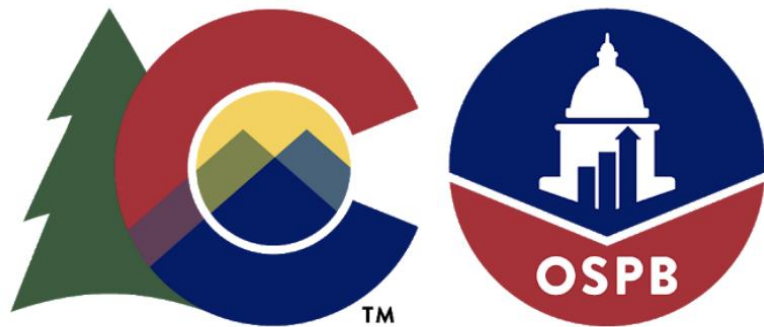


Colorado Economic & Revenue Outlook

September 22, 2025



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



COLORADO
Governor Jared Polis

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Authors

<i>Bryce Cooke</i>	<i>Will Mixon</i>	<i>Andrew Self</i>	<i>Anders Shropshire</i>
<i>Clint Saloga</i>	<i>Edward Crandall</i>	<i>Emily Hrovat</i>	<i>Samantha Krejcik</i>
<i>Skyler Schuck</i>	<i>Soumanetra Ghosh</i>	<i>Liam Palmbach</i>	<i>Oliver Watson</i>

Governor’s Revenue Estimating Advisory Committee

<i>Monique Aragon</i>	<i>Tatiana Bailey</i>	<i>Kelly Campbell</i>	<i>Alison Felix</i>
<i>Sol Halpern</i>	<i>Laura Jackson</i>	<i>Ian Lange</i>	<i>Wendy Lea</i>
<i>Brian Lewandowski</i>	<i>Tom Lipetzky</i>	<i>Shawn Osthoff</i>	<i>Nathan Perry</i>
<i>Trini Rodriguez</i>	<i>Rachel Rose</i>	<i>Jonathan Sullivan</i>	<i>Kate Watkins</i>
	<i>Ken White Jr.</i>	<i>Tim Wonhof</i>	

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Forecast in Brief

Federal tariff and trade policy is considered the biggest downside risk to economic growth. OSPB expects peak monthly inflation growth to occur at the end of this year when stronger consumer demand allows for additional price pass-through of elevated tariffs. Due to OSPB reporting inflation growth for the consumer price index on an annual average basis, high inflation at the end of this year translates to elevated inflation reported next year, despite weakening demand and monthly inflation growth in 2026. Such timing helps explain how year-over-year reports of elevated inflation can co-exist alongside weakening personal consumption and economic growth, which have downstream implications for weakening corporate profits and labor market. A tailwind to economic growth is H.R. 1, which should stoke additional investments given the tax incentives, all else held equal. However, tariff and immigration policy headwinds are expected to offset those benefits in the near term.

Revenue subject to TABOR is expected to drop below the TABOR Referendum C cap in FY 2025-26, due to Colorado’s rolling conformity with federal tax policy changes in H.R. 1, but then return above the cap for the rest of the forecast period. Based on current assumptions, low revenue growth will turn off the family affordability tax credit (FATC) as well as the expansion of the earned income tax credit (EITC) in Tax Year (TY) 2026 but turn fully back on in TY2027. Furthermore, HB24-1365 tax credits are to be reduced in TY 2026, given revenue expectations. Currently, TABOR surpluses of \$363.9 million and \$721.1 million are projected in FY 2026-27 and FY 2027-28, respectively. Under this forecast, the General Fund ending balance is projected to be \$94.8 million below the 15 percent statutory reserve level in FY 2024-25, largely due to HCPF over-expenditures. Then, if all executive order actions become law during FY 2025-26 supplementals, the current fiscal year’s budget would have an estimated 13.6 percent reserve.

<p><u>General Fund</u></p>	<ul style="list-style-type: none"> ● FY 2025-26 is revised down \$756.0 million, largely due to impacts from H.R. 1, given that Colorado taxable income is largely linked to federal taxable income on a rolling basis. In FY 2026-27, revenue is revised down \$295.4 million, as outyear impacts from H.R. 1 are expected to be less significant.
<p><u>Cash Funds</u></p>	<ul style="list-style-type: none"> ● Cash funds are expected to increase by 16.6 percent in FY 2025-26, largely due to sales of tax credits and the anticipated disqualification of an enterprise. Then, in FY 2026-27, OSPB expects revenue to increase 0.2 percent as declining miscellaneous cash fund growth from tax credit sales is offset by the creation of the Kids Matter Fund and steady growth in transportation revenue.

Economic Outlook

Overview of Current Economic Conditions

OSPB views federal tariff and trade policy as the biggest risk to economic growth. Recent reports indicate that tariffs are starting to put upward pressure on month-over-month inflation growth on both producer and consumer products as inventories wane. OSPB expects peak month-over-month inflation growth to occur at the end of this year while stronger consumer demand due to higher sustained wage growth than previously expected allows for additional price passthrough of the costs businesses face from tariffs. OSPB expects consumer demand to weaken in the first half of 2026 alongside worsening household finances, which is thought to translate to again slowing month-over-month inflation. However, due to OSPB reporting inflation growth for the consumer price index on an annual average basis, high inflation at the end of this year translates to elevated inflation in 2026 due to the timing of the expected level shift in prices. Such timing will allow for year-over-year reports of both elevated inflation alongside weakening personal consumption and economic growth, which have downstream implications for corporate profits and a weakening labor market that are also expected in 2026. Those conditions may put the Federal Reserve in a difficult decision-making environment, but OSPB expects a measured yet accelerated response – possibly reaching the terminal Federal Funds rate by the end of next year. Another tailwind to investments is H.R. 1, which should stoke additional investments given the tax incentives, all else held equal. Those two factors should lead to a slight rebound in residential construction, but there are tariff and immigration policy headwinds that are a drag on housing and the economy more broadly.

Overview of Current Economic Conditions

GDP: The U.S. economy grew at an elevated rate of 2.9 percent and 2.8 percent in 2023 and 2024 respectively, largely driven by strong personal consumption. During the first half of 2025, U.S. GDP growth was volatile, first shrinking 0.5 percent in the first quarter then growing 3.3 percent in the second, largely a result of the fluctuating inventories and net exports categories as businesses responded to announced changes in trade policy. OSPB anticipates 2025 GDP growth of 1.7 percent, due to a stronger than expected second quarter and real wage growth. OSPB expects a slightly more positive PCE contribution during 2025, though demand is expected to weaken in early 2026 as consumers are expected to pull back on discretionary

spending, and businesses are expected to pause investments in the next 6-12 months as they navigate federal trade policies. The federal reconciliation bill, H.R. 1, is anticipated to lead to marginally reduced government spending. GDP growth expectations are lowered to 0.7 percent in 2026 due to labor market weakness that is expected to limit consumer spending growth alongside stagnating investments at the beginning of the year. By 2027, OSPB expects a stable and stronger economy than 2026, with normalizing growth of 1.7 percent.

Labor Market: The labor market has cooled substantially since the June forecast, with just 22,000 U.S. jobs added in August, while Colorado added 3,700 in July. The U.S. unemployment rate has risen slightly to 4.3 percent in August, while in Colorado, unemployment has fallen to 4.5 percent in July. Note that this report was finalized prior to August Colorado labor market data being available. Recent data from the Bureau of Labor Statistics (BLS) showed July U.S. job growth below expectations, as well as significant downward revisions for May and June, resulting in June job losses of 13,000 – the first month of negative jobs growth since December 2020. Unemployment has been rising faster for Black workers and young workers, providing more evidence of labor market weakness. July 2025 marks the first time since April 2021 that the number of unemployed workers has surpassed the number of job openings. Reports indicate the primary reason for labor market weakness is declining labor demand amid market and economic uncertainty.

Wages and Income: U.S. wage and salary growth in 2025 is hovering around long-term average levels, however, Colorado continues to lag the nation - personal income growth in the U.S. was 4.7 percent in the first half of 2025, while Colorado's was 4.3 percent in the first quarter. OSPB projects 4.4 percent personal income growth and 4.2 percent wage and salary growth for Colorado in 2025, while the U.S. is expected to record 4.5 percent personal income growth and 4.3 percent wage and salary growth. Both wages and personal income growth are expected to decelerate in 2026 due to weaker job growth, slower hourly earnings, and the impacts of federal trade and immigration policies that are expected to dampen consumer demand, business profits, and labor supply. Colorado's wage growth is projected to slow to 3.8 percent in 2026 before recovering to 4.4 percent in 2027, while personal income growth falls to 4.2 percent in 2026 and recovers to 4.8 percent in 2027. Both wages and personal income growth are expected to recover to average levels by 2027 as the economy stabilizes.

Consumer Spending: Real personal consumption of expenditures (PCE) has been weak through the first half of 2025, driven by declines in durable goods and services, with just 0.5 percent and 1.6 percent annualized growth in the first and second quarters, respectively. Retail trade, on the other hand, has shown surprising strength with 3.7 percent national growth and 3.2 percent growth in Colorado, year-to-date, due in large part to a surge in consumer spending ahead of new tariffs. The combination of elevated retail trade and lowered PCE suggest consumers are shifting purchases towards goods and away from services and other non-retail purchases, with

recent increases in inflation posing a downside forward risk to retail trade though inflation may offset lower demand, given reporting is in nominal terms. OSPB anticipates slower growth for the second half of the year and into 2026 as consumer prices are expected to rise. OSPB forecasts 2.3 percent retail growth in 2025 for Colorado, growing to 2.9 percent in 2026 and 4.5 percent in 2027.

Inflation: The U.S. Consumer Price Index (CPI) recorded 2.9 percent year-over-year growth in August, while Denver-Aurora-Lakewood inflation was 2.1 percent for July. Note that local inflation is reported bi-monthly, so there is no corresponding August report. U.S. inflation this year has been primarily driven by shelter, goods, and services, while local inflation has been more stable due to lower energy prices and new housing supply slowing shelter inflation, although services and shelter inflation appear to be on the rise. The current federal tariff policy is expected to drive large impacts to the annual inflation forecast, primarily concentrated in 2026 from a one-time price level increase as pre-tariff inventories are depleted this year, leading to higher costs being partially passed on to consumers in the months ahead. July's Producer Price Index report showed early signs of increased input costs, which may have contributed to higher consumer price inflation in August. Under the current OSPB forecast, current tariffs are estimated to account for two-tenths of the 2.8 percent inflation in 2025 in Colorado, increasing to 1.1 percent of the 3.6 percent inflation in Colorado.

Energy: Oil markets have faced price weakness in 2025 from increased supply and lower demand expectations. Accelerated OPEC-Plus production increases and broad-based tariffs have fueled global demand fears and resulted in declining oil prices, with additional weakness expected in 2026 due to elevated inventories. These near-term downside risks outweigh upside price risks related to geopolitical uncertainties and reduced production or supply interruptions. WTI oil prices averaged \$68 per barrel in 2025 through August, down from \$80 per barrel in 2024. The EIA expects WTI prices to fall to \$54 per barrel in the fourth quarter and expects prices to remain at or below \$50 per barrel for all of 2026. If prices fall below \$50 per barrel for a sustained period, Colorado could see a decline in production along with the U.S. However, renewed interest in oil and gas investment in the region could provide support to oil production in the state. Natural gas prices, however, have stronger fundamental expectations over the forecast period due to elevated demand from cold winter weather, strong international demand for LNG, and overall increased electricity demand. Tariffs on steel, aluminum, and copper are placing financial pressure on the oil and gas industry, renewable energy industry, and electric utilities. Additional downward pressure on new wind, solar, and battery storage installments will result from the recent rescinding of renewable energy tax credits in the federal reconciliation bill, H.R. 1. The increased costs for natural gas, wind, solar, and battery infrastructure will have downstream impacts on Colorado consumers through increased electricity and heating utility bills.

Housing: Colorado home sellers continue to increase with total listings up 28.6 percent year-to-date in July, but sales have only increased by 1.2 percent over the same period. Softness in Colorado’s housing market has presented itself in local home and rent prices, with slower price growth than the U.S for the past year. Home prices in Colorado have faced downward pressure from the increasing inventory of for-sale listings, elevated mortgage rates, and economic uncertainty, while rent prices have been falling due to an influx of multifamily housing units that hit the market in late 2024 following a 2022 surge in construction that has since slowed. Slow demand, high mortgage rates, and economic uncertainty have also slowed total year-to-date residential construction by -14.5 percent in terms of square footage starts, with a reduction of -20.5 percent in multifamily units and -12.3 percent in single family homes, indicating a suppressed appetite among developers to pursue new housing projects. Due to near-term headwinds and broader economic uncertainty, OSPB forecasts 0.5 percent growth in permits for 2025, recovering to 2.7 percent in 2026 and 6.3 percent in 2027.

Commercial Real Estate: Commercial real estate development remained near four-year lows in the first half of 2025, with year-to-date growth of -5.0 percent in terms of new square footage starts. However, the year-to-date dollar value of new project starts are up by 21.3 percent, potentially indicating rising construction material costs from tariff impacts and/or developers focusing on higher-value projects to support their bottom lines.

Federal Policy Impacts: Recent federal policy changes include the enactment of H.R. 1, which included federal tax policy changes related to individuals and businesses, which will reduce their tax liability. Colorado is particularly impacted by federal tax policy changes due to its rolling conformity with federal tax law, leading to significant negative tax revenue impacts to the state. Trade and tariff policy is another area being closely monitored by OSPB. A recent OSPB report found that tariffs result in higher costs on Colorado businesses and consumers, which have downstream economic consequences across the economy. The recent tariffs imposed by the Trump administration as of August 12, 2025, have increased the effective tariff rate in Colorado from 3.0 percent to 21.0. Tariffs are expected to slow economic activity by weakening consumer demand and limiting business investment, which will result in lower spending, falling business profits, slower wage growth, and a weaker asset market. Federal immigration policy is also impacting the economy. A new Pew Research Center analysis of Census Bureau data found that in the first half of 2025, the U.S. experienced its first decline in the immigrant population in over half a century¹, driven by voluntary departures and increased deportations. However, there is a great deal of uncertainty around the real time immigration flows, as the Congressional Budget Office expects small net immigration increases. In either case, reduced immigration growth, combined with shifting population demographics, now

¹ Stephanie Kramer and Jeffrey S. Passel, Pew Research Center, 21st August 2025, [“What the data says about immigrants in the U.S.”](#)

poses serious concerns for the long-term stability of the U.S. labor market as over 4.1 million American workers retire each year. Other federal policies being monitored relate to data integrity concerns at federal statistical agencies due to decreased funding and high-profile firings of leaders.

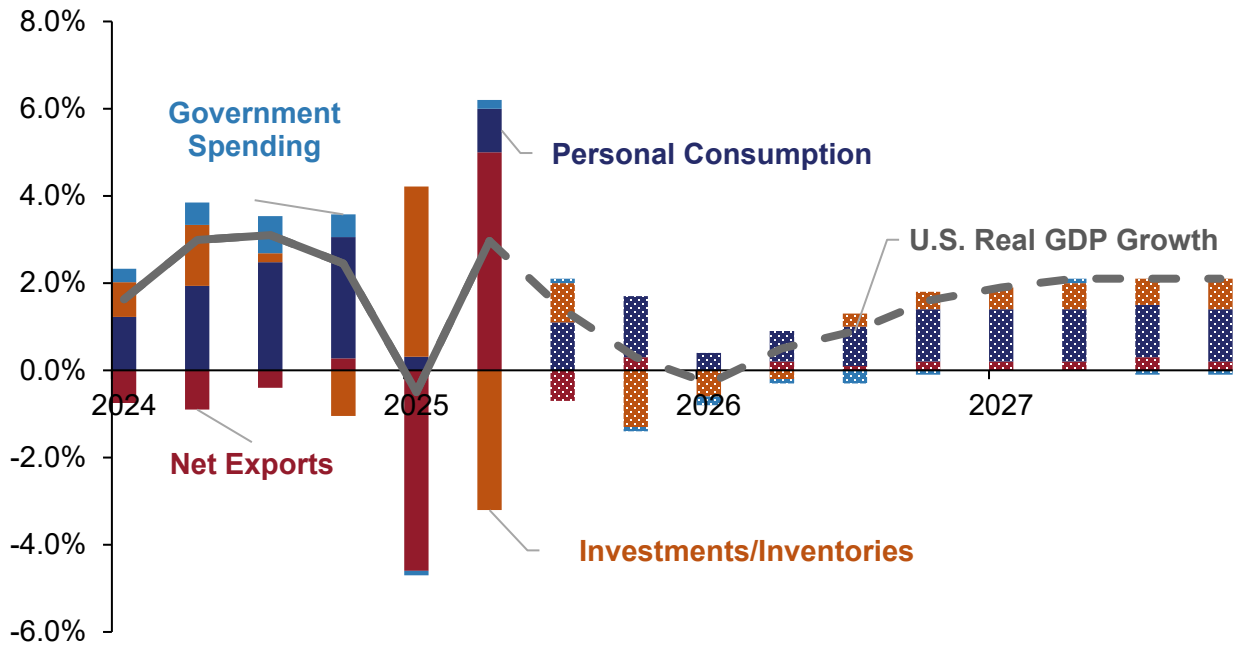
Forecast Risks: Global trade tensions and retaliatory tariffs threaten key Colorado exports and tourism, both of which are major economic drivers. Colorado’s construction and housing sectors are vulnerable to rising material costs from tariffs on steel, aluminum, and lumber. Meanwhile, inflation remains above target, overall job growth has slowed, and unemployment is trending upward, all of which could further dampen consumer confidence, business profits, and public investment. Demographic trends are expected to strain the labor force as retirements outpace new entrants to the workforce, threatening key sectors such as technology, health care, and construction. Housing affordability and rising living costs are compounding these issues, making it harder to attract and retain workers. Agriculture and water-intensive sectors are increasingly vulnerable to prolonged drought and climate change. The local energy sector also faces demand uncertainty from the broader economy, while the global economy shifts toward renewable sources. OSPB estimates a 50 percent chance of recession in the next year, due to an expected slowdown in the first half of 2026.

Gross Domestic Product

The U.S. economy grew at an elevated rate of 2.9 percent and 2.8 percent in 2023 and 2024, respectively, largely driven by strong personal consumption growth. During the first half of 2025, U.S. GDP growth was volatile, first shrinking 0.5 percent in the first quarter then growing 3.3 percent in the second. This was largely a result of the fluctuating inventories and net exports categories as businesses responded to announced changes in trade policy. However, it is important to note that the consumption contribution to GDP during these two most recent quarters were the slowest in the last two years, indicating slowing aggregate demand.

Figure 1 below depicts quarterly annualized growth in real GDP. The line represents GDP growth and the bars depict the four drivers of GDP growth/contraction: 1) personal consumption of expenditures (PCE), 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.

