108.5 million.

Figure 58. Projected General Fund Ending Balances



Using updated estimates from the Office of the State Controller (OSC), OSPB now expects the FY 2023-24 General Fund ending balance to be $1,122.0 million above the statutory reserve limit, a $15.9 million revision down from December. Furthermore, in Figure 58 above, OSPB presents the budgetary outcomes resulting from the revenue projections, the passage of supplemental bills, and the correction to TABOR cap growth in SB25-180 included in this forecast (tracked in Appendix Table 4a) combined with the multiple Governor's Budget submissions (tracked in Table 4b). The result shown in the figure above can also be found in Table 4c of the Appendix. In this forecast, OSPB expects a budget deficit of $87.6 million in FY 2024-25, a $99.0 million revision up from the December forecast which is largely due to a significant downward revision in severance tax cash fund revenue that allows for more general fund to be retained below the TABOR cap. In FY 2025-26, OSPB expects a budget surplus of $79.3 million based on the current forecast combined with the Governor's budget. Note that the Governor's Budget include the November 1st submission, which is then adjusted by subsequent submissions on January 2nd, January 9th, January 15th, January 31st, and February 18th. Furthermore, an additional severance related request made simultaneously with this publication is incorporated into the balancing included above.

To crosswalk from December to March, OSPB details the two steps below to get there. First, the March Table 4a (see appendix) represents the forecast without any adjustments to revenue, transfers, or expenditures included in the Governor's budget submissions. It uses only current law to forecast revenue, transfers, and rebates and expenditures, and only includes the supplemental bills in FY 2025-26 and the FY 2025-26 base budget when logging the appropriations subject to the reserve. In Figure 59 below, the crosswalk shows that cash fund forecast revisions are the main impact in FY 2024-25 and that, in FY 2025-26, the higher anticipated ending balance the previous year provides additional budget room compared to the December forecast.

Figure 59: Crosswalk between December and March Forecast Ending Balances

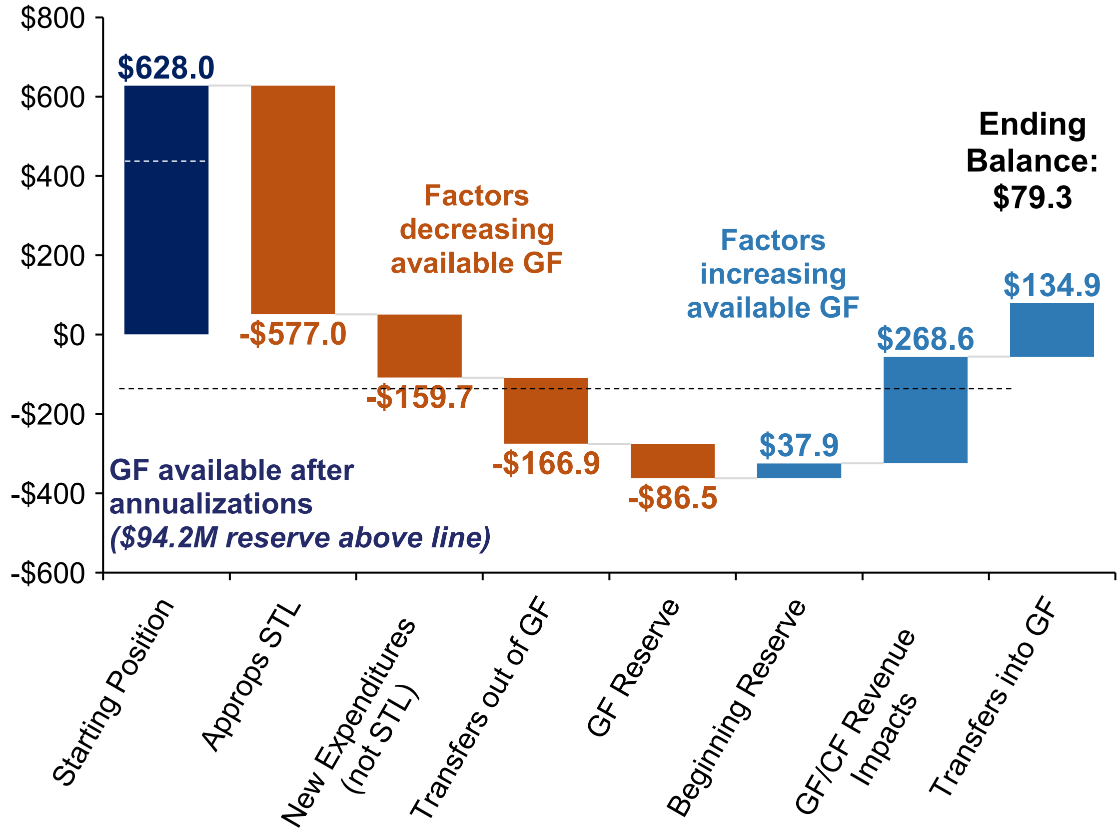
FY25 Budget Impacts of December-to-March Forecast Changes (Millions)	
Dec Forecast FY25 Ending Balance Above/Below Reserve	**($211.9)**
(-) Beginning Balance (FY24 GF Reversions)	($15.9)
(-) Exempt GF Revenue	($8.4)
(-) Cash Fund Revenue	$217.5
(+) Transfers into GF Revision	($24.5)
(-) Approps Revision	($84.6)
(-) 15% Reserve on Add'l Approps	($12.7)
(-) R&E Revision	$7.0
(+) Ref C Cap Increase (SB25-180)	$18.1
(-) Transfers from GF to Other Funds Revision	$18.9
(-) Reversions and Accounting Adjustments	($15.0)
Mar Forecast FY25 Ending Balance Above/Below Reserve	**($111.4)**

FY26 Budget Impacts of December-to-March Forecast Changes (Millions)	
Dec Forecast FY26 Ending Balance Above/Below Reserve	**$482.3**
(+) Beginning Balance (from FY25)	$113.2
(-) Exempt GF Revenue	($22.5)
(-) Cash Fund Revenue	$41.9
(+) Transfers into GF Revision	($3.7)
(+) R&E Revision	$0.1
(-) Transfers from GF to Other Funds Revision	$17.2
(-) Ref C Cap Correction (SB25-180)	($0.4)
Mar Forecast FY26 Ending Balance Above/Below Reserve	**$628.0**

Then, the 4b in the appendix provides additional detail of the Governor's budget submissions, which includes impacts on expenditures subject to the limit, 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 include updates to the Technology Risk Prevention and Response (TRPR) sweep, as well as removing the FY 2025-26 component of DNR R-10, which was proposed in November, and replacing it with a newly submitted general fund transfers into DNR, DOLA, and CEO cash funds to support existing work, given the sizable reduction in the severance tax revenue forecast. Additionally, there are updates to expectations on November's Statewide R-01 request to sweep interest revenue, and formulaic transfer reductions in existing transfers, like transfers to Advanced Industries Cash Fund (OEDIT R-08), to reflect the updated forecast. Furthermore, nonexempt Cash Fund impacts include updates since November 1st like the impacts from proposed changes to the Nursing Home Provider Fee. Nonexempt General Fund impacts include a new Statewide BA-01 request submitted on January 2nd to convert the full PTC rebate to a tax credit, which also has impacts on forecasted rebates and expenditures.

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 shown in Figure 58 at the beginning of this section, the result of the pure forecast based on current law (including only supplemental bills and SB25-180 from this legislative session) combined with the Governor's budget submission is an FY 2025-26 ending balance of $79.3 million above the statutory reserve limit. Further, looking at Figure 60 below, OSPB illustrates the impact of different categories in Table 4b, including an increase of $577.0 million in appropriations subject to the reserve largely driven by caseload and common policies which are partially offset by budget savings proposals. Additional impacts include transfers out of the general fund such as capital construction transfers which are partially offset by reductions in transportation transfers out, $159.7 million in new rebates and expenditures not subject to the limit, and savings from proposed transfers into the general fund along with revenue changes.

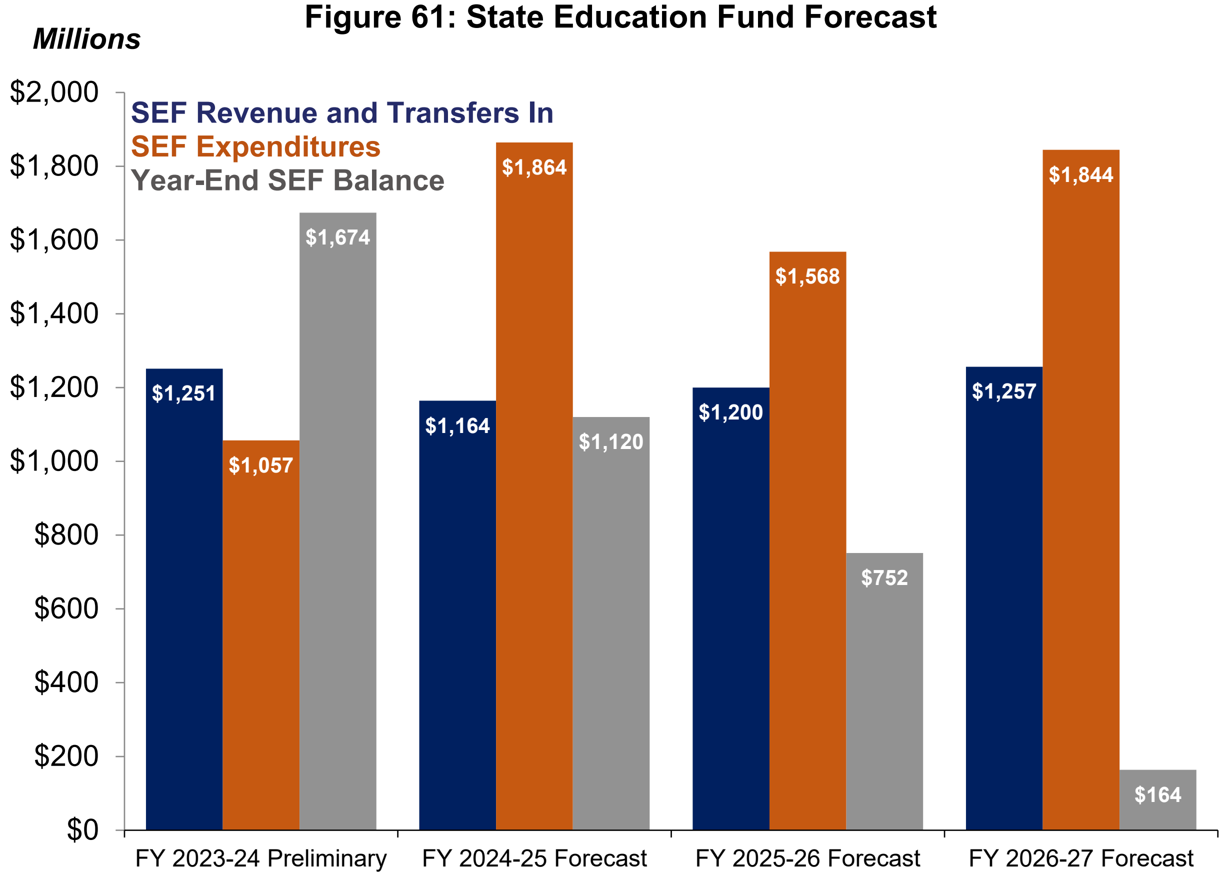
Figure 60. Factors Affecting FY 2025-26 Available GF (in $M)



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 into FY 2024-25. However, subsequent 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). The baseline SEF forecast is based on current law and does not account for the potential effects of the Governor's November 1/January 15th Budget proposal on the SEF.