In 2025, OSPB anticipates GDP growth of 1.7 percent, a 0.5 percentage point upward revision from the June forecast that is largely from a stronger second quarter than previously expected alongside stronger than previously expected real wage growth in 2025. In the second quarter, personal income and wage growth remained elevated while the inflationary path this year has shown less re-inflation than previously expected. Therefore, OSPB expects a slightly more positive PCE contribution during 2025, though demand is expected to weaken in early 2026 as consumers are expected to pull back on discretionary spending at that time. While current-year upward revisions to spending are also expected to maintain elevated corporate profits, a majority of businesses are expected to pause investments in the next 6-12 months as they navigate the Trump administration’s trade policy landscape and its impacts. The lack of new capital projects is expected to be a drag on GDP over the next three quarters, as shown in Figure 1. After a volatile first half of the year, net exports are expected to contribute only slightly to GDP, as overall exports and imports are both expected to fall by similar amounts due to higher trade barriers. Finally, starting in the final quarter of this calendar year, the recent federal legislation, H.R. 1, is anticipated to lead to small negative contributions of government spending to GDP growth. While federal legislation did lay out immediate rescissions of Inflation Reduction Act funds and longer-term cuts to Medicaid, SNAP, and other social safety net programs, the bill did not fund federal government operations for the upcoming federal fiscal year. Given additional executive branch rescissions to foreign aid without coordination with the legislative branch, there is an increased risk of a government shutdown on October 1st, when the current continuing resolution runs out. Note that H.R. 1 also includes tax policy changes

that are thought to increase investments long term, but the uncertainty of trade policy alongside limitations related to immigration policy are expected to offset those incentives in the immediate outlook.

Overall, in 2026, GDP growth is anticipated to be 0.7 percent, a 0.3 percentage point downward revision due to labor market weakness that is expected to limit consumer spending growth alongside stagnating investments at the beginning of the year. However, consumer spending is expected to regain some strength starting in the second quarter of 2026 after income taxes are filed. This is because the Internal Revenue Service has confirmed that tax forms are going to be updated for Tax Year 2025 which will likely result in higher refunds and lower tax liability when filing next April, thereby stimulating discretionary spending. Additionally, in the second half of 2026, OSPB expects that the economy will start trending towards potential GDP growth as greater certainty around federal trade policy and loosening monetary policy are expected to lead to increased capital and labor investments. By 2027, OSPB expects a stable and stronger economy relative to 2026, though GDP growth is revised down 0.2 percentage points from June to 1.7 percent.

Labor Market

The labor market has cooled substantially since the June forecast, with just 22,000 U.S. jobs added in August, while Colorado added 3,700 in July.² The U.S. unemployment rate has risen slightly to 4.3 percent, while in Colorado, unemployment has fallen to 4.5 percent. OSPB’s revised labor market forecast is shown in Figure 2.

Figure 2. Labor Market Annual Forecast

	2025	2026	2027
Jobs Growth			
Colorado	0.5%	0.4%	0.8%
United States	0.9%	0.3%	0.4%
Unemployment			
Colorado	4.7%	5.0%	4.7%
United States	4.2%	4.6%	4.7%

In the June forecast, OSPB noted that the apparent strength of the labor market was likely overstated due in part to delays in data collection, specifically with respect to federal job losses, as well as reduced business investment and that future job reports would be revised to reflect this. Subsequently, the Bureau of Labor Statistics (BLS) released the July jobs report, which

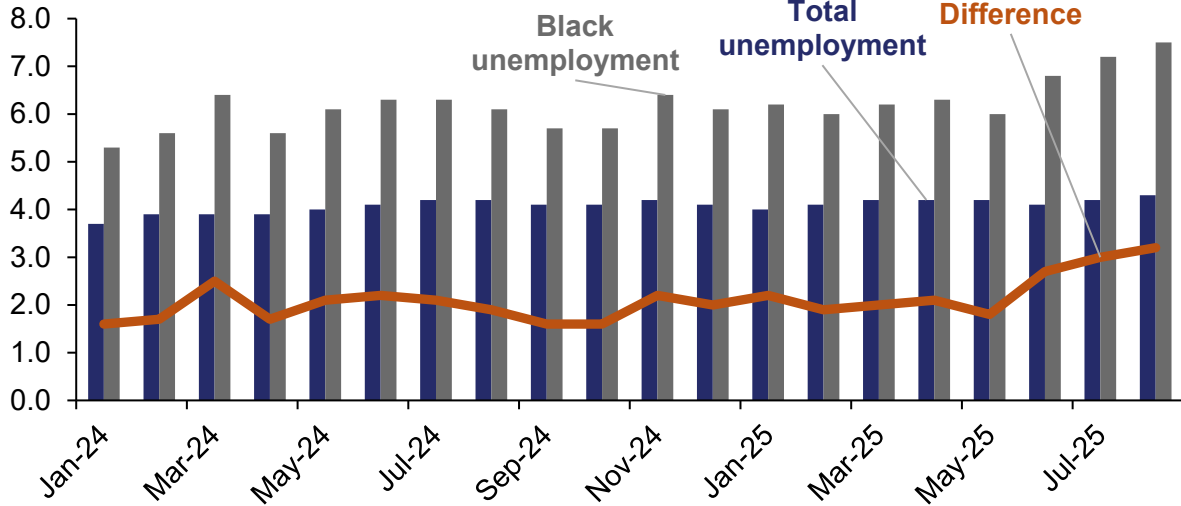
² State-level labor market data for August will not be released until after the September forecast is published.

showed not only July job growth below expectations at 73,000, but also significant downward revisions for May (from 144,000 to 19,000) and June (from 147,000 to 14,000). The numbers were further revised in August, placing July job growth at 79,000 and June down to -13,000, the first month of negative jobs growth since December 2020. Revisions occur every month as additional data is collected and estimates are updated but the extent of these downward revisions and total job growth numbers likely indicate growing weakness in the labor market. Furthermore, average monthly jobs growth has slowed more quickly year-over-year for the U.S. than for Colorado. Through August of each year, the U.S. added 230,000 jobs per month on average in 2023, then slowed to 143,000 per month in 2024 (a decline of 37.8 percent), then 74,800 per month in 2025 (a decline of 47.7 percent). Through July, Colorado added an average of 4700 jobs per month in 2023, which dropped 52.7 percent to 2200 jobs per month in 2024, then fell 36.3 percent to 1400 jobs per month in 2025. Colorado has now fallen below the historical average after having been in line with that in 2024, while the U.S. was above average in 2024 and now below average in 2025. As such, the U.S. and Colorado are relatively in line with one another after the post-pandemic job growth boom, while also showing signs of falling to slower growth than the historical pattern.

Preliminary annual benchmarking estimates from the BLS shows that there has likely been even greater weakness in the labor market over the past year. They currently estimate that 911,000 fewer jobs were added than previously expected from March 2024 to March 2025. Each year, prior BLS monthly employment reports are benchmarked to the more robust Quarterly Census of Employment and Wages (QCEW) data. This preliminary data is not incorporated into the current forecast. Final benchmark revisions for that time period will be published by the BLS in February 2026, and OSPB will incorporate those revisions in the March 2026 forecast. However, if more concrete information is released and obtained sooner, through collaboration with CDLE and other sources, it will be discussed and incorporated in December to the extent that it can be.

Other signs of labor market weakness also appear in other areas of the data. Unemployment has been rising much faster for Black workers and young workers - two groups that have historically had higher unemployment than average. Black unemployment in particular has historically been considered a leading indicator for the health of the labor market, typically rising quickly before the rest of the population follows. Total unemployment has risen slowly over the past two years, growing from 3.7 percent to 4.3 percent since January of 2025, but Black unemployment has increased from 5.3 percent to 7.5 percent over that same period, with most of that increase occurring since May of this year.

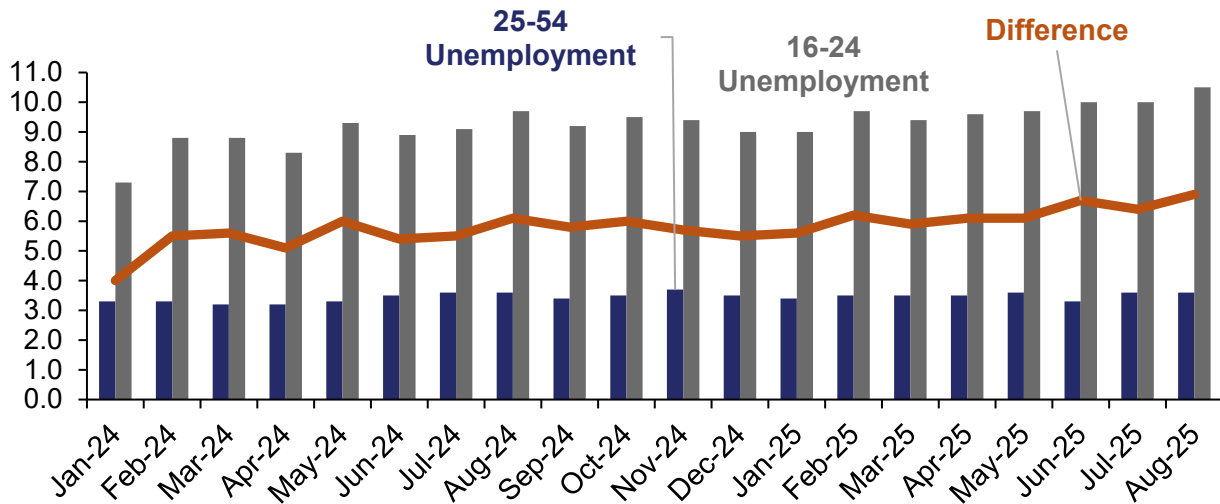
Figure 3. Difference in Unemployment Rates by Race, 2024-25



Source: Bureau of Labor Statistics, OSPB calculations.

Young workers have similarly faced faster unemployment increases relative to the rest of the working-age population, reaching 10 percent for the first time since May 2021. The gap between the two unemployment rates has grown from 4 percentage points in January 2024 to 6.9 percentage points in August 2025.

Figure 4. Difference in Unemployment Rates by Age Group, 2024-2025



Source: Bureau of Labor Statistics, OSPB calculations.

Finally, July 2025 marks the first time since April 2021 that the number of unemployed workers has surpassed the number of job openings, meaning that there are not enough jobs available to ensure that all unemployed workers could potentially become employed.



Source: Bureau of Labor Statistics, OSPB calculations.

The current economic consensus is that the primary reason for labor market weakness is declining labor demand, based on business data showing declines in hiring plans and job openings. The August Challenger Report corroborates the BLS data, reporting only 1,494 planned hires by employers in the U.S., the lowest number since the firm began tracking planned hires in 2009.³ When asked the reason for announced job cuts, employers have overwhelmingly cited market and economic conditions due to economic uncertainty, inflation, and changing demand. The labor market has therefore largely stagnated, with employers holding off on growing their business and hiring new workers. In fact, labor market concerns may even be understated due to the lower supply of labor associated with lower immigration. Without the reduction in labor supply from less immigration, the U.S. would likely be seeing even more weakness within the labor market.

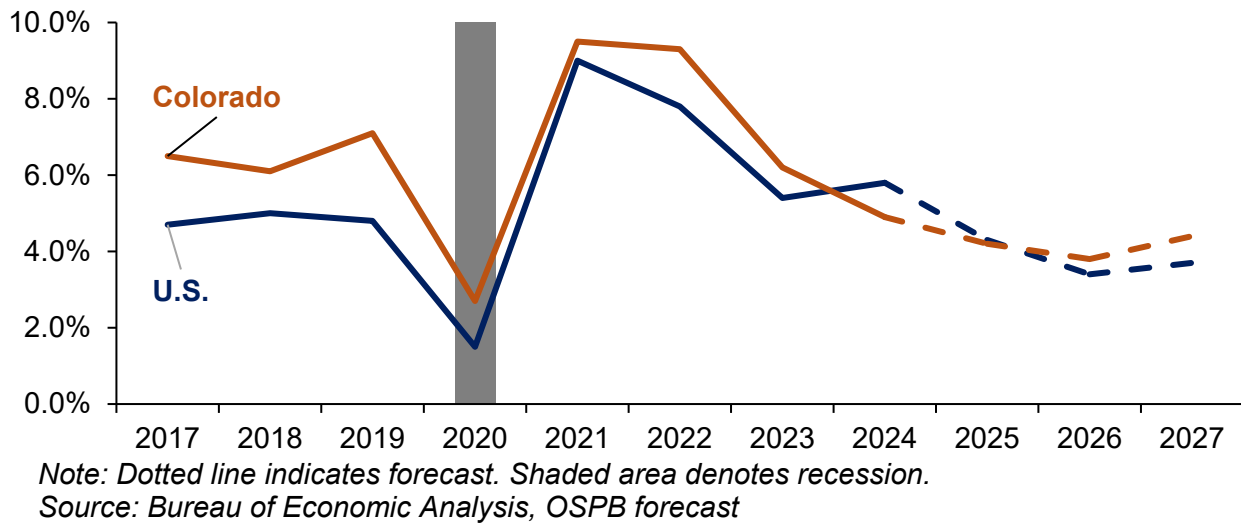
Wages and Income

U.S. wage and salary growth rebounded in the second quarter of 2025, accelerating off below-average growth rates in the first quarter to long-term average levels. Colorado wage and salary growth has lagged U.S. wage growth thus far in 2025, similar to 2024, which saw wage and salary growth at the state level fall behind the U.S. for the first time since 2010. While U.S. wage growth has remained healthy in the first half of 2025, it is still cooling from the prior year’s above-average growth rate, and is expected to decelerate further in the second half of 2025 into 2026 due to weak job growth expectations and slower hourly earnings growth. A deceleration in wage and salary growth was expected after coming off the highs recorded in recent years, however, federal policies such as tariffs and immigration are expected to

³ Challenger, Gray, & Christmas (September 4, 2025). [“Pharma and Finance Lead as August Job Cuts Rise 39% to 85,979” \(linked\)](#).

exacerbate the slowdown. The imposition of broad-based tariffs on imports negatively impacts wage and salary growth in the U.S. and Colorado by weakening consumer demand, which in turn reduces business sentiment and profits, and eventually weighs on the labor market via layoffs and slower hourly earnings growth. Simultaneously, they can have similar effects on personal income by weakening proprietor income, asset income, and rental income. OSPB expects that higher tariffs will lead to lower personal income growth in the U.S. and Colorado. Further, federal immigration policy is projected to slow aggregate wage and salary growth further, as reducing the labor supply will slow job growth, and in turn, leads to weaker overall wage and salary growth. Both personal income growth and wage growth at the national and state levels are projected to remain below average throughout most of the forecast period.

Figure 6. U.S. and Colorado Annual Wage and Salary Growth



Overall personal income growth remained healthy in the first half of 2025. U.S. personal income growth was 4.7 percent, equal to the 20-year average growth rate of 4.7 percent. Colorado data was only available through the first quarter of the year at publication, and the state saw 4.3 percent year-over-year personal income growth in that quarter. For the year, OSPB expects Colorado growth of 4.4 percent compared to U.S. growth of 4.5 percent. While this reflects an average growth rate for the U.S., it is below the state’s 20-year average rate of 5.8 percent.

Similarly, the U.S. recorded average wage and salary growth of 4.4 percent in the first half of the year. The 20-year average growth rate is 4.3 percent. Colorado saw 3.9 percent wage and salary growth in the first quarter of 2025 but is projected to average 4.2 percent growth for 2025, compared to the 20-year average of 5.1 percent.

Figure 7. U.S. and Colorado Wage and Salary Growth Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	5.8%	4.3%	3.4%	3.7%
Colorado	4.9%	4.2%	3.8%	4.4%

Source: Bureau of Economic Analysis, OSPB forecast.

Figure 8. U.S. and Colorado Personal Income Growth Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	5.4%	4.5%	3.7%	4.3%
Colorado	4.7%	4.4%	4.2%	4.8%

Source: Bureau of Economic Analysis, OSPB forecast.

The weakest income growth in both the U.S. and Colorado is expected to take place in 2026 as the economy continues slowing and is additionally weighed down by tariff pressures on businesses and consumers. Weakening consumer spending and business profits are expected to weigh on the labor market most acutely in 2026, which is projected to lead to weaker job growth and higher unemployment. Federal immigration policy is also expected to weaken aggregate wage and salary growth, which is calculated by the combination of wage increases for current payrolls and the additional salaries from new jobs added to the payrolls. If there are fewer new jobs added to the economy due to a smaller labor supply, that will lead to lower overall wages and salaries. The combination of federal trade and tariff policy alongside immigration policy is expected to lead to slower aggregate wage and salary growth. Personal income is further impacted by weakening proprietor income and asset income growth. Income growth is projected to accelerate closer to average levels in 2027 as the economy recovers and expands.

Consumer Spending

Amidst headwinds from federal policy, consumer spending has been weak to begin the year, while retail trade has shown relative strength with a surge of growth in the second quarter of 2025 amidst many of the initial tariff announcements. While OSPB is revising up the consumer spending forecast, significant downside risks remain connected to tariffs and potential inflation, risks to the labor market and wages, and decreasing disposable spending for some consumers tied to increasing debt levels. The costs of tariffs, which have largely been absorbed by importers and retailers thus far, are likely to be passed on to consumers in the coming months, which will likely result in a slower growth trajectory in the latter part of 2025 and into the beginning of next year before rebounding. In particular, the August repeal of the de minimis

exemption, which excluded small shipments from duty requirements, has disrupted international shipping to the U.S., and could cause more significant consumer responses moving forward. Consumer sentiment has partially recovered from its trough in the spring, but it dropped again in the August report. Additionally, recent data have shown more significant strain on lower income households, but these impacts are not as impactful on the overall growth data as higher income households, particularly the top 10 percent, drive about half of consumer spending.⁴

Overall personal consumption expenditure contributions to GDP growth were weaker to start 2025, recording 0.5 percent and 1.6 percent annualized growth in the first and second quarters, respectively. Declines in durable goods and stagnant services growth drove lower readings, although durable goods saw a surge in growth to close 2024, which may have impacted the declines observed in the beginning of the year. In contrast, through June of 2025, retail trade has remained more robust than expected in the June forecast, potentially connected to a longer lag time for consumer prices to increase as tariff impacts have largely been absorbed by businesses, combined with consumer frontloading of purchases in anticipation of tariff impacts. More recent data have indicated increasing signs of inflation, and there remain downside risks to retail trade, including from the repeal of the de minimis exemption. The combination of elevated retail trade and lowered PCE suggest consumers are shifting purchases towards goods and away from services and other non-retail purchases, in line with OSPB's expectations of front-loaded retail trade.

OSPB continues to monitor impacts from federal immigration policy and concerns around declines in tourism, but there have not yet been evident impacts in the data stemming from these policy changes, though anecdotal reports have suggested declines related to slowing tourism. Currently, OSPB assumes minimal degradation of retail sales due to declines in tourism in the baseline forecast.

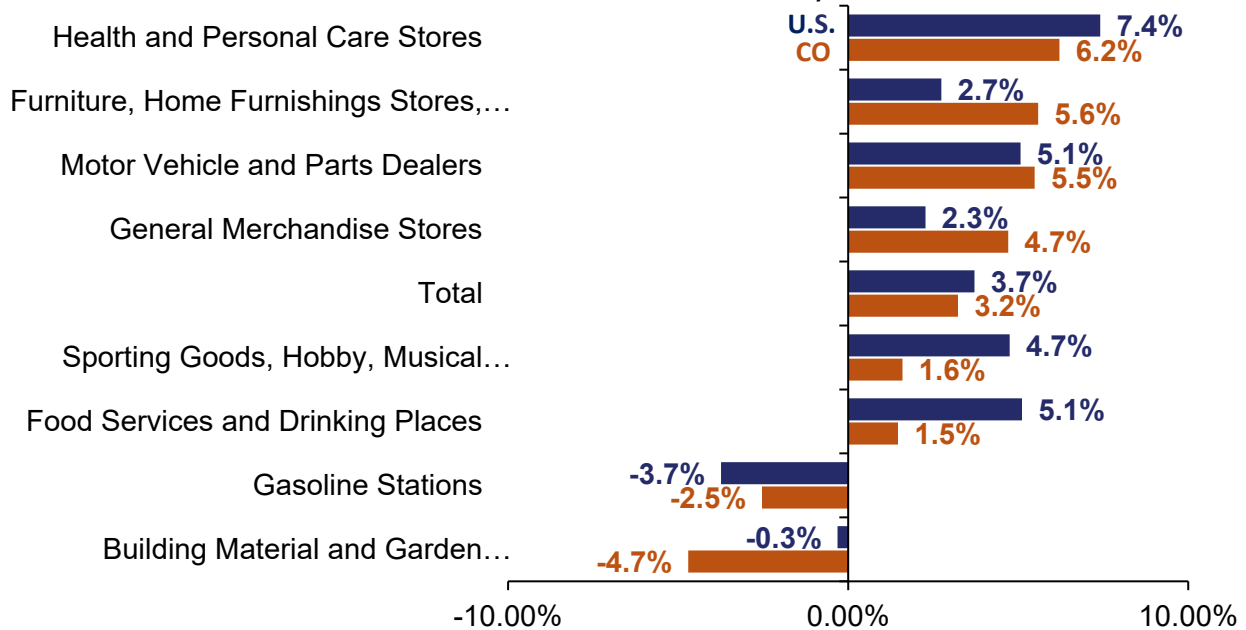
Retail trade data through June shows the U.S. recorded 3.7 percent year-over-year growth, while Colorado recorded 3.2 percent growth. March and April saw an average of 5.0 percent nationally and 5.2 percent in Colorado compared to those months in 2024, as consumers purchased goods in anticipation of ensuing tariff impacts, with subsequent growth tempering somewhat, but remaining relatively elevated averaging 3.6 percent, and 2.8 percent in Colorado. Figure 9 below illustrates year-over-year retail sales growth for 2025 over 2024 by sector. Vehicle and parts sales were a leading contributor to growth nationally and locally with growth rates of 5.1 and 5.5 percent respectively, as well as health and personal care stores with

⁴ McKinsey and Company, August, 2025 [“An Update on US consumer spending: Settling in for a tepid holiday season”](#) (link to article)

Reuters, August, 2025 [“Stressed US low-income shoppers hunt for smaller packs, restaurant meals under \\$5”](#) (link to article)

growth of 7.4 and 6.2 percent, respectively. Colorado saw a surge in furnishings and appliance sales after a period of stagnancy with 5.6 percent growth, and with general merchandise also exhibiting relatively strong growth of 4.7 percent. Spending growth at restaurants was strong nationally at 5.1 percent but saw more modest growth in Colorado of 1.5 percent. Sales were weak in building materials with 4.1 percent year-over-year declines locally and little change from last year nationally, while gasoline station sales were down on lower fuel prices.

Figure 9. Retail Sales Growth by Selected Industry (Jan-June 2025 vs Jan-June 2024)

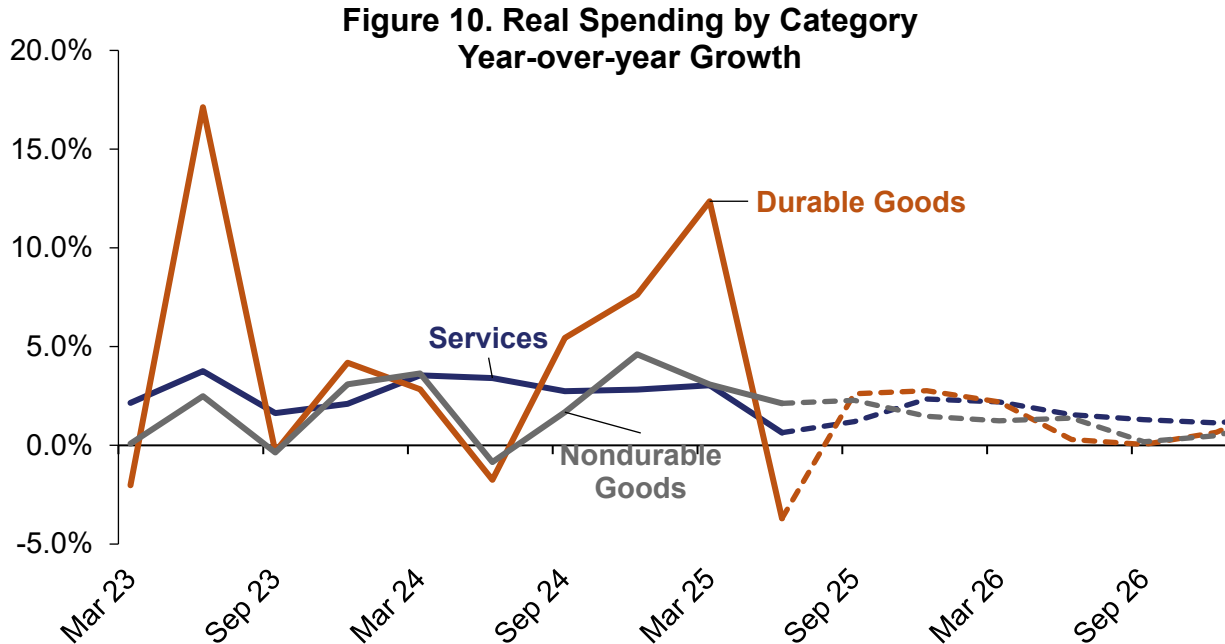


Note: Year over Year Percentage Change

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

OSPB interprets these patterns as a response to tariffs, with consumers shifting forward planned purchases in anticipation of tariff-related price increases. The growth in large purchases like automobiles, furniture, and appliances represent higher-value purchases, which are more susceptible to tariffs decreasing consumer purchasing power, providing further evidence of this dynamic. Looking forward on retail trade, OSPB anticipates slower growth for the second half of the year and into 2026 as consumer prices grow and limit discretionary spending, and disruptions stemming from the de minimis exemption repeal deliver a temporary shock. Still, the relative strength of real wages thus far results in slight upward revisions in the current year compared to June forecast. For the U.S., OSPB forecasts 3.2 percent growth in 2025 led by the strength seen year-to-date, before dropping to 2.1 percent in 2026. OSPB anticipates a rebound in 2027 to 3.8 percent growth, as consumers acclimate to the upward price level shift, and nominal increases boost the value of overall retail trade. In Colorado, OSPB forecasts 2.3 percent retail growth in 2025, growing to 2.9 percent in 2026 and continuing growth of 4.5 percent in 2027. For real PCE growth, OSPB forecasts growth cooling to 2.3

percent in 2025 after 2.8 percent growth in 2024, with a further deceleration to 1.6 percent in 2026 and 1.8 percent in 2027.



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

Inflation

The Consumer Price Index (CPI) for the U.S. and Denver-Aurora-Lakewood area show mixed signs in the second quarter of 2025. In July, the U.S. year-over-year inflation rose by 2.7 percent while Denver-Aurora-Lakewood inflation was 2.1 percent. Then in August, U.S. year-over-year inflation surged to 2.9 percent, a concerning harbinger that re-inflation could be underway before reaching the Federal Reserve’s 2 percent goal. The main driver for U.S. inflation has been shelter, but there has also been increasing pressure from goods and services. Local inflation in Denver-Aurora-Lakewood has had stable annual inflation in the first half of 2025 after a sustained disinflationary period in 2024, in part to low energy inflation and new housing supply coming online limiting shelter inflation. However, similar to the national environment, certain components in Colorado are beginning to see some re-inflation. Monthly services inflation was relatively high, and shelter inflation is returning to historical averages after being very low over the past eight months.

Figure 11. Inflation Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	2.9%	2.8%	3.4%	2.3%
Colorado	2.3%	2.6%	3.6%	2.5%

Source: Bureau of Labor Statistics, OSPB forecast.

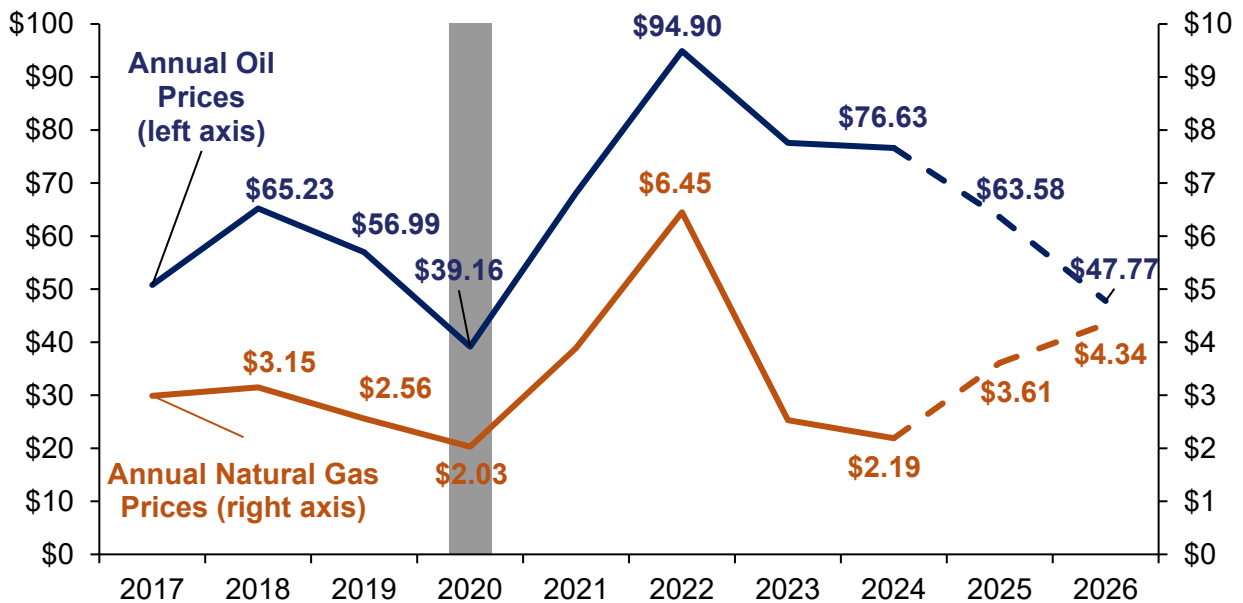
The current federal tariff policy is driving large impacts to the annual inflation forecast, primarily concentrated in 2026 from a one-time price level increase. Businesses accumulated large inventories prior to the implementation of tariffs in early 2025 to avoid cost increases for as long as possible, but OSPB forecasts those inventories to be largely depleted in the near future, leading to higher month-over-month inflation growth between now and the end of the year. The elevated month-over-month growth is due to sustained spending at higher prices through the end of the year, allowing for businesses to pass on more costs to consumers due to demand. However, as 2026 begins, households’ balance sheets are expected to be in a worsening position, lowering consumer spending and price pass-throughs to final products, which dampens month-over-month CPI growth. However, due to the annual average inflation growth reporting, elevated monthly growth by the end of 2025, concentrates the annual average inflationary impact of tariffs in 2026. The July 2025 Producer Price Index already showed signs of rising monthly inflation on input costs which translated to more elevated consumer price inflation growth in August. Producers are already starting to see the impact of tariff policies on their costs, because they are the conduit between imported goods and the end consumers. Producers are currently absorbing a significant portion of the cost of tariffs rather than passing them directly on to consumers, after building large pre-tariff inventories in early 2025, while many are still evaluating how much of the total cost increase to pass onto consumers and when to do so. Under the current OSPB forecast, current tariffs directly account for just two-tenths of the 2.8 percent inflation in 2025 in Colorado and the 2.6 percent inflation in the U.S. figure. However, in 2026, the current tariff policy accounts for 1.4 percent of the 3.4 percent inflation in the U.S. and 1.1 percent of the 3.6 percent inflation in Colorado.

The U.S. inflation figures have been diverging from the Federal Reserve’s inflation target of 2.0 percent in recent months, as annual inflation increased to 2.9 percent in August following a recent trough of 2.3 percent in April. Expectations for U.S. and Colorado annual inflation rates are revised down from the June forecast in 2025 and up in 2026 as a result of recent data and updated expectations. The forecast for U.S. CPI was revised down 0.4 percentage points to 2.9 percent for 2025 before increasing to 3.5 percent in 2026 and then normalizing over 2027 to 2.3 percent. Locally, Colorado CPI expectations were revised down 0.4 percentage points to 2.6 percent in 2025, up 0.1 percent to 3.6 percent in 2026, and down 0.1 percent to 2.5 percent in 2027.

Energy

Oil markets have faced price weakness throughout 2025 from increased supply and lower demand expectations. The combination of accelerated OPEC-Plus production increases and the Trump administration’s imposition of broad-based tariffs and resulting global demand fears have resulted in declining oil prices throughout the year. Additional price weakness is expected in 2026 due to elevated supply inventories, with the U.S. Energy Information Administration (EIA) forecasting West Texas Intermediate (WTI) oil prices to fall below \$50 per barrel for a sustained period of time. Prices at those levels will threaten many operators’ breakeven points in the U.S. and Colorado, which could lead to reduced production next year. While the EIA expects oil production to increase in 2025 to a new record level, it forecasts that production will fall in 2026. Oil prices face more downside risks due to global production increases and weaker global demand with the U.S. tariff policy environment threatening demand further. These downside risks outweigh upside price risks related to geopolitical uncertainties and reduced production or supply interruptions. Natural gas prices, however, have stronger fundamental expectations over the forecast period. The renewable energy and electric utilities sectors are also seeing increased input costs from tariffs on steel, aluminum, and copper, which are key inputs for electricity generation and transmission infrastructure. Further, the recently enacted federal reconciliation bill, H.R. 1, will weigh heavily on these industries due to the elimination of certain tax credits, which will increase the costs of renewable energy projects.

Figure 12. Annual Oil and Natural Gas Prices



Note: Shaded area denotes recession. Dotted line indicates U.S. EIA forecast. Henry Hub natural gas prices per million BTU and WTI oil prices per barrel reflected.

Source: U.S. Energy Information Administration

WTI oil prices averaged approximately \$68 per barrel in 2025 through August after averaging around \$80 per barrel over the same period in 2024. The decline in oil prices is primarily a result of OPEC-Plus accelerating production increases, which is increasing supply to the global market while global demand has remained uncertain for much of the year due to the U.S. imposing broad-based tariffs on trading partners alongside ongoing trade negotiations. The EIA expects WTI prices to fall further in the fourth quarter of 2025 to \$54 per barrel as global oil inventories build before falling to \$46 per barrel in the first quarter of 2026. The EIA expects quarterly average prices to remain at or below \$50 per barrel for all of 2026.

This expected price weakness could weigh on domestic oil production. Over the first half of 2025, U.S. oil production rose 1.6 percent year-over-year, while production in Colorado increased 1.7 percent. However, with prices projected to fall, it is likely that production would decline in response. The EIA estimates that U.S. oil production will increase 1.5 percent in total for 2025 before declining by 1.0 percent in 2026 in response to lower oil prices. If prices do fall below \$50 per barrel for a sustained period, it is also likely that Colorado would see a decline in production in line with the U.S., as operators' breakeven points are threatened with lower oil prices coupled with higher input costs from tariffs. However, there has been renewed interest in oil and gas investment in the Rockies region, including Colorado, which could provide a tailwind to oil production in the state.⁵

In contrast to the weakness in oil prices, natural gas prices have rebounded to above-average levels year-to-date through August due to elevated demand from cold weather during the 2024-25 winter season, strong international demand for LNG, and overall increased electricity demand. Through the first eight months of 2025, Henry Hub natural gas prices averaged \$3.51 per million BTU compared to \$2.09 over the same period in 2024, reflecting a 68 percent increase. According to the EIA, Henry Hub prices are expected to average \$3.61 in 2025 and \$4.34 in 2026, which are both above the 10-year average level of \$3.10. Domestic natural gas production had positive but wavering growth in 2024 due to lower prices but has picked up to 2.9 percent growth in the first half of 2025. Natural gas production growth in Colorado was negative over the first half of the year at -0.8 percent but is expected to turn positive in the latter half of 2025. The EIA expects that the U.S. will see production growth for the year as increased demand and price expectations provides an impulse for increased production. Natural gas production growth in Colorado is expected to remain relatively flat in 2025 after the negative first half, as above-average prices provide a tailwind to exclusive natural gas producers but below-average oil prices weigh on associated gas produced as a by-product of oil drilling.

⁵ Dennis Kisler and Jason Reibold, BOK Financial, Hart Energy (August 28, 2025). "[BOK: Rockies Resurgence Fueled by Reliable Regulations, Production](#)" (linked).

Although the Trump administration has made it a policy priority to substantially increase domestic oil and gas production, investment decisions made by energy firms are largely market driven. With capital discipline remaining the prevailing industry sentiment, lower forward-looking oil prices from global demand uncertainty and increased production from OPEC-Plus are likely to dampen domestic oil production. However, natural gas production is expected to maintain more strength due to better demand expectations.

On the renewable energy side, firms are faced with higher tariffs on steel and aluminum as well as specific components related to renewable energy infrastructure. Most of the solar supply chain resides in Southeast Asia and China, and the elevated tariffs on countries in this region will lead to increased input costs for solar energy infrastructure. The wind energy supply chain is more globally spread with significant manufacturing in the U.S. However, about 17 percent of wind components in the U.S. are imported from China, according to a McKinsey and Company report.⁶ Tariffs will also impact battery storage and electric vehicle batteries and components. According to the same report, tariff policy could reduce installed solar capacity by 9 percent by 2035 in the U.S. relative to baseline expectations, with lower impacts to wind capacity. However, there is additional downward pressure on new wind, solar, and battery storage installments in coming years from other federal policies, including the recent rescinding of renewable energy tax credits in the federal reconciliation bill, H.R. 1.