Figure 61: State Education Fund Forecast

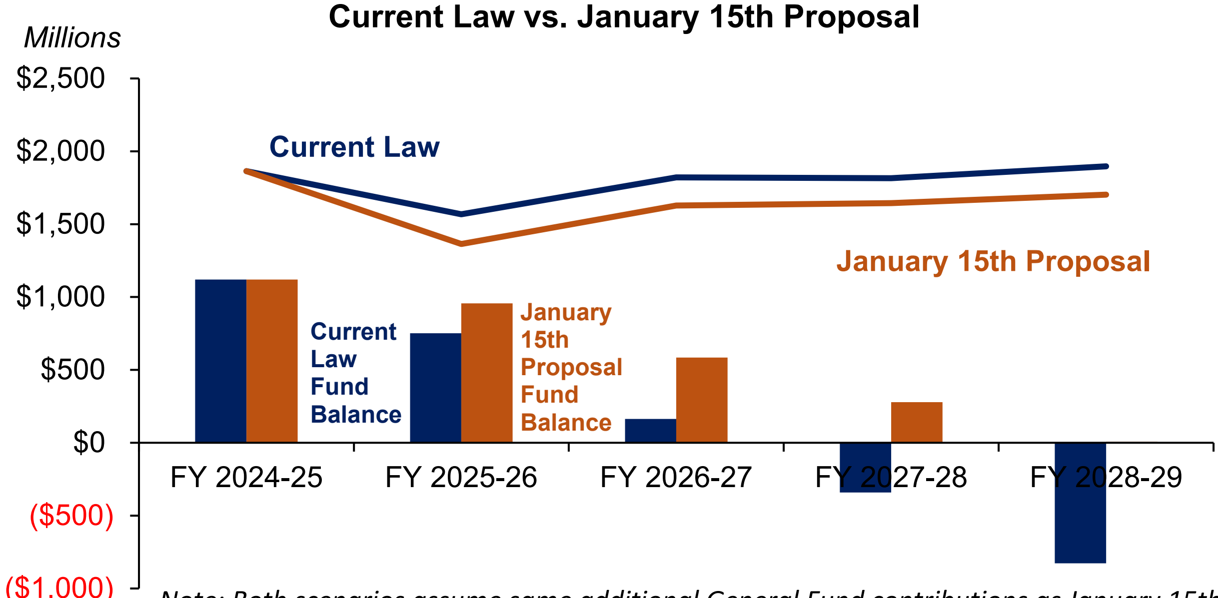


In FY 2024-25, the SEF balance is forecast to decrease to $1,120.1 million, a drop of $554 million from the previous year. This is a downward revision of $152.7 million from the December forecast, due to SEF revenue expectations being revised down by $19.8 million, an increased $64 million state share requirement in FY 2024-25 that utilized the SEF (SB25-113), and reduced local share expectations making up the remainder. In FY 2025-26, the SEF balance is projected to decrease to $751.6 million and further decline to $163.8 million in FY 2026-27 based on current law.

For FY 2025-26, this is a downward revision of $200.2 million from the December forecast, driven in part by higher inflation expectations. The increased inflation expectations also result in approximately $60 million in additional total program needs in FY 2026-27. Over the two-year period, the reduction in the SEF balance is due to anticipated expenditures exceeding SEF revenue as illustrated in Figure 61. This forecast also assumes additional General Fund contributions of approximately 1.5 percent of Total Program costs in FY 2025-26 and 2.1 percent FY 2026-27.

As previously noted, state share requirements for school finance are expected to increase from FY 2024-25 through FY 2026-27, primarily due to three bills: HB24-1448, SB24-233, and HB24B-1001. HB24-1448 is estimated to increase cumulative Total Program requirements by approximately $284 million in the first two years of implementation, from FY 2025-26 through FY 2026-27 with growing costs in the out-years. SB24-233 is projected to increase state share requirements by $378.9 million in FY 2024-25 and an estimated $76.8 million in FY 2025-26 according to fiscal note estimates. Lastly, HB24B-1001 is expected to further increase state share requirements by $4.9 million in FY 2024-25, $83.2 million in FY 2025-26, and $99.8 million in FY 2026-27. Combined, these bills increase state share requirements for school finance by $833.2 million over a three-year period, including an estimated $383.8 million in FY 2024-25, $254.8 million in FY 2025-26, and $194.6 million in FY 2026-27.

Figure 62. State Education Fund Expenses & Fund Balance - Current Law vs. January 15th Proposal



Note: Both scenarios assume same additional General Fund contributions as January 15th budget proposal: $150M in FY 2025-26, $220M in FY 2026-27, $220M in FY 2027-28, and $210M in FY 2028-29. 'Current Law' assumes new formula begins in FY 2025-26.

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 and January 15th budget proposal for Total Program funding takes into account the various funding pressures currently affecting the SEF. As shown in Figure 62, the proposal projects the SEF fund balance to reach $6.4 million by FY 2028-29. However, if current law is assumed with the same General Fund contributions, the SEF fund balance is projected to be negative $743.3 million.

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 more to the downside than the previous forecast.

The state budget faces near-term risks resulting from cumulative inflationary impacts and uncertain future federal 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

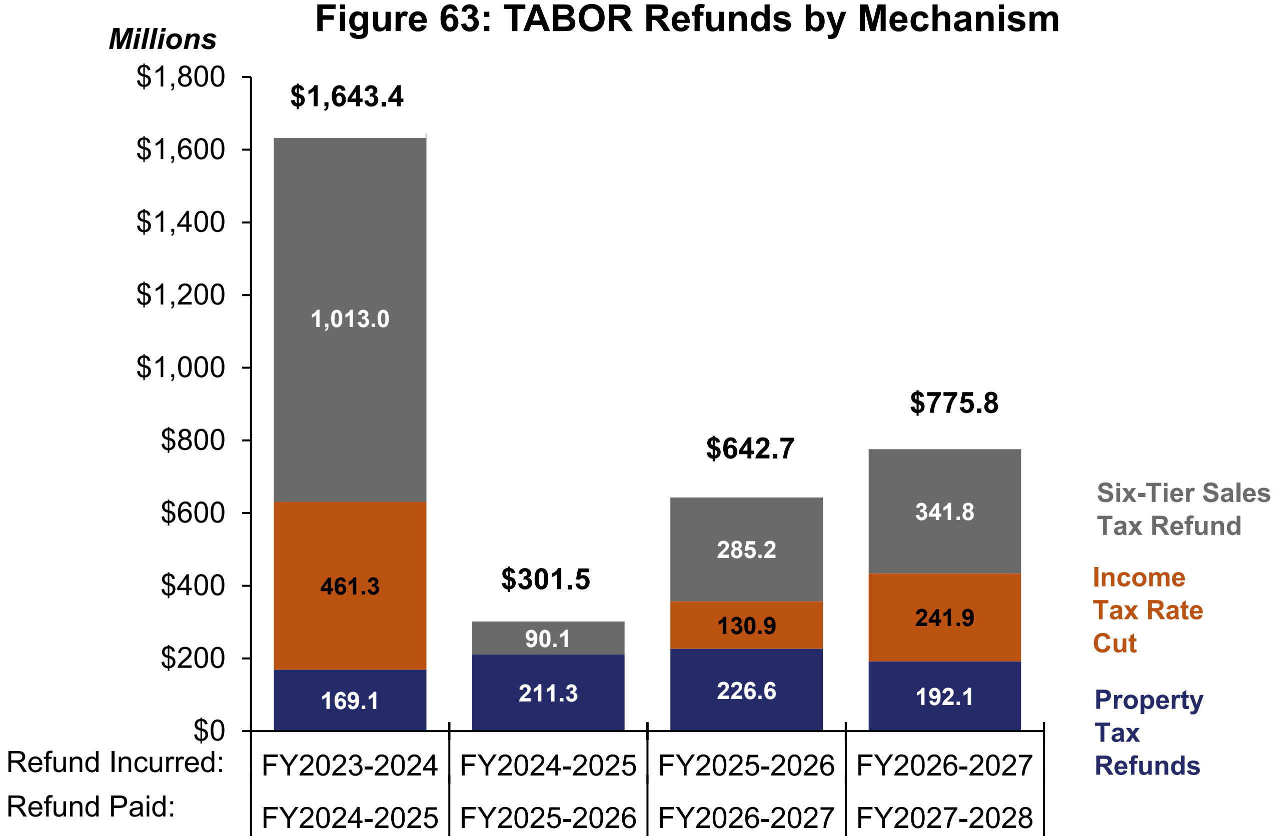
An overview of General Fund and State Education Fund revenue, expenditures, and end-of-year reserves is provided in the Reference Tables at the end of this document. A more detailed discussion of the information presented in the Reference Tables can be found at the Office of State Planning and Budgeting's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