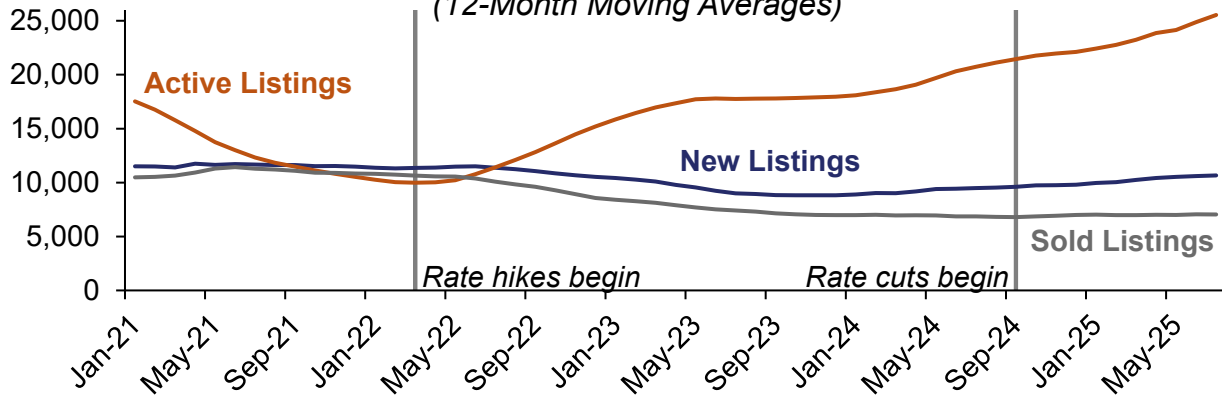
The increased costs for companies on infrastructure related to natural gas, wind, solar, and battery storage will have downstream impacts on Colorado consumers through increased electricity and heating utility bills. The deployment of this infrastructure will face rising costs due to tariffs on steel and aluminum, as well as nation-specific tariffs, which will be passed on to consumers. Consumer utility bill costs are further exacerbated by other federal policies, such as H.R. 1, which will increase the costs of renewable energy projects due to the elimination of renewable energy tax credits. Many of the increased utility costs to consumers will be lagged due to the nature of the rate-setting process, but Colorado electric utilities will likely pass on the higher costs they face for electric infrastructure due to tariffs, the elimination of tax credits, and longstanding supply chain issues in the coming years.

Housing

Colorado home sellers continue to increase with total listings up 27.9 percent year-to-date in July, but sales have only increased by 0.6 percent over the same period. Figure 13 below illustrates the increasing number of available homes for sale and stagnant demand among potential home buyers.

⁶ Christian Therkelsen, Diego Hernandez Diaz, and Humayun Tai, McKinsey and Company (July 22, 2025). [“How might tariffs affect the energy transition?” \(linked\).](#)

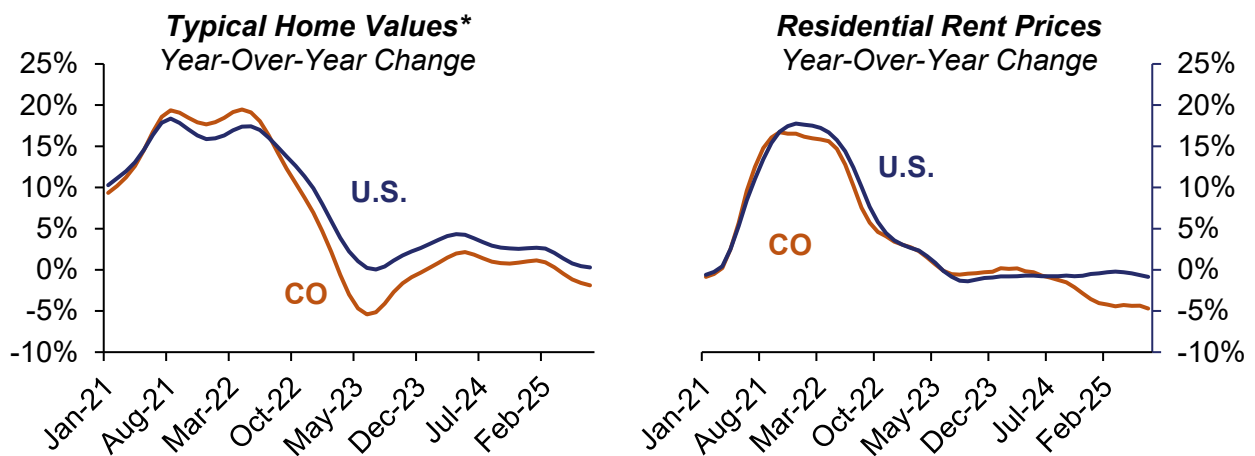
Figure 13. Colorado Housing Market Indicators
(12-Month Moving Averages)



Source: Colorado Association of Realtors.

Softness in the housing market also appears in home and rent prices. Figure 14 below illustrates the year-over-year changes in Colorado and U.S. typical home and residential rental prices. In both measures, Colorado has higher absolute prices, but slower price growth than the U.S. for the past two years in home prices and past year in rent prices. Home prices in Colorado have faced downward pressure from the increasing inventory of for-sale listings, elevated mortgage rates, and economic uncertainty. Rent prices have been falling due to an influx of multifamily housing units that were brought to market in late 2024 following a 2022 surge in construction that has since slowed.

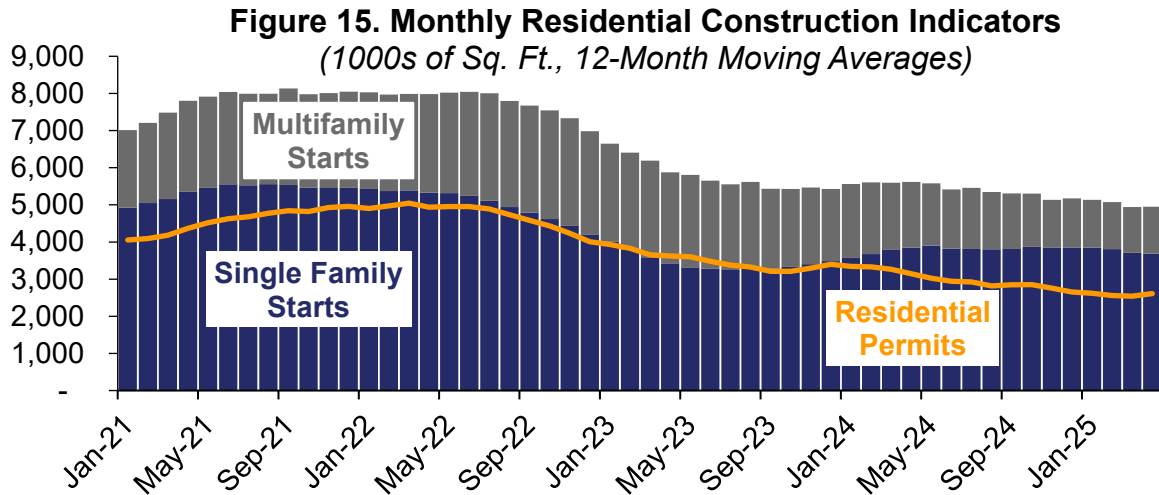
Figure 14. Colorado and U.S. Home Values and Residential Rent Prices



Source: Apartment List; Zillow.

Note: Typical Home Value considers the full distribution of home values in a region rather than just those that have sold.

Slow demand, high mortgage rates, and economic uncertainty have also slowed total year-to-date residential construction by -14.5 percent in terms of square footage starts, with a reduction of -20.5 percent in multifamily units and -12.3 percent in single family homes. New permits for residential construction are almost exactly flat year-to-date, further indicating suppressed demand among developers to pursue new housing projects.



Source: DODGE Data Analytics.

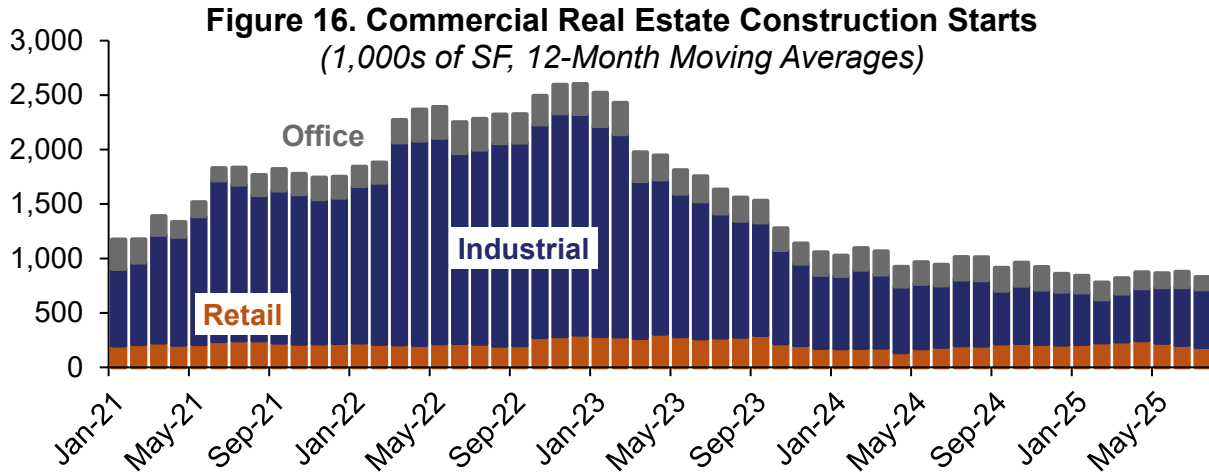
The future of Colorado’s housing and rental markets depends on the ongoing evolution of supply and demand dynamics. Population growth, including immigration, has been slowing in recent years, limiting demand growth. At the same time, developers are breaking ground on fewer projects and pursuing fewer construction permits, likely due to a combination of expectations around housing demand, the impact of tariffs on input prices, and construction labor supply.

The housing development industry is particularly exposed to tariff impacts through the importation of critical construction materials like lumber, steel, aluminum, copper, electronics, appliances, and other fixtures and furnishings. As these inputs become more expensive due to tariff price impacts, the final cost of constructing new housing units will also increase, potentially reducing buyer demand and developer profitability and appetite for new projects. At the same time, the construction industry labor force has a significant share of immigrant workers, and federal policies that discourage immigration and increase deportations could directly impact this labor force, further increasing construction prices.

Due to these near-term headwinds and broader economic uncertainty, which can dampen buyer and developer activity, OSPB forecasts limited growth in annual permits of 0.5 percent for 2025, before recovering to 2.7 percent in 2026 and 6.3 percent in 2027.

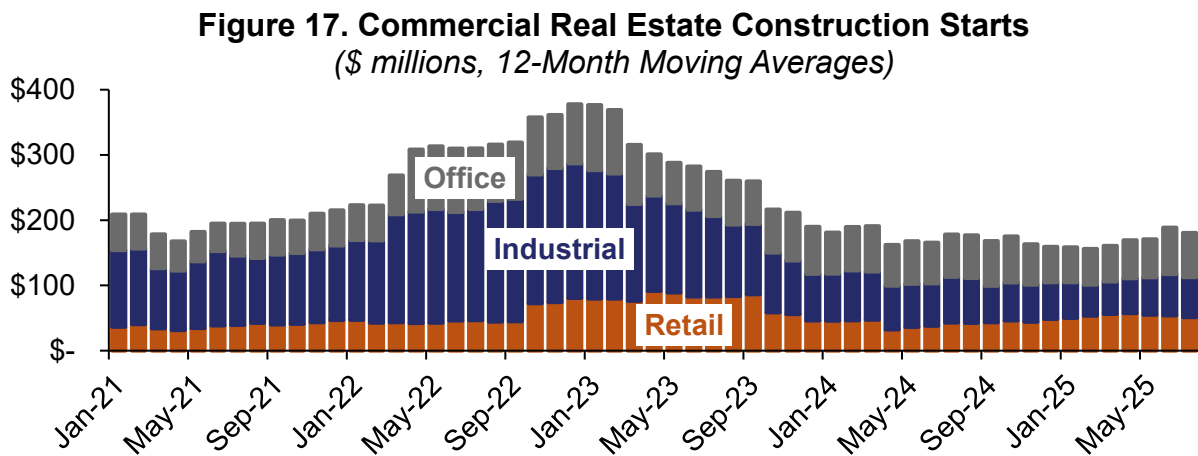
Commercial Real Estate

Commercial real estate development remained near four-year lows in the first half of 2025, with overall year-to-date growth of -5.0 percent in terms of new square footage starts. Industrial projects are the only category with positive growth at 12.8 percent so far this year, while retail starts are down -16.8 percent and office starts are down -40.9 percent, as shown in Figure 16.



Source: DODGE Data & Analytics.

However, the year-to-date dollar value of new project starts are up by 21.3 percent across all categories, with retail at 10.1 percent, industrial at 13.1 percent, and office at 40.6 percent. This discrepancy in square footage versus value is potentially due to construction material costs going up with tariff impacts and/or developers focusing on higher-value projects. Figure 17 below shows the monthly project start values by category.



Source: DODGE Data & Analytics.

Similar to residential construction, tariffs on key construction materials and the countries that supply them will simultaneously increase non-residential construction costs, sales and lease prices, property taxes, and insurance premiums, while also weakening developer sentiment, profit margins, and the level and pace of new development. These dynamics will impact commercial real estate, as well as other public infrastructure construction and maintenance projects related to transportation, schools, hospitals, and other public infrastructure. As shown in Figure 17 above, real estate development in Colorado has been in decline for the past two years, well before the Trump administration’s tariffs were implemented, but tariffs could further dampen new development through supply chain bottlenecks, unpredictable demand, and delays in investments and project starts.

Federal Policy Impacts

At the beginning of the year, there was significant uncertainty about the possibilities of new federal policy outcomes, whether it be related to fiscal policy, tax policy, immigration policy, trade policy, or other executive actions. However, there is now greater clarity on the policy landscape that results in mixed impacts on the economy. Federal tax policy in H.R. 1 is, on its own, expected to be expansionary for the economy, though fiscal policy in the bill is expected to lower the government expenditure contribution to GDP. Immigration policy is expected to hamper the potential for jobs growth, while trade policy is expected to weigh on consumer spending and business investments. Finally, other executive actions including concerns with the data reliability of statistical agencies could have negative knock-on economic impacts.

H.R. 1: The Federal Fiscal and Tax Policy Landscape

President Trump signed H.R. 1, also known as the One Big Beautiful Bill Act, on July 4, 2025. The bill contained a range of fiscal policy cuts to federal spending, including immediate rescissions of grants in the Inflation Reduction Act, along with a decrease in federal funding contributions to social safety net programs such as Medicaid and SNAP in the out-years. This action is expected to create a small drag on economic growth through lower federal spending. Additionally, H.R. 1 did not include Federal Fiscal Year 2025-26 appropriations for federal departments, and the existing continuing resolution expires after September 30, 2025. Based on additional funding rescissions executed by the executive branch since the passage of H.R. 1 without legislative approval, there is a heightened possibility of a government shutdown in October.

H.R. 1 also included a range of tax provisions, including: 1) an extension and expansion of the Tax Cuts and Jobs Act bill; 2) a range of President Trump’s campaign promises including

temporary tax deductions for at least portions of tipped and overtime pay; 3) an extension on a range of business deductions related to depreciation, research and development, business interest and other items; and 4) a repeal of electric vehicle and other clean energy tax expenditures, among other provisions. The benefits of the tax policy changes are expected to increase disposable income for individuals, providing a tailwind to consumer spending and also extend and expand benefits to corporations, which is thought to incentivize additional investments. Note that in the next year, OSPB expects those incentives to motivate economic growth are more than offset by the negative economic outcomes from immigration and trade policy discussed below. For Colorado, there are significant negative impacts to State General Fund revenue, because the State has rolling conformity and uses Federal Taxable Income as a starting point for determining state income tax obligations. This means that Colorado tax policy immediately incorporates the new federal deductions. More detail on the revenue impacts can be found in the Individual and Corporate Revenue sections later in this report.

Immigration Policy and the Impacts on the Labor Market

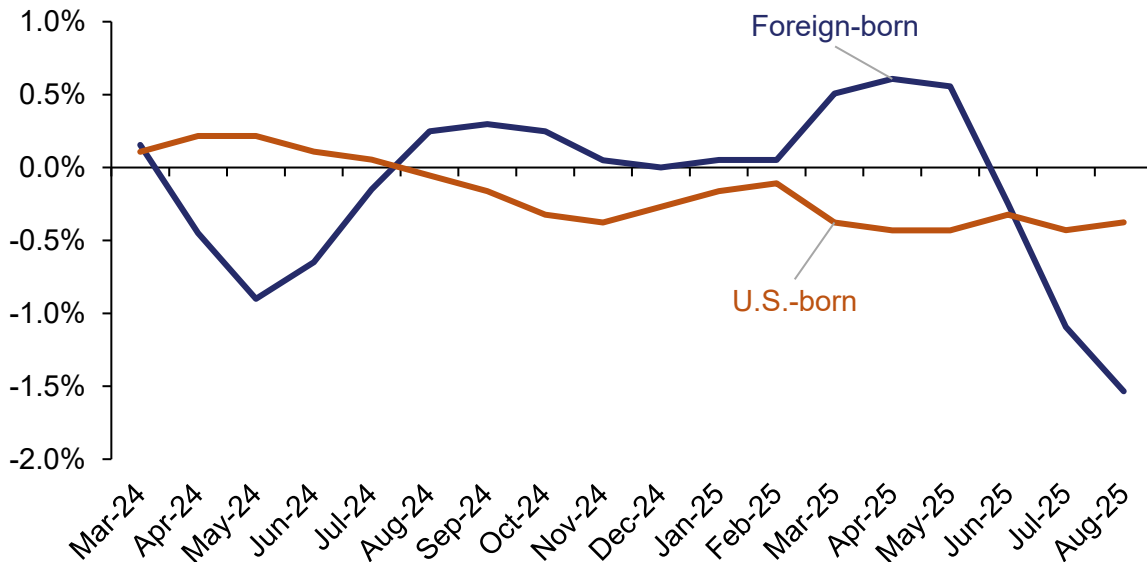
According to Pew, in the first half of 2025, the U.S. experienced its first decline in the immigrant population in over half a century. For the first time since the 1960s, the number of foreign-born residents began to decrease, driven by both voluntary departures and increased deportations. Between January and June 2025, the immigrant population fell by 2.6 percent, dropping from a record high of 53.3 million to 51.9 million—a net loss of approximately 1.5 million individuals. However, there is still significant uncertainty about the current year immigration impacts, with the Congressional Budget Office’s estimates calling for a slower pace of net immigration this year, but not outright decline. In either case, there appears to be a marked change that coincided with an aggressive shift in immigration policy, including heightened administrative barriers for international students and skilled workers seeking visas, as well as intensified efforts to deport non-citizen immigrants already residing in the country.

The reduction in the immigrant population has had a notable impact on the U.S. labor force. In June 2025, immigrants made up 19 percent of the workforce, down from 20 percent in January. This translates to a loss of more than 750,000 immigrant workers in just six months, affecting labor availability across multiple sectors. For more than a decade, the share of immigrants in the U.S. labor force had been rising steadily, contributing significantly to economic growth and helping to offset demographic challenges presented by an aging population and labor demand for high-skilled positions. Until recently, economists widely anticipated this trend to continue. However, the abrupt reversal in immigration growth, combined with shifting population demographics, now poses serious concerns for the long-term stability of the U.S. labor market. According to data from the Alliance for Lifetime Income, between 2024 and 2027, more than 11,200 Americans will reach retirement age each day—amounting to around 4.1 million individuals annually. This wave of retirements among the Baby Boomer generation is

accelerating labor demand to replace this cohort. At the same time, declining birth rates and smaller household sizes are contributing to a slowdown in native-born population growth. In the absence of sustained immigration, these demographic shifts could lead to a shrinking labor force.

In summary, even if the unemployment rate is not rising quickly, jobs growth has begun to slow significantly, due to a slowing labor force participation rate. For the native-born population, the labor force participation rate has fallen slightly due to an aging population, by 0.4 percent year-over-year in August 2025. However, in the same month, the labor force participation rate amongst foreign born workers has declined 1.5 percent year-over-year, creating a headwind to the potential for jobs growth, as seen in Figure 18 below. Slowing jobs growth puts additional pressure on technological advancements to motivate sustained healthy economic growth, but trade policy discussed next is expected to disincentivize such investments.

Figure 18. Labor Force Participation Rate YoY Change, by Birthplace



Source: Bureau of Labor Statistics
 Measured as three-month average statistics

Trade and Tariffs

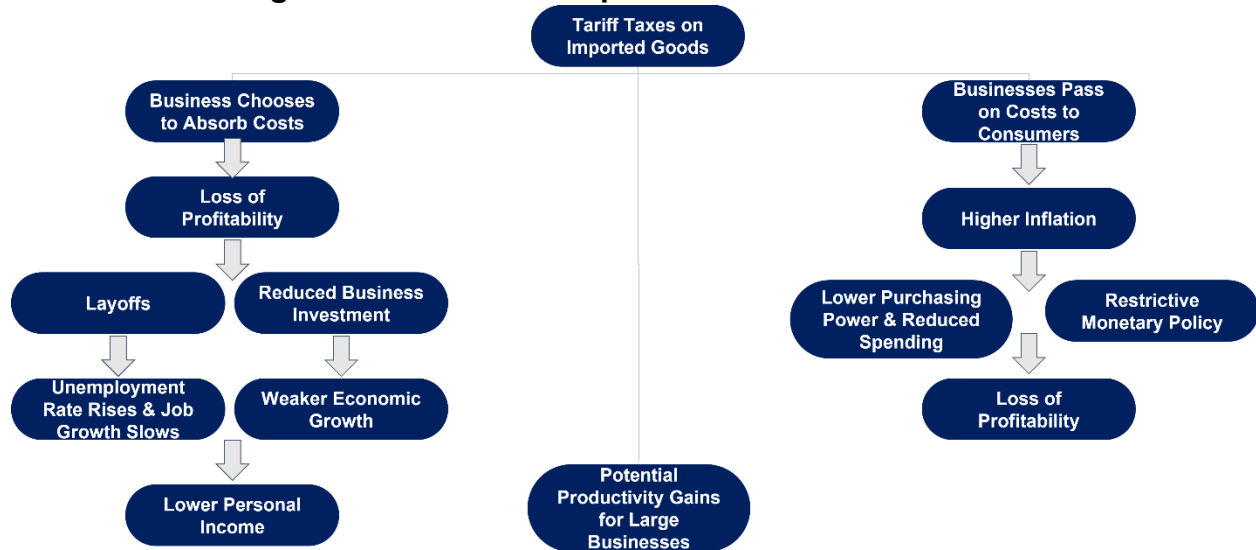
OSPB published a report on September 4th estimating the impacts of changing U.S. tariff policy on the national and state economies and their subsequent impact on governmental finances for the State of Colorado.⁷ In that report, OSPB found that increased tariffs result in higher costs to

⁷ Colorado Governor’s Office of State Planning and Budgeting (September 4, 2025). [“Estimating the Impacts of Changing U.S. Tariff Policy” \(linked\).](#)

businesses and consumers, which have downstream economic consequences across all parts of the U.S. and Colorado economies. OSPB expects that increased tariffs will likely lead to worse economic outcomes for both the U.S. and Colorado. Under current tariffs imposed by the Trump administration as of August 12, 2025, the effective tariff rate in Colorado has increased sevenfold since last year. In 2024, the estimated effective tariff rate in Colorado was 3.0 percent, and it has now increased to 21.0 percent following broad-based tariff implementation from the federal administration on certain nations and products. The U.S. estimated effective tariff rate has increased from 2.6 percent in 2024 to 20.7 percent. To understand how high the currently implemented tariffs are, the last time they exceeded the current effective levels was over a century ago in 1910. This stark change in American trade policy can be likened to an economic shock to global trade and will lead to American and Coloradan businesses and consumers paying more for every-day goods due to higher inflation.

Tariffs are expected to slow economic activity by weakening consumer demand and limiting business investment, which will result in lower spending, falling business profits, slower wage growth, and a weaker asset market. The figure below illustrates the economic impacts from tariffs.

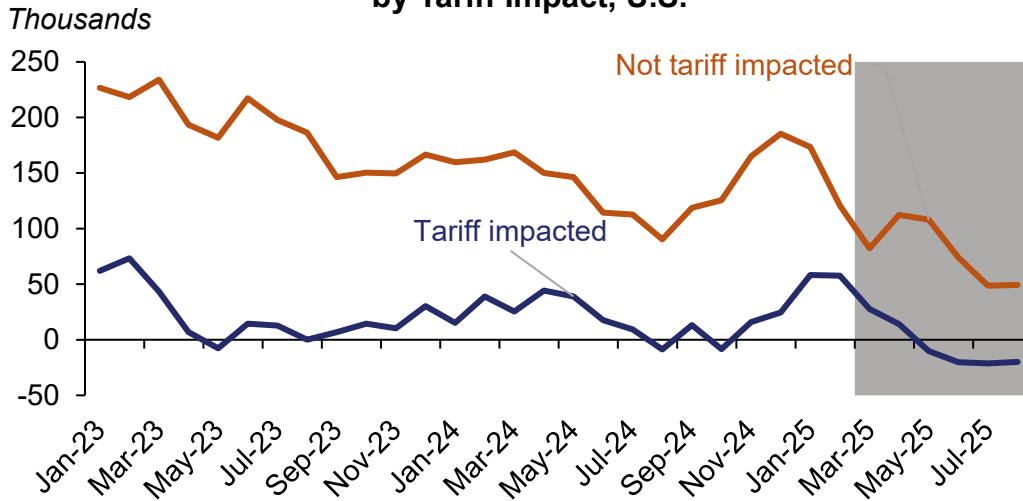
Figure 19. Economic Impacts from Increased Tariffs



Due to federal trade policy’s impacts on businesses and consumers, job growth is expected to slow in areas that are especially affected by costs of tariffs. As shown in Figure 19, while job growth in the U.S. has been declining across the board since the tariffs were imposed, growth has been consistently negative in the industries most exposed to tariffs since May. The trend in Colorado is broadly similar, but is harder to draw conclusions due to the much smaller sample size. Given the broad levels of protectionism, these early signs of job weakness in specific

sectors are expected to spread, if the Supreme Court decides in November to keep the Trump administration’s tariffs in place.

Figure 20. Three-Month Average Monthly Job Growth by Tariff Impact, U.S.



Source: Bureau of Labor Statistics

Tariff impacted industries are: mining, manufacturing, construction, retail trade, wholesale trade, and transportation & warehousing

Within Colorado, there are certain major industries that are more significantly impacted from tariffs. The major Colorado economic sectors identified as most impacted by tariffs include agriculture, construction, durable and nondurable goods, energy, healthcare, and technology and advanced industries. In total, these sectors represent over 90 percent of the international trade conducted by Colorado businesses and nearly half of Colorado GDP and direct jobs.

Agriculture: Agriculture in Colorado comprises a relatively small share of direct state GDP and jobs but has a large multiplier effect on related industries such as food services as well as an outsized influence in the state’s international trade activity. Agricultural products are the top export from Colorado, comprising over 25 percent of all state exports and valued at nearly \$3 billion in 2024.

Construction: Colorado’s construction industry is a major contributor to the state’s economy, adding \$33 billion, or 6 percent, to state GDP in 2024. As tariffs increase input costs, decrease developer profitability, reduce household and business purchasing power, and introduce economic uncertainty, a downturn in the construction industry is likely to have widespread impacts across several aspects of the state economy.

Colorado Energy: Energy is Colorado’s largest import as oil, gas, petroleum, and coal products comprise over one-fifth of all state imports. Nearly all the state’s imported oil and gas comes

from Canada, which currently has a 10 percent energy tariff imposed. Additionally, components for electrical grid infrastructure along with inputs for renewable energy such as wind, solar, and batteries are also imported into the state. Nearly all major energy and electric infrastructure within the state is exposed to tariffs on steel, aluminum, and copper.

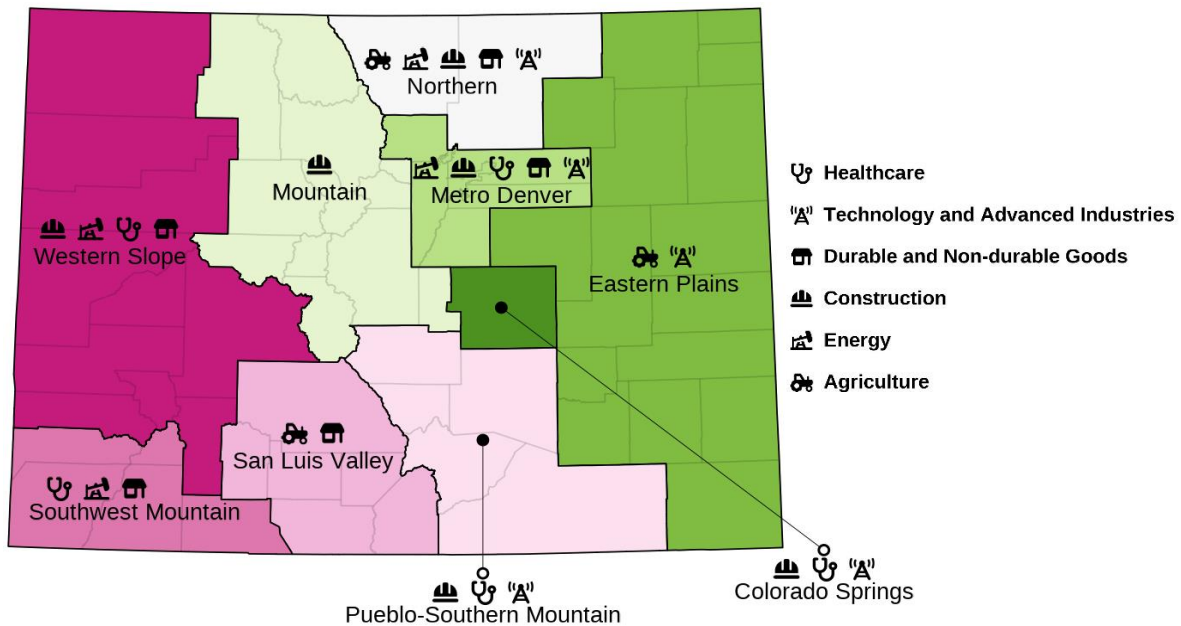
Healthcare: The U.S. healthcare system heavily depends on imported medical equipment and drugs. The price impacts of tariffs on these products, their inputs and components, and the countries that supply them are likely to cause fiscal strain on healthcare providers and other healthcare-related businesses and also increase consumer costs associated with medical care.

Durable and Nondurable Goods: The durable and nondurable goods sector in Colorado provides over 500,000 jobs in the state and contributes \$82 billion toward state GDP. This sector also comprises 19 percent of total Colorado imports at \$3.1 billion. One of the more acute impacts of tariffs are seen within durable goods as an estimated one-third of durable goods, such as automobiles and household appliances, are imported to the United States. OSPB estimates that the impact of tariffs on durable and nondurable goods in the state will result in up to \$600 million in additional costs to Colorado consumers.

Technology and Advanced Industries: Advanced industries - identified as aerospace, advanced manufacturing, bioscience, electronics, energy, infrastructure engineering, and information technology - collectively account for about a third of Colorado's total wage earnings, sales revenue, and exports. Aerospace in Colorado is an acutely impacted industry due to the 39 percent tariff currently levied against Switzerland. Colorado imported \$741 million from Switzerland related to aerospace in 2024.

Impacts from tariffs on these sectors will have varying impacts on regions throughout Colorado, dependent upon a region's economic reliance on certain sectors. For the purposes of this report, OSPB has broken out the state into nine regions to discuss the regional economic impacts of tariffs: Colorado Springs Region, Denver Metro, Eastern Plains, Mountain Region, Northern Region, Pueblo-Southern Mountains Region, San Luis Valley, Southwest Mountain Region, and the Western Slope.

Figure 21. Colorado Economic Regions and Major Sectors with Tariff Exposure



The OSPB report also found that the negative economic outcomes caused by tariffs would have subsequent impacts on the State of Colorado budget by reducing revenue and increasing expenses.⁸ More information related to this and how federal tariff policy is impacting the U.S. and Colorado economies can be found in that report.

Data Integrity Concerns at Federal Statistical Agencies

Recent changes to federal policy have raised concerns regarding the quality and integrity of data reporting from the federal government’s 16 statistical agencies, based on decreased funding and resources that will make it more difficult to collect high-quality data. Further fears about data integrity have escalated with President Trump’s firing of Dr. Erika McEntarfer, the former head of the Bureau of Labor Statistics, when the July jobs report published major downward revisions to May and June employment numbers as well as slow growth in July. In his social media posts about the firing, he stated it was because he believed the jobs numbers were “rigged” in order to “make [him] look bad.”⁹ These claims lacked evidence, but the implication that any data unfavorable to current conditions in the U.S. must be embellished, as well as the firing of the BLS head, creates a plausible incentive for statistical agencies to publish inaccurate data. The president’s nominee for the new BLS head, Dr. E.J. Antoni, has suggested that reports should be published less frequently, which could cause concerns for economists, investors, lawmakers, the Federal Reserve, and others, all of whom rely on the monthly data for

⁸ Colorado Governor’s Office of State Planning and Budgeting (September 4, 2025). [“Estimating the Impacts of Changing U.S. Tariff Policy” \(linked\).](#)

⁹ Economic Policy Institute (August 5, 2025). [“Firing BLS Commissioner Erika McEntarfer” \(linked\).](#)

forecasting and policy purposes. Dr. Antoni has not been confirmed as of September 9 and OSPB sees no immediate reason for concern or distrust with the reports but views this as a downside risk. The acting commissioner, Bill Wiatrowski, has worked at BLS for over 20 years and raises no concerns regarding the agency’s integrity under his leadership.¹⁰ It is also of note that BLS data comes from a wide variety of surveys and sources and is decentralized, and would therefore be very difficult to manipulate without completely restructuring the agency’s operations and methodologies.¹¹ However, even the appearance of a partisan bent to the agency risks eroding trust in the data, and future reports will nonetheless have to be treated with additional scrutiny.

Forecast Risks

Short-Term Risks

Colorado’s economy faces several short-term risks, including global trade tensions and retaliatory tariffs that could reduce demand for key Colorado exports and reduce tourism, both of which are major economic drivers. Colorado’s construction and housing sectors are vulnerable to rising material costs from tariffs on steel, aluminum, and lumber, which could stall projects and limit job growth. Additionally, inflation remains above target and overall job growth has slowed and unemployment is trending upward. These developments indicate a heightened risk of recession that could further dampen consumer confidence, business profits, and public investment.

Long-Term Risks

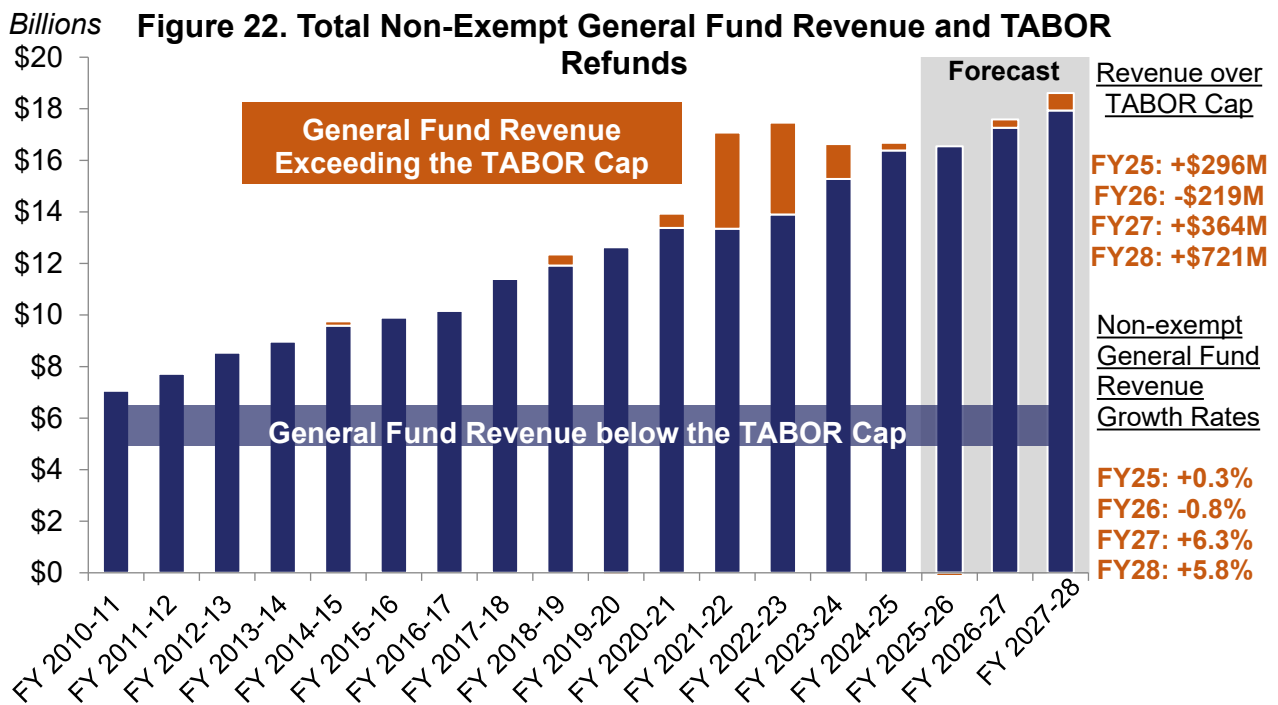
Long-term risks to Colorado’s economy are focused around the demographic trends of slowing population growth driven by declining net migration and an aging population. This trend is expected to strain the labor force as retirements outpace new entrants to the workforce. The supply of labor and job growth is projected to lag historic averages, threatening key sectors such as technology, health care, and construction. Housing affordability and rising cost of living are compounding these issues, making it harder to attract and retain workers. Agriculture and water-intensive sectors are increasingly vulnerable to prolonged drought and climate change, which threaten both crop yields and livestock production. The energy sector also faces uncertainty as the global economy shifts toward renewable sources, raising the risk of stranded assets and job losses in these industries.

¹⁰ Bureau of Labor Statistics (2025). [“Commissioner’s Biography” \(linked\)](#).

¹¹ Robert Tait, *The Guardian* (August 8, 2025). [“It’s ‘not easy to manipulate data’, warns former labor statistics chief after Trump fires bureau head” \(linked\)](#).

General Fund Outlook

Total General Fund revenue, which includes both exempt and non-exempt sources, declined by 0.4 percent in FY 2024-25 to \$17,181.3 million (\$17.18 billion). Revenue growth is projected to slowly decline again by 0.8 percent in FY 2025-26 to \$17,041.0 million. This relatively flat revenue growth is from the combination of increased tax credit usage in FY 2024-25, and the federal reconciliation bill, H.R. 1, leading to decreased individual and corporate income tax revenue in FY 2025-26. In FY 2024-25, this reflects an upward revision of \$67.3 million in total General Fund revenue compared to the June forecast largely due to higher insurance revenue and lower revenue diversions to other funds. In FY 2025-26, total General Fund revenue is significantly revised down by \$756.0 million since June from federal tax policy changes in H.R. 1., which was enacted on July 4th, and will lead to decreased individual and corporate taxable income in Colorado, thus resulting in lower revenue. This overall downward revision would be larger if not for legislation enacted in the August 2025 extraordinary legislative session and other fundamental upward forecast revisions. General Fund revenue is projected to grow again in FY 2026-27 by 6.1 percent to \$18,078.7 million, but this is a downward revision of \$295.4 million from the June forecast due to H.R. 1 provisions. General Fund revenue is projected to grow by 5.3 percent to \$19,038.8 million in FY 2027-28.