Importantly, this forecast accounts for the anticipated passage of SB25-180 Population Growth Calculation, which makes a technical change to improve the accuracy of the population growth component of the TABOR Cap calculation by better accounting for U.S. Census Bureau revisions to the population estimate between calculation periods. In the short term, this increases the TABOR cap versus prior practices, but in the long term could lead to increases or decreases to the calculation, depending on how the U.S. Census Bureau revises its prior estimates.

Figure 63: TABOR Refunds by Mechanism



In FY 2024-25, the revenue above the cap is revised down significantly to $301.5 million, a $571.8 million decrease from the December forecast. There are a number of reasons for the size of this decrease including downward revisions to major general fund and cash fund revenue streams including severance, individual, sales and use, corporate, and other revenues. In FY 2025-26, refunds are expected to increase to $642.7 million, a $89.5 million revision up from December. This is due to expected continued strength in wage growth and withholdings, helping to offset downward revisions in other streams. FY 2026-27 TABOR refunds are revised down slightly to $775.8 million as OSPB still expects a healthy business and spending environment as monetary policy loosens. While OSPB does not forecast the State to fall below the TABOR cap, surpluses are declining significantly from their recent highs, and modest forecast error could put the State below the TABOR cap over the next several years, with particular risk in the current year.

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. There are no revisions to the Homestead forecast from the December forecast, but legislation currently before the General Assembly HB25-1156 would make the Homestead portability provision permanent and increase outyear cost of the Homestead refund mechanism. However, with the current law 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 December forecast based on final accounting from the State Controller’s Office, moving the overall refunded amount from $1,646.0 million to $1,643.4 million. In addition to the $169.1 million in the Senior Homestead and Disabled Veteran property tax exemption expenditures, OSPB expects $1.01 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 64. TY 2024 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 cooling and the forecasted revenue reductions outlined in this report, total refunds are expected to decline to $301.5 million, resulting in a $90.1 million in sales tax refunds after accounting for the projected $211.3 million in Homestead exemptions, the first year of the portability provision. The income tax rate reduction is not expected to be triggered.

In FY 2025-26, OSPB projects a continuation of economic rebalancing and TABOR refunds recover to $642.7 million. After accounting for the combined $226.6 million of projected Homestead refunds, OSPB projects $285.2 million to be refunded through the six-tier sales tax mechanism, and a .04 percent income tax rate reduction, refunding $130.9 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 further increase in TABOR refunds in FY 2026-27, rising to $775.8 million. Homestead refunds decrease to $192.1 million as the portability provision is set to expire under current law, and the remaining amounts trigger a 0.07 percent income tax rate reduction, returning $241.9 million of the surplus and the remaining $341.8 million being allocated through the six-tier sales tax mechanism.

Reference Tables

Table 1: Colorado Economic Variables – History and Forecast

	Income	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Actual 2023	Actual 2024	Forecast 2025	Forecast 2026	Forecast 2027
1	Personal Income (Billions) /A	$351.5	$374.3	$416.7	$447.9	$470.6	$494.1	$515.9	$540.1	$568.2
2	Change	7.1%	6.5%	11.3%	7.5%	5.1%	5.0%	4.4%	4.7%	5.2%
3	Wage and Salary Income (Billions)	$183.0	$187.8	$205.6	$224.8	$238.7	$251.4	$262.9	$274.8	$287.7
4	Change	7.1%	2.7%	9.5%	9.3%	6.2%	5.3%	4.6%	4.5%	4.7%
5	Per-Capita Income ($/person) /A	$61,287.0	$64,700.0	$71,676.0	$76,548.0	$79,752.0	$82,947.0	$85,962.0	$89,421.0	$93,510.0
6	Change	6.0%	5.6%	10.8%	6.8%	4.2%	4.0%	3.6%	4.0%	4.6%
	Population & Employment	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
7	Population (Thousands)	5,734.9	5,784.6	5,814.0	5,850.6	5,900.9	5,957.2	6,001.2	6,040.2	6,076.5
8	Change	1.0%	0.9%	0.5%	0.6%	0.9%	1.0%	0.7%	0.6%	0.6%
9	Net Migration (Thousands)	34.2	29.4	13.6	23.8	33.4	38.9	25.0	20.0	20.0
10	Unemployment Rate	2.7%	6.8%	5.5%	3.1%	3.2%	4.1%	4.5%	4.6%	4.5%
11	Total Nonagricultural Employment (Thousands)	2,790.1	2,652.7	2,750.9	2,869.7	2,942.0	2,992.6	3,022.5	3,043.7	3,068.0
12	Change	2.3%	-4.9%	3.7%	4.3%	2.5%	1.7%	1.0%	0.7%	0.8%
	Construction Variables	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
13	Total Housing Permits Issued (Thousands)	38.6	40.5	56.5	48.8	39.4	32.2	32.7	34.2	36.6
14	Change	-9.4%	4.8%	39.7%	-13.6%	-19.3%	-18.3%	1.5%	4.7%	7.0%
15	Nonresidential Construction Value (Millions) /B	$5,161.5	$5,607.5	$5,681.0	$6,634.6	$6,705.5	$4,662.9	$4,914.7	$5,072.0	$5,457.5
16	Change	-36.5%	8.6%	1.3%	16.8%	1.1%	-30.5%	5.4%	3.2%	7.6%
	Price Variables	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
17	Retail Trade (Billions) /C	$224.6	$228.8	$268.3	$299.9	$302.6	$306.4	$315.5	$327.5	$341.9
18	Change	9.0%	1.9%	17.3%	11.8%	0.9%	1.3%	3.0%	3.8%	4.4%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100)	267.0	272.2	281.8	304.4	320.3	327.6	339.0	350.2	359.7
20	Change	1.9%	2.0%	3.5%	8.0%	5.2%	2.3%	3.5%	3.3%	2.7%