General Fund revenue exceeded the TABOR cap by \$296.1 million in FY 2024-25 following three straight years of a TABOR surplus over \$1 billion. Revenue is projected to fall below the TABOR

cap by \$219.1 million in FY 2025-26, primarily due to the revenue losses as a result of federal tax policy changes in H.R. 1 discussed above and in more detail within the Individual Income and Corporate Income sections. TABOR surpluses are expected to return in FY 2026-27 and FY 2027-28 by \$363.9 million and \$721.1 million, respectively.

Overview of General Fund Revenue

Individual Income Tax: After declining revenue in FY 2023-24 due to elevated refunds and tax policy changes, growth declined again by 0.5 percent in FY 2024-25 to \$9,997.9 million. The decrease comes from increased taxpayer refunds offsetting withholdings revenue growth. In FY 2025-26, revenue is projected to grow by 4.4 percent to \$10,435.3 million, but this reflects a much lower growth forecast than previously expected due to the negative revenue impacts from H.R. 1. Accelerating growth of 7.1 percent is projected in FY 2026-27 with additional growth of 5.5 percent forecast in FY 2027-28.

Corporate Income Tax: Following four consecutive years of elevated growth, corporate income tax revenue declined by 6.3 percent to \$2,619.5 million in FY 2024-25 from the peak reached in FY 2023-24 of \$2,796.6 million. Revenue fell in FY 2024-25 on slowing corporate profits growth and a reversion to trend, though an even more stark decline is projected in FY 2025-26 of 30.1 percent to \$1,831.4 million due to a combination of H.R. tax policy provisions and negative corporate profit growth expectations in 2026. Growth of 23.1 percent is projected in FY 2026-27 off a lower base before moderating growth of 6.2 percent is recorded in FY 2027-28.

Sales and Use Tax: After tepid sales and use tax growth of 0.9 percent in FY 2023-24, revenue grew slowly again in FY 2024-25 by 1.3 percent to \$4,657.7 million. Revenue growth is projected to grow more quickly, but below average, in FY 2025-26 by 3.2 percent to \$4,804.7. These growth expectations are better than previously expected due stronger recent collections and from legislation enacted in the August 2025 extraordinary legislative session, which will increase sales tax revenue. Growth is expected to return closer to their average in FY 2026-27 and FY 2027-28 at 4.4 percent and 4.6 percent, respectively.

Proposition EE Tax and Other Excise Tax: Proposition EE revenue increased 17.2 percent in FY 2024-25 to \$243.6 million from increased tax rates. A decline of 2.3 is projected in FY 2025-26 to \$238.0 million before a further decline of 2.5 percent in FY 2026-27. Accelerating growth of 16.5 percent is estimated in FY 2027-28 to \$270.5 million from a statutory tax increase.

Proposition KK: Passed by voters in November 2024, this proposition creates an additional sales tax on firearms and ammunitions sold in the state. This forecast includes significant downward revenue revisions after lower-than-expected collections.

Other General Fund Revenue: Other General Fund revenue grew by 4.1 percent in FY 2024-25 from increased insurance revenue to a total of \$885.0 million. In FY 2025-26, revenue is

projected to grow again by 6.3 percent before flattening in FY 2026-27 and FY 2027-28 to growth of 0.7 percent and 2.1 percent, respectively.

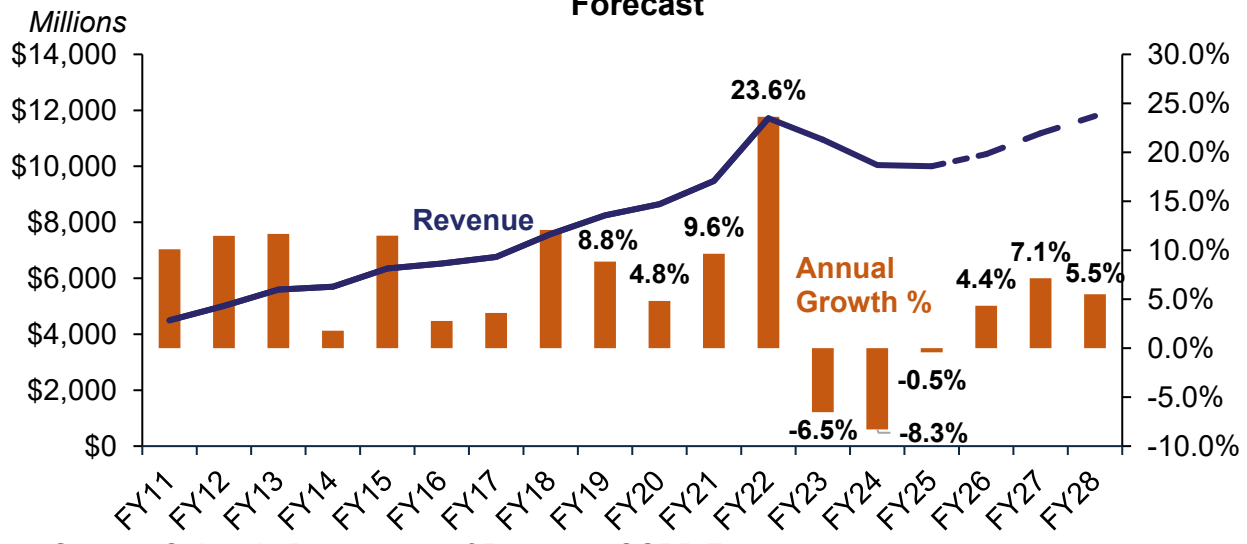
State Education Fund Revenue: In FY 2024-25, the State Education Fund revenue diversion fell 12.3 percent to \$1,060.6 million, primarily due to base effects from a one-time correction in FY 2023-24. The diversion is projected to decline again in FY 2025-26 by 1.7 percent from lower taxable income expectations due to provisions within H.R. 1. Positive growth in the diversion is expected to return in FY 2026-27 and FY 2027-28.

Proposition 123 Revenue: In FY 2024-25, the diversion fell 3.1 percent to \$317.0 million, as overall income revenue also declined slightly. In FY 2025-26, the diversion is expected to decline again by 1.2 percent to \$313.1 million due to impacts from H.R. 1 reducing taxable income but then grow by 8.9 and 5.0 percent, respectively in FY 2026-27 and FY 2027-28.

Individual Income Tax

Individual income tax revenue declined for the third consecutive year in FY 2024-25 following record revenue growth in FY 2021-22. Growth in FY 2021-22 reached 23.6 percent and \$11,717.8 million (\$11.7 billion) but has declined by a total of 14.7 percent since that year to \$9,997.9 million in FY 2024-25, due to the combination of a normalizing, decelerating economy alongside significant State tax policy changes, which has led to decreased revenue. Following a decline of 0.5 percent in FY 2024-25, revenue is projected to grow again by 4.4 percent in FY 2025-26, however, this is a significant downward revision from the June forecast due to the passage of the federal reconciliation bill, H.R. 1, which is expected to result in lower individual income tax revenue collections to the State from the changing tax policy provisions within the bill. In total, individual income revenue in FY 2025-26 is revised down by \$556.2 million with greater negative revenue impacts from H.R. 1 partially offset by fundamental forecast revisions and from legislation enacted in the August 2025 extraordinary state legislative session. Note that the impacts to individual income from H.R. 1 are largely linked to business income that is passed through to individual tax returns, although there are various impacts to individual income filers from TCJA extension and expansion, overtime and tipped income, and other various measures.

Figure 23. Individual Income Tax Historical Revenue and Forecast



Source: Colorado Department of Revenue, OSPB Forecast

In FY 2026-27, individual income revenue is forecast to grow by 7.1 percent to \$11,181.0 million, but this also represents a significant downward revision from June of \$321.8 million, also due to the tax policy impacts from H.R. 1, which are partially offset by forecast revisions and from legislation enacted in the August 2025 extraordinary legislative session. In FY 2027-28, revenue is projected to grow by 5.5 percent to \$11,796.5, which is expected to be the first fiscal year that revenue is estimated to outpace the record FY 2021-22 revenue levels.

The Family Affordability and Expanded Earned Income tax credits, as provided for in HB24-1311 and HB24-1134, are forecast to be unavailable in Tax Year 2026 but fully available in Tax Year 2027 and 2028. The availability of these tax credits is based upon compound annual TABOR revenue growth relative to the FY 2024-25 TABOR revenue estimate in the OSPB March 2024 forecast. Compound annual TABOR revenue growth is required to reach 3 percent in order to make these tax credits available at their lowest level, while 3.75 percent growth and above makes the tax credits fully available at their highest level. This forecast projects compound annual TABOR revenue to grow by 2.3 percent in FY 2026-27 relative to that FY 2024-25 forecast estimate, thus making the tax credits unavailable for Tax Year 2026. The official determination of whether these tax credits will be available in Tax Year 2026 will come in the December 2025 OSPB forecast. Compound annual TABOR revenue growth is projected to reach 4.1 percent in FY 2027-28 in this forecast, which would make the tax credits fully available in Tax Year 2027. Similarly, required revenue growth is expected in FY 2028-29 to make the credits fully available in Tax Year 2028. These tax credits impact the individual income tax revenue forecast, as when they are available, it reduces individual income revenue through taxpayer refunds and reduced tax liability.

Per HB24-1365, this September forecast determines the availability and amount of the workforce shortage tax credit in Tax Year 2026. The bill requires TABOR revenue growth to

reach 4 percent in the current fiscal year for this tax credit to be fully available in Tax Year 2026. If revenue growth is below 4 percent, the tax credit availability is reduced by half. This forecast projects TABOR revenue growth of 1.7 percent in FY 2025-26, thereby reducing this tax credit by half.

As discussed in the introduction, there have been significant revenue revisions to the individual income forecast since June, primarily from the federal reconciliation bill, H.R. 1, reducing taxable income, and thus, reducing individual income tax revenue to the State. However, fundamental forecast revisions and HB25B-1001, *Modify Add-Back Qualified Business Income Deduction*, which was enacted during the 2025 extraordinary legislative session, are expected to partially offset the revenue losses from H.R. 1. The revenue revisions by each component are provided in Figure 24.

Figure 24. Individual Income Tax Revenue Revisions

\$ in millions	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast
June 2025 Forecast	\$10,026.3	\$10,991.5	\$11,502.9
Policy Impacts from federal H.R. 1	\$0.0	(\$778.0)	(\$494.5)
Policy Impacts from HB25B-1001	\$0.0	\$62.0	\$124.0
Forecast Changes	(\$28.4)	\$159.8	\$48.6
September 2025 Forecast	\$9,997.9	\$10,435.3	\$11,181.0
<i>Revisions from June 2025 Forecast</i>	<i>(\$28.4)</i>	<i>(\$556.2)</i>	<i>(\$321.8)</i>

The individual income tax policy changes provided for within H.R. 1 begin taking effect in Tax Year 2025. The majority of the negative individual income tax revenue impacts on the State come from provisions related to exempting certain compensation from overtime and tips, a deduction for car loan interest on qualifying vehicles, the extension of the qualified business income deduction, and certain other business provisions that impact individual income tax revenue, depending upon how small businesses file taxes. These changes in federal tax policy will result in lower federal taxable income for individuals and businesses. Since Colorado tax policy conforms to federal taxable income, any federal changes to taxable income result in corresponding impacts to the State. The negative revenue impacts from H.R. 1 are most acute in FY 2025-26 primarily due to the exemption of certain overtime income. Beginning in Tax Year 2026, State tax policy requires that taxpayers add back any overtime income exempted from taxes at the federal level per HB25-1296, *Tax Expenditure Adjustment*, but State revenue is negatively impacted in Tax Year 2025 from this federal tax policy change. The aforementioned HB25B-1001 will also result in the State not seeing a revenue impact from the extension of the qualified business income deduction.

Further, since H.R. 1 was enacted on July 4, 2025, all Tax Year 2025 revenue impacts are accounted for in FY 2025-26. Typically, revenue in a given tax year is split between two fiscal years since the tax year aligns with the calendar year, and the state fiscal year is from July 1 to

June 30. Since H.R. 1 was enacted after June 30, 2025, when FY 2024-25 closed, the revenue impacts are fully realized in FY 2025-26. With a half-year impact from Tax Year 2026 also accounted for in FY 2025-26, the resulting impact in that fiscal year is especially pronounced, effectively leading to 18 months of negative revenue impacts from these tax policy changes being realized in that fiscal year. In subsequent fiscal years, the negative revenue impacts are expected to lessen, but remain significant. As data is received, OSPB plans to refine the estimated revenue impacts, including the share of revenue that would have been accounted for in FY 2024-25.

More information related to the tax policy changes within H.R. 1 and their subsequent revenue impact can be found in an OSPB publication to the Joint Budget Committee that took place on August 5th, 2025, entitled “Tax Policy Impacts from the Federal Reconciliation bill, H.R. 1.”¹² Information regarding income tax revenue derived from Proposition FF (Healthy School Meals for All) can be found in the Cash Fund section.

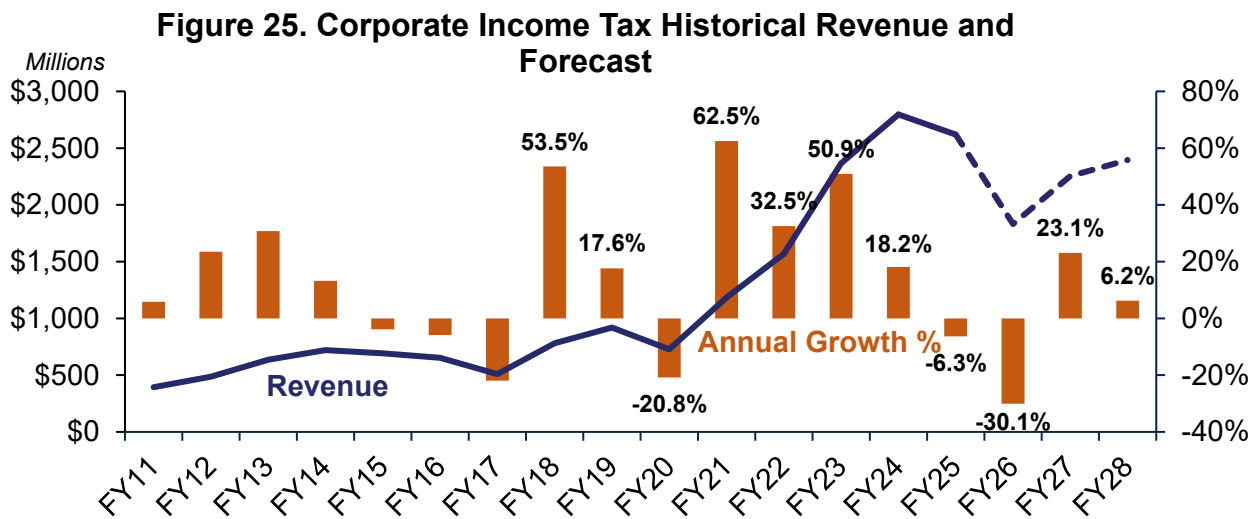
Impacts from Prior State Tax Policy Changes

During the 2025 regular legislative session, the Colorado General Assembly enacted modest tax policy changes that impact the individual income tax revenue stream. The legislature extended several tax expenditures set to expire, including the Employee Ownership Conversion Credit in HB25-1021 and the Advanced Industry Tax Credit in HB25-1157, which are anticipated to reduce revenue by around \$3 million and \$2.5 million combined beginning in TY 2027. Further, HB25-1021 also created additional income subtractions for certain revenue earned by employee-owned firms beginning in TY 2028 which could reduce revenues by another \$1 million, though it is difficult to project the precise impact. In HB25-1296 *Tax Expenditure Adjustment*, changes were made to the Enterprise Zone Investment Credit, including instituting a cap on the credit of \$2 million (to be claimed over 3 tax years), and restricting certain investment types from eligibility. These changes are anticipated to increase revenues gradually over the next several years, reaching around \$5 million of increased revenue by TY 2030. The bill also sunset the Business Personal Property Income Tax Credit, returning about \$200,000 of revenue, while extending the Childcare Facility Investment credit, which is anticipated to reduce revenues by around \$200,000. Lastly, the bill made clarification to eligibility for the Careworker Tax Credit established in HB24-1312 last session, increasing the cost of the credit by around \$1 to \$1.5 million per year. SB25-302 *Achieving a Better Life Experience Tax Deduction* extended the subtraction for contributions to these accounts for disabled individuals, which was scheduled to expire at the end of 2025. This change reduces revenue by around \$1 million per year through 2030.

¹² Colorado Governor’s Office of State Planning and Budgeting (August 5, 2025). [“Tax Policy Impacts from the Federal Reconciliation bill, H.R. 1” \(linked\)](#).

Corporate Income Tax

Following four consecutive years of elevated corporate income tax growth that reached record annual revenue levels, revenue declined by 6.3 percent to \$2,619.5 million (\$2.62 billion) in FY 2024-25. Revenue is projected to sharply decline in FY 2025-26, contracting by 30.1 percent to \$1,831.4 million, primarily from tax policy impacts stemming from the federal reconciliation bill, H.R. 1. That bill included various corporate tax provisions that reduce the taxable income of corporations doing business in Colorado, which will result in lower tax collections to the State. While FY 2025-26 is projected to record a stark decline, it is partially mitigated by State legislation enacted in the 2025 extraordinary legislative session that took place in August 2025, which will increase corporate income tax revenue to some degree, though not fully offset the impacts from H.R. 1. In FY 2026-27, revenue growth is forecast to accelerate off a lower base, growing by 23.1 percent to \$2,254.3 million with moderating growth of 6.2 percent estimated in FY 2027-28 to \$2,394.9 million. Over the forecast period, corporate income tax revenue is not expected to reach the levels recorded in FY 2023-24 and FY 2024-25. Tax policy adjustments from the 2025 regular legislative session and prior legislative sessions are also included within this forecast and result in lower revenue estimates over the forecast period.



Source: Colorado Department of Revenue, OSPB Forecast

Note: Dotted line indicates forecast.

In FY 2025-26, corporate income tax revenue is revised down by \$433.5 million compared to the June forecast. The vast majority of this significant downward revision comes from federal tax policy changes enacted within H.R. 1 that negatively impact corporate income tax revenue. In total, tax policy changes enacted within H.R. 1 are expected to reduce corporate income tax revenue by \$417.5 million in FY 2025-26. Fundamental forecast expectation changes result in an additional \$56 million downward revision after weak revenue collections in the first two months of the fiscal year. However, there is an estimated \$40 million in additional revenue collections projected in FY 2025-26 due to the enactment of HB25B-1002, *Corporate Income Tax Foreign Jurisdictions*, during the 2025 extraordinary legislative session, which included provisions to create a state corporate taxable income addition for federal foreign-derived

eligible income deductions, expand a state subtraction from corporate income, and add countries to the list of specified foreign jurisdictions presumed to be used for tax avoidance. Revenue in FY 2026-27 is only revised down by \$122.7 million as the impacts of H.R. 1 are less acute due to retroactive research and experimental expensing having an outsized impact on FY 2025-26, in addition to a full-year, positive revenue impact from HB25B-1002. Corporate income tax revenue revisions by component are included in Figure 26.

Figure 26. Corporate Income Tax Revenue Revisions

\$ in millions	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast
June 2025 Forecast	\$2,642.1	\$2,264.9	\$2,377.0
Policy Impacts from federal H.R. 1	\$0.0	(\$417.5)	(\$181.5)
Policy Impacts from HB25B-1002	\$0.0	\$40.0	\$80.0
Forecast Changes	(\$22.6)	(\$56.0)	(\$21.2)
September 2025 Forecast	\$2,619.5	\$1,831.4	\$2,254.3
<i>Revisions from June 2025 Forecast</i>	<i>(\$22.6)</i>	<i>(\$433.5)</i>	<i>(\$122.7)</i>

The corporate tax policy changes provided for within H.R. 1 begin taking effect in Tax Year 2025. The majority of the negative corporate income tax revenue impacts to the State come from provisions related to the full expensing of certain business property, a special depreciation allowance for expensing of certain new factories and other structures, and full expensing of domestic research and experimental expenditures. These changes in federal tax policy will result in lower federal taxable income for corporations. Since Colorado tax policy conforms to federal taxable income, any federal changes to taxable income result in corresponding impacts to the State. The negative revenue impacts from H.R. 1 are most acute in FY 2025-26 due to the fact that full expensing for domestic research and experimental expenditures is retroactive for expenditures after Tax Year 2021, resulting in approximately \$265 million in lost revenue in FY 2025-26 due to write-offs on previous years’ investments before dropping by approximately \$200 million in impacts in the outyears. While that provision is not incentivizing economic growth through investments, OSPB expects that corporations will utilize the broader set of expensing and depreciation provisions to improve cash flows and corporate profits near term.

Further, since H.R. 1 was enacted on July 4, 2025, all Tax Year 2025 revenue impacts are accounted for in FY 2025-26. Typically, revenue in a given tax year is split between two fiscal years since the tax year aligns with the calendar year, and the state fiscal year is from July 1 to June 30. Since H.R. 1 was enacted after June 30, 2025, when FY 2024-25 closed, the revenue impacts are fully realized in FY 2025-26. With a half-year impact from Tax Year 2026 also accounted for in FY 2025-26, the resulting impact in that fiscal year is especially pronounced, effectively leading to 18 months of negative revenue impacts from these tax policy changes being realized in that fiscal year. In subsequent fiscal years, the negative revenue impacts are expected to lessen, though remain significant. As data is received, OSPB plans to refine the

estimated revenue impacts, including the share of revenue that would have been accounted for in FY 2024-25.

More information related to the tax policy changes within H.R. 1 and their subsequent revenue impact can be found in an OSPB publication to the Joint Budget Committee that took place on August 5th, 2025, entitled “Tax Policy Impacts from the Federal Reconciliation bill, H.R. 1.”¹³

Outside of federal and State tax policy changes, corporate income tax revenue is closely correlated to corporate profits growth. From 2020 to 2024, U.S. corporate profits grew by nearly 59 percent from \$2.4 trillion to \$3.8 trillion at a compound annual growth rate of 12.2 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 pre-tax U.S. corporate profits growing by, respectively, 27.6 percent and 7.8 percent 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 grew again by 7.9 percent, as businesses continued navigating a restrictive monetary environment over the year. In the first quarter of 2025, corporate profits declined by 0.8 percent on a quarter-over-quarter basis but rebounded to 1.4 percent growth in the second quarter. OSPB forecasts that corporate profits will grow by 3.2 percent to just under \$4.0 trillion in 2025. A decline in corporate profits of 1.6 percent is projected in 2026 before they grow by 5.3 percent in 2027 and eclipse \$4 trillion, as the economy is expected to positively respond to a neutral monetary policy environment and stabilizing economic picture by that time.

Impacts from Prior State Tax Policy Changes

During the 2025 regular legislative session, the Colorado General Assembly enacted modest tax policy changes that impact corporate income tax revenue. The legislature extended several tax expenditures set to expire, including the Employee Ownership Conversion Credit in HB25-1021, which is anticipated to reduce revenue by around \$3 million beginning in TY 2027. Further, HB25-1021 also created additional income subtractions for certain revenue earned by employee-owned firms beginning in TY 2028 which could reduce revenue by another \$1 million, though it is difficult to project the precise impact. In HB25-1296 *Tax Expenditure Adjustment*, changes were made to the Enterprise Zone Investment Credit, including instituting a cap on the credit of \$2 million (to be claimed over three tax years), and restricting certain investment types from eligibility. These changes are anticipated to increase revenue gradually over the next several years, reaching around \$5 million of increased revenue by TY 2030. The bill also sunset the Business Personal Property Income Tax Credit, which will result in an estimated \$200,000 in additional tax revenue. Lastly, HB25-1005 *Tax Incentive for Film Festivals* established a new income tax credit for film festivals, incentivizing the Sundance Film Festival to relocate to Boulder beginning in 2027. This credit will reduce corporate income tax revenue by \$3 to \$5

¹³ Colorado Governor’s Office of State Planning and Budgeting (August 5, 2025). [“Tax Policy Impacts from the Federal Reconciliation bill, H.R. 1” \(linked\)](#).

million through 2036, but it is anticipated to increase sales tax revenue through increased visitation and tourist spending in Colorado.

Additionally, prior legislation, including HB23-1272 *Tax Policy That Advances Decarbonization*, adjusted the amount of certain energy tax credits available based on revenue benchmarks. These impacts from the forecast are outlined in the individual income section.

Sales and Use Taxes

Sales Tax

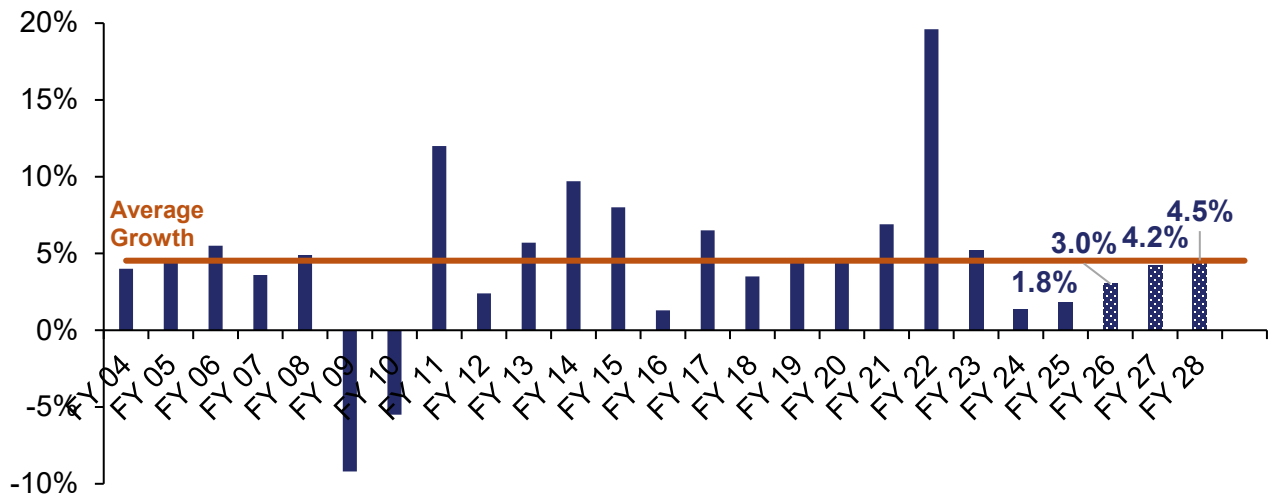
Sales tax revenue in FY 2024-25 recorded 1.8 percent growth, reaching \$4,441.1 million following 1.4 percent growth in FY 2023-24. Recent sales tax collection data to end FY 2024-25 and begin FY 2025-26 show continued resilience, growing 2.8 percent over the same months last year, with August collections growing at a particularly strong 6.1 percent over the prior year. However, significant uncertainty in economic conditions and consumer sentiment tied to fluctuating federal tariff policy, as described in the consumer spending section, still poses risks to this revenue stream throughout the forecast period, mostly impacting FY 2025-26 expectations, before an anticipated rebound in growth in FY 2026-27.

Figure 27. Sales and Use Tax Revenue Forecast

Fiscal Year	Sales		Use		Total	
	Revenue (millions)	Growth	Revenue (millions)	Growth	Revenue (millions)	Growth
FY 2024-25	\$4,441.1	1.8%	\$216.6	-7.1%	\$4,657.7	1.3%
FY 2025-26	\$4,575.6	3.0%	\$229.1	5.8%	\$4,804.7	3.2%
FY 2026-27	\$4,769.8	4.2%	\$245.7	7.2%	\$5,015.5	4.4%
FY 2027-28	\$4,986.7	4.5%	\$259.1	5.4%	\$5,245.8	4.6%

After a rebound in sales tax collections in the second half of last fiscal year, sales tax revenue for FY 2024-25 closed just \$0.5 million below the June forecast. Despite the downside risks, the current forecast revises up projected sales tax collections throughout the forecast period based on the recent strength, as well as policy changes discussed below. In the current fiscal year, sales tax is revised up by \$76.8 million, with a similar revision of \$78.4 million in FY 2026-27. The current fiscal year revision is based on more durable retail spending by consumers thus far this year, though tariff impacts are expected to slow consumer spending in the coming months. Revisions to FY 2026-27 are primarily based more on the policy changes in HB25B-1005. This forecast also includes the initial forecast for FY 2027-28, which projects \$4,986.7 million in revenue, representing 4.5 percent growth over FY 2026-27.

Figure 28. Sales Tax Growth History and Forecast



Note: Dotted bars indicate forecast. Orange line indicates 20-year average state sales tax growth rate.

Source: Colorado Department of Revenue, OSPB September 2025 Forecast

This forecast accounts for policy adjustments due to recent legislative action that are not fully incorporated into the broader sales tax base trend. Most notably in the August extraordinary legislative session, the General Assembly adopted HB25B-1005 *Eliminate State Sales Tax Vendor Fee*, which eliminated a sales tax allowance for retailers based on a portion of the sales tax they collect in order to help offset the cost of collecting and remitting the sales tax to the state. Under the new law, the vendor fee will not be available beginning on January 1st, 2026. This change is anticipated to increase sales tax revenue to the State by \$26.3 million in the current fiscal year, and by \$54.6 million in FY 2026-27 with similar amounts on-going. In the regular 2025 legislative session, only marginal changes were made to sales tax policy. In HB25-1296 *Tax Expenditure Adjustment*, the General Assembly sunset an exemption for interstate phone services, meaning calls or texts in which one node of the channels was based out of Colorado, were not subject to sales or use tax, which is expected to increase revenue by approximately \$2.5 million per year beginning in July 2025. Additionally, marginal reductions are anticipated from HB25-1296 through the expansion of the indigent program for medical marijuana patients, which waives the sales tax on purchases by those eligible customers and additionally expands eligibility for the agricultural exemption for pesticides, fertilizers, and spray adjuvants to marijuana growers. These policies are anticipated to reduce revenue by around \$1 million per year, combined. SB25-272 *Regional Transit Authority Sales and Use Tax Exemption* waives the sales and use tax on purchases made by RTAs to develop or maintain workforce housing, with an expected cost of less than \$100,000 per year. SB25-026 *Adjusting Certain Tax Expenditures* expands the Agricultural Wholesale Sales Tax Exemption, which is anticipated to have a minimal revenue impact and largely aligns the law with current practices on the ground. Finally, SB25-320 *Commercial Motor Vehicle Transportation* reinstates a sales tax exemption for

low-emitting heavy-duty trucks and parts that had expired at the start of 2025 from prior legislation, which is expected to reduce revenue by around \$500,000 per year through TY 2028.

Additionally, HB25-1005 *Tax Credit for Film Festivals* created income tax credits for film festivals, incentivizing the Sundance Film Festival to relocate to Boulder. The first Boulder Sundance Film Festival will occur in January 2027. This event brings in significant tourism and is expected to modestly boost State sales tax figures in the winter of 2027 and future years, while slightly reducing individual income.

Housing Development Grant Fund

In accordance with HB19-1245 *Affordable Housing Funding from Vendor Fee Changes*, 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 starting in FY 2021-22. The vendor fee is an amount that a retailer is permitted to retain for expenses incurred in collecting and remitting the state sales tax. Until January 1st, 2026, a retailer with monthly taxable sales of \$1.0 million or less is able to retain a vendor fee of 4 percent, subject to a \$1,000 monthly limit. However, the General Assembly passed HB25B-1005 *Eliminate State Sales Tax Vendor Fee*, which eliminates the vendor fee beginning in 2026, and changes the calculation of deposits to the HDGF by setting it at 1.655 percent of each month’s sales tax collection. This ratio is anticipated to approximate the current amount of revenue diverted to the fund under the HB19-1245 changes. Additionally, the changes in HB25B-1005 continue the reduction to deposits in this fund directed by HB24-1434 *Expand Affordable Housing Tax Credits*, which transferred \$35 million per year through FY 2031-32 back to the General Fund, and replaced those funds with an annual allocation of affordable housing tax credits.

Collections of this fee in FY 2024-25 were \$38.9 million, or a \$0.1 million reduction from the June forecast. FY 2025-26 collections are projected at \$41.6 million, which is a \$1.9 million upward revision from June tied to the reforms in HB25B-1005, as well as the upward revision to the sales tax forecast. FY 2026-27 collections are projected at \$43.8 million, or a \$1.3 million upward revision for the same reasons. FY 2027-28 is forecast at \$47.8 million in collections.

Figure 29. Housing Development Grand Fund Forecast

	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast
HDGF Revenue (millions)	\$38.9	\$41.6	\$43.8	\$47.8
<i>Change from prior year</i>	<i>-45.5%</i>	<i>7.0%</i>	<i>5.3%</i>	<i>9.1%</i>

Use Fees

In FY 2024-25, use tax revenue was \$216.6 million, a decline of 7.1 percent from the previous year, and \$3.2 million below the June forecast. For FY 2025-26, use tax collections are revised up by \$0.4 million from the previous forecast, resulting in total expected revenue of \$229.1 million. OSPB projects that use revenue in FY 2025-26 will see its first year-over-year increase since FY 2022-23 as construction activity rebounds from its multi-year decline. In FY 2026-27,

OSPB projects an increase of 7.2 percent over the previous fiscal year, rising to \$245.7 million in total collections, and a further increase in FY 2027-28 to \$259.1 million. 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. However, downside risks such as continued expectations of a longer-term restrictive monetary policy environment due to sticky inflation along with industry-specific tariffs, including on steel, lumber, and other input materials may present a drag against OSPB’s estimated growth.

Marijuana Sales

The 15 percent special sales tax on marijuana retail sales declined by 4.4 percent to \$186.4 million in FY 2024-25. Revenue is expected to decline again in FY 2025-26 by 1.8 percent to \$183.0 million, increase in FY 2026-27 by 2.5 percent to \$187.6 million, and increase 3.0 percent in FY 2027-28 to \$193.3 million. 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 and nicotine pouches. In FY 2023-24, revenue began being 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. In FY 2024-25, an additional off-the-top transfer began to the Tobacco Education Programs Fund of \$20.0 million, which then increases to \$30.0 million in FY 2027-28.

Figure 30. 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%

Preliminary FY 2024-25 Proposition EE revenue grew by 17.2 percent to \$243.6 million, which was \$1.0 million above June forecast expectations. The September forecast is revised up by \$1.3 million to \$238.0 million in FY 2025-26, up \$0.2 million to \$232.1 million in FY 2026-27. The projection for FY 2027-28 is published for the first time in this forecast and is estimated at \$270.5 million. As shown in Figure 30, taxes on all three types of products increased on July 1, 2024, and will increase to their maximum terminal rate on July 1, 2027. The specific distributions are summarized below in Figure 31.

Figure 31. Proposition EE Revenue and Distributions

	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast
Total Revenue	\$243.6	\$238.0	\$232.1	\$270.5
Other Transfers	\$35.0	\$35.0	\$35.0	\$45.0
Preschool Programs Cash Fund	\$208.6	\$203.6	\$197.1	\$225.5

The bulk of Proposition EE revenue (54.3 percent in FY 2024-25) currently comes from taxes on cigarettes, for which long-term consumption trends are negative. Cigarette sales dropped from FY 2021-22 to FY 2024-25 and are expected to decline long-term. The percentage of revenue coming from cigarette taxes is expected to average 53.1 percent during the forecast period, while the share stemming from nicotine purchases will simultaneously increase considerably to approximately match the drop from cigarettes. Nicotine consumption is estimated to increase gradually over time. After nicotine revenue increased substantially in FY 2024-25 from the tax rate increase, OSPB estimates nicotine category revenue continuing to increase but at a decreased rate in FY 2025-26 and FY 2026-27 for two reasons:

- Cigarette consumption continues to fall, but electronic cigarette (nicotine) consumption continues to climb amongst all age groups¹⁴. This trend is particularly strong amongst the 18-34 age demographic, which from 2019 to 2024 saw cigarette consumption drop from 13.8 percent to 5.7 percent and electronic cigarette (nicotine) consumption increase from 8.1 percent to 15.6 percent.
- The City and County of Denver passed 24-1765, which is a city-wide ban on the sale of flavored tobacco products that went into effect March 18, 2025. OSPB has estimated this will decrease long-run growth of Proposition EE Nicotine revenue by 1.5 to 2.5 percent.

In addition to Proposition EE revenue, which is not subject to TABOR and is transferred 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 revenue has largely increased slowly over time, but tobacco revenue has fallen in line with cigarette revenue, which has been slowly decreasing over time. Across the forecast period, OSPB is expecting continued weakness across the other excise tax category, as general usage trends of such products are starting to plateau or decrease. Revenue for liquor fell 3.6 percent in FY 2024-25 to \$54.0 million but is forecast to increase by 5.1 percent to \$56.8 million in FY 2025-26, grow by 0.1 percent to \$56.8 million in FY 2026-27, and grow by 1.4 percent to \$57.6 million in FY 2027-28. Tobacco revenue increased 9.8 percent to \$23.7 million in FY 2024-25 but is forecast to decrease by 5.0 percent to \$22.5 million in FY 2025-26, decrease 0.9 percent to \$22.3 million in FY 2026-27, and fall 1.5 percent to \$22.0 million in FY 2027-28. Cigarette revenue declined 4.6 percent to \$19.5 million in FY 2024-25 and is forecast to decrease by 6.3 percent to \$18.3 million in FY 2025-26, decline by 5.6 percent to \$17.3 million in FY 2026-27, and drop by 5.6

¹⁴ National Center for Health Statistics, 2025, "[National Health Interview Survey \(link to site\)](#)"

percent to \$16.3 million in FY 2027-28. Note that fluctuations in fiscal year revenues generally align with the aforementioned trends of increasing liquor revenue and decreasing cigarette and tobacco revenue, but the accruals methodology can sometimes interfere with observed trends.