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

Table 2: National Economic Variables – History and Forecast

Line	Income	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Actual 2023	Actual 2024	Forecast 2025	Forecast 2026	Forecast 2027
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$20,715.7	$20,267.6	$21,494.8	$22,034.8	$22,671.1	$23,302.2	$23,675.0	$24,030.1	$24,486.7
2	Change	2.6%	-2.2%	6.1%	2.5%	2.9%	2.8%	1.6%	1.5%	1.9%
3	Personal Income (Billions) /B	$18,363.2	$19,620.1	$21,419.5	$22,088.9	$23,402.5	$24,692.3	$25,680.0	$26,784.3	$27,989.5
4	Change	4.8%	6.8%	9.2%	3.1%	5.9%	5.5%	4.0%	4.3%	4.5%
5	Per-Capita Income ($/person) /B	$55,929	$59,172	$64,497	$66,131	$69,484	$72,601	$75,055	$77,892	$80,993
6	Change	4.3%	5.8%	9.0%	2.5%	5.1%	4.5%	3.4%	3.8%	4.0%
7	Wage and Salary Income (Billions)	$9,325.1	$9,465.7	$10,315.6	$11,123.1	$11,725.2	$12,421.6	$12,980.6	$13,525.8	$14,107.4
8	Change	4.8%	1.5%	9.0%	7.8%	5.4%	5.9%	4.5%	4.2%	4.3%
	Population & Employment	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
9	Population (Millions)	328.3	331.6	332.1	334.0	336.8	340.1	342.2	343.9	345.6
10	Change	0.5%	1.0%	0.2%	0.6%	0.8%	1.0%	0.6%	0.5%	0.5%
11	Unemployment Rate	3.7%	8.1%	5.4%	3.7%	3.6%	4.0%	4.2%	4.3%	4.3%
12	Total Nonagricultural Employment (Millions)	150.9	142.2	146.3	152.5	155.9	158.0	159.5	160.7	161.9
13	Change	1.3%	-5.8%	2.9%	4.3%	2.2%	1.3%	1.0%	0.7%	0.8%
	Other Key Indicators	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
14	Consumer Price Index (1982-84=100)	255.7	258.8	271.0	292.7	304.7	313.7	325.3	335.7	344.1
15	Change	1.8%	1.2%	4.7%	8.0%	4.1%	3.0%	3.7%	3.2%	2.5%
16	Corporate Profits (Billions)	$2,471.3	$2,411.3	$3,077.6	$3,316.7	$3,546.5	$3,766.4	$3,758.8	$3,822.7	$4,006.2
17	Change	4.5%	-3.5%	27.6%	7.8%	6.9%	6.2%	-0.2%	1.7%	4.8%
18	Housing Permits (Millions)	1.39	1.47	1.74	1.68	1.51	1.47	1.45	1.46	1.52
19	Change	4.3%	6.1%	18.1%	-3.3%	-10.1%	-3.0%	-1.3%	0.6%	4.5%
20	Retail Trade (Billions)	$6,173.8	$6,219.7	$7,364.5	$8,021.1	$8,294.2	$8,546.4	$8,794.2	$9,102.0	$9,484.3
21	Change	3.2%	0.7%	18.4%	8.9%	3.4%	3.0%	2.9%	3.5%	4.2%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts
/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Table 3: General Fund Revenue Estimates by Tax Category /A

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%	$4,358.5	-0.1%	$4,547.3	4.3%	$4,741.3	4.3%
2	Use	$233.2	-7.2%	$216.5	-7.2%	$231.0	6.7%	$246.1	6.5%
3	Retail Marijuana Sales - Special Sales Tax	$195.0	-11.3%	$190.2	-2.4%	$187.6	-1.4%	$194.3	3.6%
4	Cigarette	$20.5	-14.4%	$21.2	3.6%	$18.8	-11.3%	$17.8	-5.6%
5	Tobacco Products	$21.6	-8.9%	$23.7	9.8%	$22.7	-4.2%	$22.4	-1.5%
6	Liquor	$56.0	-0.6%	$55.6	-0.6%	$57.1	2.6%	$57.9	1.5%
7	Total Proposition EE	$207.8	-11.6%	$240.0	15.5%	$236.5	-1.4%	$231.2	-2.2%
8	Proposition KK	$0.0	NA	$9.0	NA	$37.3	313.3%	$39.3	5.4%
9	**Total Excise**	**$5,096.7**	**-0.3%**	**$5,114.8**	**0.4%**	**$5,338.4**	**4.4%**	**$5,550.3**	**4.0%**
	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%	$10,461.5	4.2%	$11,142.9	6.5%	$11,697.1	5.0%
11	Net Corporate Income	$2,796.6	18.2%	$2,408.1	-13.9%	$2,311.1	-4.0%	$2,482.6	7.4%
12	**Total Income**	**$12,840.8**	**-3.6%**	**$12,869.6**	**0.2%**	**$13,454.0**	**4.5%**	**$14,179.7**	**5.4%**
13	*Less: State Education Fund Diversion*	*$1,209.0*	*13.4%*	*$1,126.1*	*-6.9%*	*$1,173.9*	*4.2%*	*$1,233.6*	*5.1%*
14	*Less: Proposition 123 Diversion*	*$327.0*	*104.4%*	*$341.2*	*4.3%*	*$355.7*	*4.2%*	*$373.8*	*5.1%*
15	*Less: Healthy School Meals*	*$0.0*	*NA*	*$117.2*	*NA*	*$108.1*	*-7.7%*	*$84.3*	*-22.0%*
16	**Total Income to General Fund**	**$11,304.7**	**-6.5%**	**$11,285.1**	**-0.2%**	**$11,816.3**	**4.7%**	**$12,488.0**	**5.7%**
	Other Revenue	**FY 2023-24**	**% chg.**	**FY 2024-25**	**% chg.**	**FY 2025-26**	**% chg.**	**FY 2026-27**	**% chg.**
17	Insurance	$541.9	4.9%	$612.5	13.0%	$635.0	3.7%	$637.5	0.4%
18	Interest Income	$251.6	33.5%	$157.1	-37.6%	$123.1	-21.6%	$120.2	-2.4%
19	Pari-Mutuel	$0.3	4.9%	$0.3	-6.0%	$0.4	8.9%	$0.3	-1.6%
20	Court Receipts	$3.2	1.4%	$3.3	4.7%	$3.4	2.0%	$3.4	1.4%
21	Other Income	$53.1	-37.4%	$54.2	2.2%	$58.2	7.3%	$62.6	7.6%
22	**Total Other**	**$850.1**	**7.2%**	**$827.5**	**-2.7%**	**$820.0**	**-0.9%**	**$824.1**	**0.5%**
23	**GROSS GENERAL FUND**	**$17,251.4**	**-4.1%**	**$17,227.4**	**-0.1%**	**$17,974.8**	**4.3%**	**$18,862.4**	**4.9%**

/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**	**$3,153.5**	**$2,216.0**	**$2,963.0**
2	**Gross General Fund Revenue**	**$17,251.4**	**$17,227.4**	**$17,974.8**	**$18,862.4**
3	*Transfers to the General Fund*	$93.3	$158.0	$56.1	$44.6
4	**TOTAL GENERAL FUND AVAILABLE**	**$19,772.2**	**$20,538.9**	**$20,246.9**	**$21,870.0**
	Expenditures	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
5	**Appropriation Subject to Limit**	**$13,818.6**	**$15,414.8**	**$15,841.6**	**$17,680.8**
6	*Healthy School Meals for All General Fund Appropriation*	$115.3	$0.0	$0.0	$0.0
7	*Overexpenditures from the General Fund*	$153.8	$0.0	$0.0	$0.0
8	*Dollar Change (from prior year)*	$510.5	$1,596.2	$426.8	$1,839.2
9	*Percent Change (from prior year)*	3.8%	11.6%	2.8%	11.6%
10	**Spending Outside Limit**	**$2,785.6**	**$2,893.1**	**$1,442.4**	**$1,578.3**
11	*TABOR Refund under Art. X, Section 20, (7) (d)*	$1,643.4	$301.5	$642.7	$775.8
12	*Homestead Exemption (Net of TABOR Refund)*	$0.0	$0.0	$0.0	$0.0
13	*Other Rebates and Expenditures*	$241.9	$191.0	$196.0	$194.1
14	*Transfers for Capital Construction*	$351.4	$254.1	$50.0	$50.0
15	*Transfers for Transportation*	$5.0	$117.5	$117.5	$117.5
16	*Transfers to State Education Fund*	$0.0	$146.0	$0.0	$0.0
17	*Transfers to Other Funds*	$543.9	$1,883.1	$436.2	$440.9
18	**TOTAL GENERAL FUND OBLIGATIONS**	**$16,873.3**	**$18,307.9**	**$17,284.0**	**$19,259.1**
19	*Percent Change (from prior year)*	-11.3%	8.5%	-5.6%	11.4%
20	Reversions and Accounting Adjustments	($254.7)	$15.0	$0.0	$0.0
	Reserves	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
21	**Year-End General Fund Balance**	**$3,153.5**	**$2,216.0**	**$2,963.0**	**$2,610.9**
22	*Year-End General Fund as a % of Appropriations*	23.1%	14.4%	18.7%	14.8%
23	*General Fund Statutory Reserve /B*	$2,031.5	$2,327.5	$2,335.0	$2,610.9
24	*Statutory Reserve %*	14.9%	15.1%	14.7%	14.8%
25	***Above/Below Statutory Reserve***	**$1,122.0**	**($111.4)**	**$628.0**	**$0.0**

/A. FY 2023-24 and FY 2024-25 expenditures and transfers reflect all bills signed by the Governor through the end of the 2024 legislative session, as well as supplemental bills and SB25-180 passed in the 2025 legislative session. Reversions and accounting adjustments for FY 2023-24 reflect figures expected to be published in the ACFR. FY 2025-26 expenditures reflect the base budget. 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. Dollars in millions.

Table 4B: General Fund Overview - Governor's Budget

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**	**37.9**	**-462.1**	**Reserve Carryover from Previous Year**
(2) Gross General Fund Revenue	**-7.0**	**168.3**	**227.9**	**Impacts of Tax Credit Package**
(3) Transfers to the General Fund	**117.6**	**134.9**	**25.0**	**Severance, Interest and other Funds Redirected to General Fund**
(5) Appropriation Subject to Limit	**94.0**	**577.0**	**0.0**	**Governor's Nov 1 Budget (including supp holds in the Nov 1 budget)**
(8) Spending Outside Limit	**-21.3**	**226.3**	**94.0**	**Sum Rows 9+11+12+13+15 Changes**
(9) TABOR Refund	-13.6	-100.3	-8.5	Cash Fund Revenue Balancing Proposals + GF Impacts of Tax Credits
(11) Other Rebates and Expenditures	0.0	159.7	150.5	PERA DD added to reb & expend
(12) Transfers for Capital Construction	0.0	157.4	0.0	Capital Construction Transfers in the Budget (minus $30m hold in 4A)
(13) Transfer to Transportation Funds	0.0	-64.0	-49.5	Transportation Transfer Reductions
(15) Transfer to Other Funds	-7.7	73.5	1.5	Transfers in Governor's Budget (combined reductions and increases)
(21) General Fund Statutory Reserve	**14.1**	**86.5**	**0.0**	**Change in (5) Appropriation Subject to Limit * 15%**
Total Difference (Net Increase in GF for Governor's Budget)	**-23.8**	**548.7**	**303.3**	

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**	**$3,153.5**	**$2,254.0**	**$2,500.8**
2	**Gross General Fund Revenue**	**$17,251.4**	**$17,220.4**	**$18,143.1**	**$19,090.2**
3	*Transfers to the General Fund*	$93.3	$275.6	$191.0	$81.1
4	**TOTAL GENERAL FUND AVAILABLE**	**$19,772.2**	**$20,649.5**	**$20,588.0**	**$21,672.2**
	Expenditures	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
5	**Appropriation Subject to Limit**	**$13,818.6**	**$15,508.8**	**$16,418.6**	**$17,431.1**
6	*Dollar Change (from prior year)*	$115.3	$0.0	$0.0	$0.0
7	*Percent Change (from prior year)*	15380.1%	0.0%	0.0%	0.0%
8	*Dollar Change (from prior year)*	$510.5	$1,690.2	$909.8	$1,012.6
9	*Percent Change (from prior year)*	3.8%	12.2%	5.9%	6.2%
10	**Spending Outside Limit**	**$2,785.6**	**$2,871.8**	**$1,668.7**	**$1,667.6**
11	*TABOR Refund under Art. X, Section 20, (7) (d)*	$1,643.4	$287.8	$542.4	$767.3
12	*Homestead Exemption (Net of TABOR Refund)*	$0.0	$0.0	$0.0	$0.0
13	*Other Rebates and Expenditures*	$241.9	$191.0	$355.7	$344.6
14	*Transfers for Capital Construction*	$351.4	$254.1	$207.4	$50.0
15	*Transfers for Transportation*	$5.0	$117.5	$53.5	$68.0
16	*Transfers to State Education Fund*	$0.0	$146.0	$0.0	$0.0
17	*Transfers to Other Funds*	$543.9	$1,875.4	$509.7	$437.7
18	**TOTAL GENERAL FUND OBLIGATIONS**	**$16,873.3**	**$18,380.6**	**$18,087.2**	**$19,098.8**
19	*Percent Change (from prior year)*	-11.3%	8.9%	-1.6%	5.6%
20	Reversions and Accounting Adjustments	($254.7)	$15.0	$0.0	$0.0
	Reserves	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
21	**Year-End General Fund Balance**	**$3,153.5**	**$2,254.0**	**$2,500.8**	**$2,573.4**
22	*Portion of the GF Reserve Held at Treasury*	$3,153.5	$2,254.0	$2,000.8	$2,073.4
23	*Portion of the GF Reserve Held at Higher Ed*	$0.0	$0.0	$500.0	$500.0
24	*Year-End General Fund as a % of Appropriations*	23.1%	14.5%	15.2%	14.8%
25	*General Fund Statutory Reserve /B*	$2,031.5	$2,341.6	$2,421.5	$2,573.4
24	*Statutory Reserve %*	14.9%	15.1%	14.7%	14.8%
25	***Above/Below Statutory Reserve***	**$1,122.0**	**($87.6)**	**$79.3**	**($0.0)**

/A. FY 2024-25 and FY 2025-26 expenditures and transfers reflect the combination of Table 4A and the Governor’s budget requests represented in Table 4B. Reversions and accounting adjustments for FY 2023-24 reflect figures expected to be published in the ACFR. 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. 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**	**$4,827.7**	**$3,336.2**	**$3,714.5**
2	*State Education Fund*	$1,454.1	$1,674.1	$1,120.1	$751.6
3	*General Fund*	$2,427.4	$3,153.5	$2,216.0	$2,963.0
4	**Gross State Education Fund Revenue**	**$1,251.3**	**$1,164.4**	**$1,199.9**	**$1,256.6**
5	Transfer to State Education Fund	$0.0	$146.0	$0.0	$0.0
6	**Gross General Fund Revenue /B**	**$17,344.8**	**$17,385.4**	**$18,030.9**	**$18,907.0**
7	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$22,477.6**	**$23,377.4**	**$22,566.9**	**$23,878.1**
	Expenditures	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
8	General Fund Expenditures /C	$16,604.2	$18,307.9	$17,284.0	$19,259.1
9	State Education Fund Expenditures	$1,057.1	$1,864.4	$1,568.4	$1,841.1
10	**TOTAL OBLIGATIONS**	**$17,661.3**	**$20,172.3**	**$18,852.4**	**$21,100.2**
11	*Percent Change (from prior year)*	-12.0%	14.2%	-6.5%	11.9%
12	*Reversions and Accounting Adjustments*	($280.5)	$0.0	$0.0	$0.0
	Reserves	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
13	**Year-End Balance**	**$5,096.8**	**$3,351.1**	**$3,714.5**	**$2,778.0**
14	State Education Fund	$1,674.1	$1,120.1	$751.6	$167.1
15	General Fund	$3,422.6	$2,231.0	$2,963.0	$2,610.9

/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

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**	**$1,494.7**	**$1,555.5**	**$1,619.4**
2	Change	12.5%	4.9%	4.1%	4.1%
3	**Limited Gaming Fund /B**	**$92.9**	**$93.6**	**$95.5**	**$97.6**
4	Change	-23.4%	0.7%	2.1%	2.2%
5	**Regulatory Agencies**	**$96.1**	**$106.8**	**$109.5**	**$112.2**
6	Change	7.5%	11.1%	2.5%	2.5%
7	**Insurance-Related**	**$26.9**	**$27.7**	**$27.6**	**$28.9**
8	Change	1.4%	3.0%	-0.4%	4.7%
9	**Severance Tax**	**$218.4**	**$31.8**	**$199.6**	**$178.3**
10	Change	-41.7%	-85.4%	527.3%	-10.7%
11	**Other Miscellaneous Cash Funds**	**$937.8**	**$957.9**	**$1,026.2**	**$1,061.1**
12	Change	6.8%	2.1%	7.1%	3.4%
13	**TOTAL CASH FUND REVENUE**	**$2,797.2**	**$2,712.5**	**$3,013.9**	**$3,097.5**
14	Change	1.5%	-3.0%	11.1%	2.8%

/A Includes revenue from *Senate Bill 09-108* (FASTER) which began in FY 2009-10. Roughly 40 percent of FASTER-related revenue is directed to State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table. Dollars in millions. Additionally, includes the impact of SB21-260, which dedicates funding and creates new state enterprises to enable the planning, funding, development, construction, maintenance, and supervision of a sustainable transportation system.
/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in 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	$41.6	$43.5	$46.9
2	General Fund - Unrestricted	1000	$55.5	$49.6	$50.6	$50.2
3	Medicaid Nursing Facility Cash Fund	22X0	$54.4	$59.4	$59.3	$59.5
4	School Fund	7050	$41.0	$44.4	$43.2	$43.7
5	Adult Dental Fund	28C0	$37.4	$73.1	$76.6	$78.1
6	Auraria Higher Education Center - Nonenterprise Activities	305M	$36.1	$37.6	$37.3	$37.5
7	Judicial Stabilization Cash Fund	16D0	$33.1	$34.0	$33.7	$33.9
8	Energy and Carbon Management Cash Fund	1700	$30.6	$28.7	$26.7	$26.5
9	Department of State Cash Fund	2000	$29.5	$38.9	$45.1	$45.5
10	Judicial Information Technology Cash Fund	21X0	$29.0	$30.5	$30.1	$30.4
11	Offender Services Fund	1010	$19.9	$19.9	$19.9	$19.9
12	Information Technology Revolving Fund	6130	$19.7	$5.6	$5.8	$5.8
13	Stationary Sources Fund	1190	$19.5	$19.1	$18.2	$18.5
14	Colorado Water Conservation Board Construction Fund	4240	$19.2	$17.7	$17.9	$17.9
15	Supreme Court Committee Fund	7160	$16.3	$12.8	$13.7	$13.5
16	Regular Capital Construction	4610	$15.5	$17.2	$16.8	$16.9
17	Benefit Recovery Fund	UIBR	$15.0	$15.0	$15.0	$15.0
18	Colorado Bureau of Investigation Identification Unit Fund	22Q0	$13.8	$10.9	$10.7	$10.8
19	Fleet Management Fund	6070	$13.4	$14.3	$14.1	$14.2
20	Victims Assistance Fund	7140	$12.9	$12.5	$12.4	$12.5
21	Justice Center Cash Fund	21Y0	$12.0	$12.5	$12.4	$12.5
22	State Fair Authority Fund	5100	$11.5	$11.6	$11.5	$11.6
23	Victims Compensation Fund	7130	$9.6	$9.4	$9.3	$9.4
24	Disability Support Fund	27Y0	$8.0	$9.8	$9.3	$9.4
25	Employment Support Fund	2320	$0.1	$1.7	$24.2	$24.1
26	**Total**		**$629.8**	**$627.8**	**$657.2**	**$664.0**

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	$16,630.5	$16,728.4	$17,455.5	$18,337.7
2	Cash Funds /A	$2,797.2	$2,712.5	$3,013.9	$3,097.5
3	**Total TABOR Revenues**	**$19,427.7**	**$19,440.9**	**$20,469.4**	**$21,435.2**
	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%	3.5%
6	**Allowable TABOR Growth Rate**	**8.5%**	**5.9%**	**3.6%**	**4.2%**
7	TABOR Limit /B	$14,588.1	$15,448.7	$16,003.1	$16,675.3
8	General Fund Exempt Revenue Under Ref. C /C	$3,485.1	$3,690.7	$3,823.6	$3,984.2
9	**Revenue Cap Under Ref. C /B /D**	**$18,073.2**	**$19,139.5**	**$19,826.7**	**$20,659.5**
10	***Amount Above/Below Cap***	**$1,354.5**	**$301.5**	**$642.7**	**$775.8**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$1,643.4**	**$301.5**	**$642.7**	**$775.8**
12	TABOR State Emergency Reserve Requirement	$542.2	$574.2	$594.8	$619.8

/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	$23.739	$23.918	$24.275
HB92-1126 Land and Water Management Fund	$0.078	-	-	-
HB05-1262 A35 Tobacco Tax 24-22-117 (1)(c)(I)	$0.619	$0.590	$0.586	$0.563
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	$7.312	$1.163	-
HB23-1041 Prohibit Wagering On Simulcast Greyhound Races	-	-	-	$0.038
HB23-1272 Tax Policy That Advances Decarbonization	$12.917	-	$26.390	$15.697
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	-	-
SB25-114 Repeal of the FLEX Program	-	$0.625	-	-
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	-$15.383	-$15.421	-$18.251
HB13-1318/SB 17-267 Transfers of Special Sales Tax to MTCF	-$126.083	-$123.007	-$121.304	-$125.629
SB17-267 Sustainability of Rural CO (Transfer MJ Special Sales Tax to Public School Fund)	-$22.093	-$21.554	-$21.256	-$22.014
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	-$239.970	-$236.535	-$231.222
HB24-1349 (Prop KK) - Firearms and Ammunition Excise Tax Cash Fund	-	-$8.649	-$37.330	-$39.330
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	-	-	-	-
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
SB23-283 Mechanisms for Federal Infrastructure Funding	-$5.000	-	-	-
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				
Transfers Subtotals	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**
Total transfers into General Fund	**$93.335**	**$157.975**	**$56.107**	**$44.622**
Total transfers out of General Fund	**-$900.218**	**-$2,400.647**	**-$603.713**	**-$608.363**
(Subtotal) Transfers to Other Funds	**-$543.865**	**-$1,883.091**	**-$436.213**	**-$440.863**
(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**	**-$2,242.672**	**-$547.606**	**-$563.741**

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%	$6.2	-9.0%	$6.0	-2.8%	$5.7	-5.5%
2	Marijuana Rebate to Local Governments	$19.5	-11.0%	$19.0	-2.4%	$18.8	-1.4%	$19.4	3.6%
3	Old-Age Pension Fund/Older Coloradans Fund	$102.9	8.4%	$106.6	3.6%	$109.6	2.8%	$111.3	1.5%
4	Aged Property Tax & Heating Credit	$12.1	1.0%	$12.5	2.7%	$11.1	-10.7%	$12.0	8.1%
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%	$24.4	-7.0%	$27.6	13.3%	$22.9	-17.0%
12	Fire/Police Pensions	$4.1	-3.5%	$4.0	-3.9%	$4.3	8.1%	$4.2	-2.9%
13	Amendment 35 General Fund Expenditure	$0.6	-8.7%	$0.6	-4.7%	$0.6	-0.7%	$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%**	**$191.0**	**-21.1%**	**$196.0**	**2.6%**	**$194.1**	**-0.9%**