Proposition KK

Proposition KK tax collections have come in consistently below original forecasts at a monthly average of \$1.3 million with very little variation. As a result, OSPB has revised down revenue in all years under the expectation that average monthly collections will be much lower than initial forecasts anticipated. Further, SB25-003 *Semiautomatic Firearms & Rapid-Fire Devices* goes into effect on August 1, 2026 and prohibits the manufacture, distribution, transfer, sale, and purchase of certain semiautomatic firearms. According to estimates, up to 10 percent of handgun¹⁵ and 40 percent of long gun¹⁶ sales could be prohibited under the new law, significantly reducing total firearm sales and associated tax revenues beginning in FY 2026-27. Figure 32 below shows the revised excise tax revenue forecast by category.

Figure 32. Firearms and Ammunition Excise Tax Revenue Forecast

\$ in Millions	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Guns/Parts Excise Taxes	\$2.6	\$10.2	\$8.6	\$8.8
Ammunition Excise Taxes	\$1.4	\$5.4	\$4.5	\$4.7
Total Revenue	\$3.9	\$15.6	\$13.1	\$13.5

The passage of SB25-295 *Transfer Proposition KK Money ARPA Cash Fund* redirects the original \$8 million distribution to the DMVA Behavioral and Mental Health Cash Fund to the BHA Behavioral and Mental Health Excise Tax Cash Fund. The distribution of Proposition KK revenue is otherwise unchanged and shown in Figure 33 below.

Figure 33. Firearms and Ammunition Excise Tax Cash Fund Distributions

\$ Millions	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Administrative Costs (DPS)	\$0.4	\$0.2	\$0.2	\$0.2
Crime Victim Services (DPS; incl. inflation adj.)	\$3.5	\$15.4	\$12.9	\$13.3
Veteran’s Mental Health Services Program (BHA)	\$0.0	\$0.0	\$0.0	\$0.0
Children and Youth Behavioral Health Crisis Response System (CDHS)	\$0.0	\$0.0	\$0.0	\$0.0

¹⁵ Colorado House Democrats (2025). [House Passes SB25-003 \(link\)](#).

¹⁶ Berrigan, Azrael, and Miller (2023). [The Number and Type of Private Firearms in the United States \(link\)](#).

School Security Disbursement Grant Program (DPS)	\$0.0	\$0.0	\$0.0	\$0.0
Total FAETCF Distributions	\$3.9	\$15.6	\$13.1	\$13.5

The lower-than-expected initial monthly collections and anticipated impacts of SB25-003 on gun sales have significantly lowered the Proposition KK revenue forecast. Initial forecasts likely overestimated the share of firearm sales that occur through Proposition KK taxable channels, as opposed to exempt transactions such as certain small dealers, sales between individuals, and sales to military and law enforcement. As a result, the current and out-year revenue estimates fall well short of the \$39 million statutory cap, effectively eliminating downstream distributions under the current distribution formula. There is potential upside risk to Proposition KK revenue as many new taxes have increasing compliance and collections during their initial rollouts as vendors navigate remitting this new excise tax. OSPB will continue to monitor monthly tax revenue data and will adjust forecast assumptions accordingly as more data continues to become available.

Other General Fund Revenue

Other General Fund revenue includes insurance premium tax revenue, interest and investment income, court receipts, and other unallocated revenue. In FY 2024-25, Other General Fund revenue continued on its previous strong gains from recent years with 4.1percent growth to \$885.0 million total. This growth in FY 2024-25 was impacted by accelerating insurance premium tax revenue growth partially offset by interest income declining but remaining above the historical average. FY 2024-25 revenue was \$60.8 million above the June forecast, primarily driven by insurance and interest income. For FY 2025-26 and FY 2026-27, OSPB has revised up expected revenue by \$58.4 million and \$47.8 million, respectively, largely due to expected increases in insurance revenue from newly enacted legislation from the August 2025 extraordinary legislative session, discussed in more detail below.

Investment yield percentage and record TABOR surpluses drove record revenues in interest income with an increase of 33.5 percent to \$251.6 million in FY 2023-24. However, interest rates remained fairly constant in FY 2024-25 but interest revenue declined to \$166.7 million from lower cash balances. OSPB projects there will be year-over-year declines for interest revenue over the forecast period as the federal funds rate is gradually reduced. For FY 2025-26, interest income is revised up \$6.9 million but is expected to decrease 13.3 percent year-over-year. FY 2025-26 interest income is impacted with upward pressure from SB25-262 and SB25-317, which diverts cash fund interest revenue to the General Fund, and is impacted by downward pressure from SB25-310, which diverts \$500 million from the General Fund to PERA for the implementation of Proposition 130. Interest income in FY 2026-27 is forecast to decline 10.0 percent but will be buoyed by increasing expectations for non-exempt General Fund and continued interest diversions to the General Fund from SB25-317 and SB25-262.

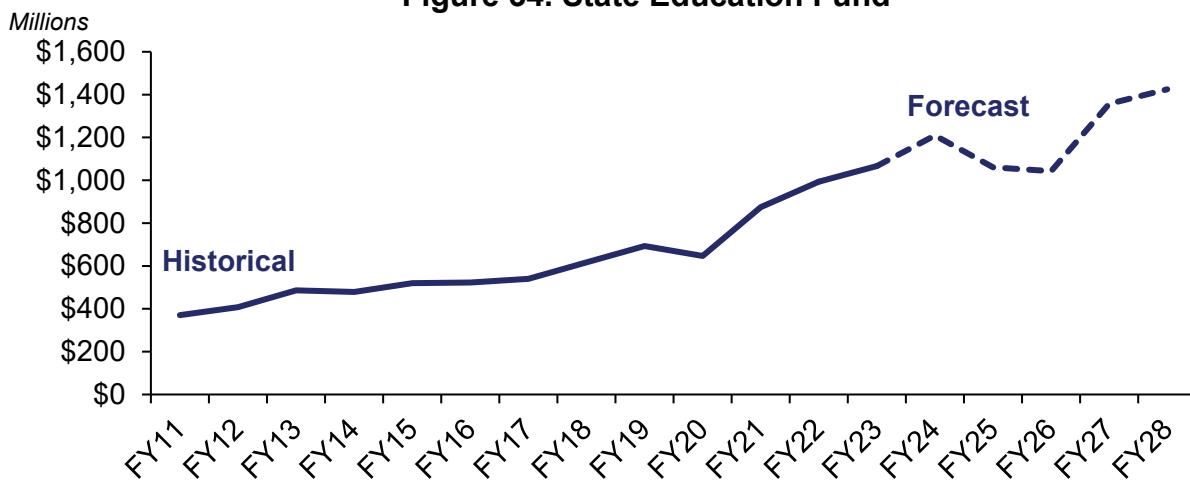
During FY 2024-25, insurance revenue grew by 21.7 percent from the prior year to \$659.5 million. OSPB is forecasting 10.4 percent growth in FY 2025-26 to \$727.7 million with this growth being driven by new fiscal impacts from bills passed in the August 2025 extraordinary legislative session, with the largest impact from HB25B-1003 *Insurance Premium Tax Rate for Home Offices*, which repeals the reduced insurance premium tax rate for insurance companies that qualify as having a regional home office in Colorado. The sales of insurance tax premium credits from HB25B-1004 and HB25B-1006 will decrease annual insurance premium tax revenue across the forecast period beginning in FY 2026-27, but it is less than the increases in revenue generated from HB25B-1003. The September forecast for insurance revenue has been revised up \$47.5 million in FY 2025-26 and revised up \$44.1 million in FY 2026-27. Colorado has experienced significant year-over-year growth in insurance costs and is expected to continue that into FY 2025-26 before moderating in FY 2026-27 and FY 2027-28. In FY 2026-27 and FY 2027-28, insurance revenue is forecast to grow 2.9 percent and 3.9 percent respectively, with revenue of \$749.2 million and \$778.6 million.

For other miscellaneous income within other General Fund revenues, projections have tracked with prior expectations, leading to minimal revisions. Other income grew by 6.4 percent in FY 2024-25 and is forecast to grow by 13.9 percent in FY 2025-26, decline 0.2 percent in FY 2026-27, and fall 3.7 percent in FY 2027-28.

State Education Fund

In FY 2024-25, the income tax revenue diversion to the State Education Fund (SEF) was \$1,060.6 million, a 12.3 percent reduction from FY 2023-24. The year-over-year decline is primarily attributed to the correction of prior-year diversions performed by Legislative Council Staff, leading to a \$135.1 million one-time upward adjustment in FY 2023-24 to comply with constitutional requirements.

Figure 34. State Education Fund



Source: Colorado Department of Revenue, OSPB Forecast

Consequently, a significant part of 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. This is a downward revision of \$47.9 million from OSPB's June forecast on lower taxable income expectations. In FY 2025-26, revenue to the State Education Fund is expected to again decline by 1.7 percent to \$1,042.7 million. This is a downward revision of \$113.9 million from the June forecast. In FY 2026-27, OSPB forecasts the SEF revenue diversion at \$1,135.3 million, an 8.9 percent increase from the previous year. This is a downward revision of \$72.3 million from the June forecast. The majority of these downward adjustments across both fiscal years are attributed to federal tax policy changes enacted under H.R. 1, which are expected to lower both corporate and individual taxable income in Colorado, resulting in lower diversion amounts. More information related to the revenue impacts of H.R. 1 can be found in the Individual and Corporate Income sections. Finally, in FY 2027-28, SEF revenue is expected to grow at 5.0 percent to \$1,192.1 million. 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. State tax credits do not impact taxable income. Consequently, any legislation related to tax expenditures will not affect the diversion amount, as the OSPB methodology excludes these impacts when calculating taxable income.

Kids Matter Account

HB25-1320 created the Kids Matter Account in the State Education Fund and requires that state revenue collected from an existing tax on 65 percent of one-tenth of one percent of federal taxable income must be deposited into this account, beginning in FY 2026-27. OPSB forecasts the Kids Matter diversion into the SEF at \$221.6 million in FY 2026-27, which leads to the total revenue to be diverted into the SEF to be \$1,356.9 million in that year. In FY 2027-28 this transfer is expected to be \$232.7 million. This revenue diverted to this account must only be used for total program funding and categorical programs, subject to appropriation.

Proposition 123 Diversion

Similar to the State Education Fund diversion, revenue diverted to Proposition 123, as approved by voters through a ballot initiative in 2022, is revised down and projected to decline in FY 2025-26. In FY 2024-25, the revenue diversion to Proposition 123 declined by 3.1 percent to \$317.0 million and is expected to fall again in FY 2025-26 by 1.2 percent to \$313.1 million. Accelerating growth of 8.9 percent is expected in FY 2026-27 to \$340.9 million with additional growth of 5.0 percent projected in FY 2027-28.

The actual diversion in FY 2024-25 was \$15.9 million below June forecast expectations on lower taxable income expectations, as calculated by Legislative Council based upon updated Department of Revenue data. The impacts from H.R. 1 begin in FY 2025-26 with that fiscal year

revised down by \$34.2 million since June, as tax policies in H.R. 1 will lower corporate and individual taxable income. The diversion forecast in FY 2026-27 is similarly impacted from H.R. 1 and is revised down by \$21.7 million.

The revisions down to Proposition 123 in FY 2025-26 and FY 2026-27 are caused by a number of factors but are primarily due to changes in federal tax policy. Further, taxable income growth is projected to decelerate as market uncertainty persists, limiting companies’ ability and incentive to create new jobs, in turn weakening personal income growth. Revisions down are also impacted from anticipated tariff impacts. Tariff impacts on these revenue collections are estimated to lower collections for Proposition 123 by lowering labor demand and weakening economic growth, leading to lower individual and corporate taxable income.

Per statute, revenue diverted from income tax for Proposition 123 is allocated to the Department of Local Affairs (DOLA), which receives 40 percent of the diversion, and the Office of Economic Development and International Trade (OEDIT), which receives 60 percent of the diversion, to support various housing development and affordable housing initiatives. Reductions in these diversions will impact the State’s ability to fund housing developments, lower the number of units developed each year, as well as inhibit the ability of DOLA and OEDIT to fund projects. Rising costs on construction materials, largely due to tariffs on steel, aluminum, copper, and various other materials, are also expected to limit the scale and scope of funding through Proposition 123 in both DOLA and OEDIT.

Figure 35. Proposition 123 Diversion Distribution

\$ in millions	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast
June Forecast Diversion	\$332.9	\$347.3	\$362.6	N/A
OEDIT Diversion	\$199.7	\$208.4	\$217.6	N/A
DOLA Diversion	\$133.2	\$138.9	\$145.1	N/A
September Forecast Diversion	\$317.0	\$313.1	\$340.9	\$358.0
OEDIT Diversion	\$190.2	\$187.9	\$204.6	\$214.8
DOLA Diversion	\$126.8	\$125.2	\$136.4	\$143.2
Total Change June-Sept	-\$15.9	-\$34.2	-\$21.7	N/A

The forecast shown above is based upon current law. However, per Executive Order D 2025 014 and subsequent letter to the Joint Budget Committee, the Governor is proposing to reduce the diversion to OEDIT by \$105 million in FY 2025-26 in order to address the State’s current-year budget deficit. This is not reflected in the forecast shown above, as it will require statutory change, but it is accounted for in Tables 4b and 4c in the Appendix of this report, which illustrate the State’s General Fund balancing position under the Governor’s proposal.

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 contain adjustments from legislation that has passed, including new laws from the 2025 Colorado regular and extraordinary legislative sessions.

In FY 2023-24, cash fund revenue increased by 1.5 percent to \$2,797.2 million (\$2.8 billion), and in FY 2024-25, preliminary actuals show that cash fund revenue declined by 1.0 percent to \$2,769.7 million. This is an upward revision from the June forecast of \$24.9 million, driven by upward revisions in regulatory agencies revenue, transportation, and severance tax revenue partially offset by lower miscellaneous cash fund revenue. Due to the combination of one-time tax credit sales of an expected \$200 million from legislation enacted in the 2025 extraordinary legislative alongside the disqualification of a current enterprise with revenue of approximately \$150 million, cash fund revenue is expected to increase in FY 2025-26 by 16.6 percent and \$459 million to \$3,228.7 million total. These policy adjustments are described in more detail, particularly in the miscellaneous cash fund section below. The current fiscal year is expected to be followed by a return to trend in FY 2026-27, growing by 0.2 percent to \$3,234.0 million in cash fund revenue due to the addition of a projected \$221.6 million for the Kids Matter Account, as provided for in HB25-1320. The diversion to the Kids Matter Account in FY 2026-27 is expected to offset the one-time reduction from the roll-off of the tax credit sales that will take in place in FY 2025-26, which is why positive growth is expected to continue. FY 2026-27 is revised down \$3.5 million from June, as the increase from miscellaneous cash funds is offset by lower transportation and severance tax revenue, as well as a revision down in expected revenue diverted to the Kids Matter Account. Finally, revenue is expected to grow by 5.8 percent in FY 2027-28 to \$3,422.5 million, largely as a result of higher projected growth in severance tax revenue.

Overview of Cash Funds

Transportation: Based on preliminary actuals for FY 2024-25, transportation revenue recorded 4.8 percent growth to \$1,494.0 million for total transportation revenue, a revision up from June, largely due to increased gasoline tax revenue. Legislative fee reductions will also limit

registration revenue, particularly in the current and next fiscal year. Motor and special fuel taxes, which are the largest contributor to transportation revenue, declined slightly in FY 2024-25, with the drag largely coming from diesel tax revenue. Growth is expected to slow to 2.1 percent in FY 2025-26, then rebound in FY 2026-27 by 3.3 percent, and accelerate in FY 2027-28 to 4.6 percent.

Limited Gaming: Limited gaming non-exempt revenue is revised down slightly from June due to end-of-year updates and adjustments to the distribution and exempt formulas, despite total gaming revenues being revised up for all years. Growth is primarily driven by positive but diminishing growth in gaming taxes, which account for 98 percent of all gaming revenues. OSPB anticipates limited gaming revenue to have marginal growth in the coming years, although interest income growth is expected to be negative over the next two years due to interest rate cut expectations, and gaming licenses revenue is expected to have minor declines as more casinos consolidate. Based on preliminary year-end data, limited gaming revenue subject to TABOR in FY 2024-25 was \$94.4 million, followed by a projected \$93.3 million in FY 2025-26, \$95.7 million in FY 2026-27, and \$96.3 million in FY 2027-28.

Severance: Severance tax revenue finished FY 2024-25 with collections of \$66.9 million, reflecting an upward revision of \$8.1 million since the June forecast. In FY 2025-26, severance tax revenue is projected to normalize to average levels at \$170.3 million, which is an upward revision of \$7.4 million from June. Revenue is expected to fall to \$153.0 million in FY 2026-27 from lower oil prices, then increase by 39.4 percent to \$213.2 million in FY 2027-28 due to an anticipated recovery in oil prices.

Other Cash Funds Subject to TABOR: Miscellaneous Cash Funds revenue in FY 2024-25 was lower than the June forecast based on preliminary actuals but is upwardly revised in FY 2025-26 and FY 2026-27. Revisions are largely tied to legislative changes from the 2025 extraordinary legislative session due to tax credit sales, a disqualified enterprise for FY 2025-26 only, elevated revenue to the Adult Dental Fund, and higher nonexempt fee revenue from the Colorado Circular Communities Enterprise. Miscellaneous cash fund revenue grew by 3.4 percent in FY 2024-25 to \$970.0 million and is forecast to increase of 33.7 percent in FY 2025-26 as a result of one-time activity related to tax credit sales and the disqualified enterprise before returning to trend by declining 19.8 percent in FY 2026-27 and growing by 3.8 percent in FY 2027-28.

Notable Cash Funds Not Subject to TABOR: Proposition FF revenue was revised up following the enactment of the federal reconciliation bill, H.R. 1, which will increase revenue related to Healthy School Meals for All. Ballot measures in the November 2025 election could have impacts on this revenue stream over the forecast period, as well. Marijuana revenue has been minimally revised down, but a slight upward trend in wholesale and increased demand for flower indicates that revenues may be stabilizing. Federal Mineral Lease (FML) is revised down over the forecast period due to the federal reconciliation bill, H.R. 1, reducing royalty rates on

coal and a downgraded oil price forecast. Sports betting wagers remain strong, and Colorado operators’ hold percentage has increased in recent months, trending upwards towards the national average. Strong sports betting tax revenue is anticipated in the coming years, with increasing hold and the phase out of free bets for state tax liability exemptions. Lottery scratch sales are expected to grow again after a slight decline last fiscal year, and Jackpot game sales are expected to rebound as prize pools increased early in the fiscal year. The statutory distribution did not receive funds in FY 2024-25, though it is expected to throughout the forecast period.

Transportation

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and several smaller cash funds. In FY 2024-25, total transportation-related revenue increased by 4.8 percent, reaching \$1,494.0 million. Looking ahead, revenue growth is expected to moderate, with projections of 2.1 percent growth in FY 2025-26, followed by 3.3 percent in FY 2026-27, and a further rebound to 4.6 percent in FY 2027-28. Actual transportation revenue for FY 2024-25 exceeded the June 2025 OSPB forecast by \$9.6 million. As a result, OSPB has revised FY 2025-26 revenue estimates upward by \$0.8 million, but has revised down FY 2026-27 estimates by \$10.4 million. These adjustments in FY 2025-26 reflect stronger-than-expected gasoline tax and vehicle registration revenues, partially offset by weaker collections from Retail Delivery Fees and Aviation revenue.

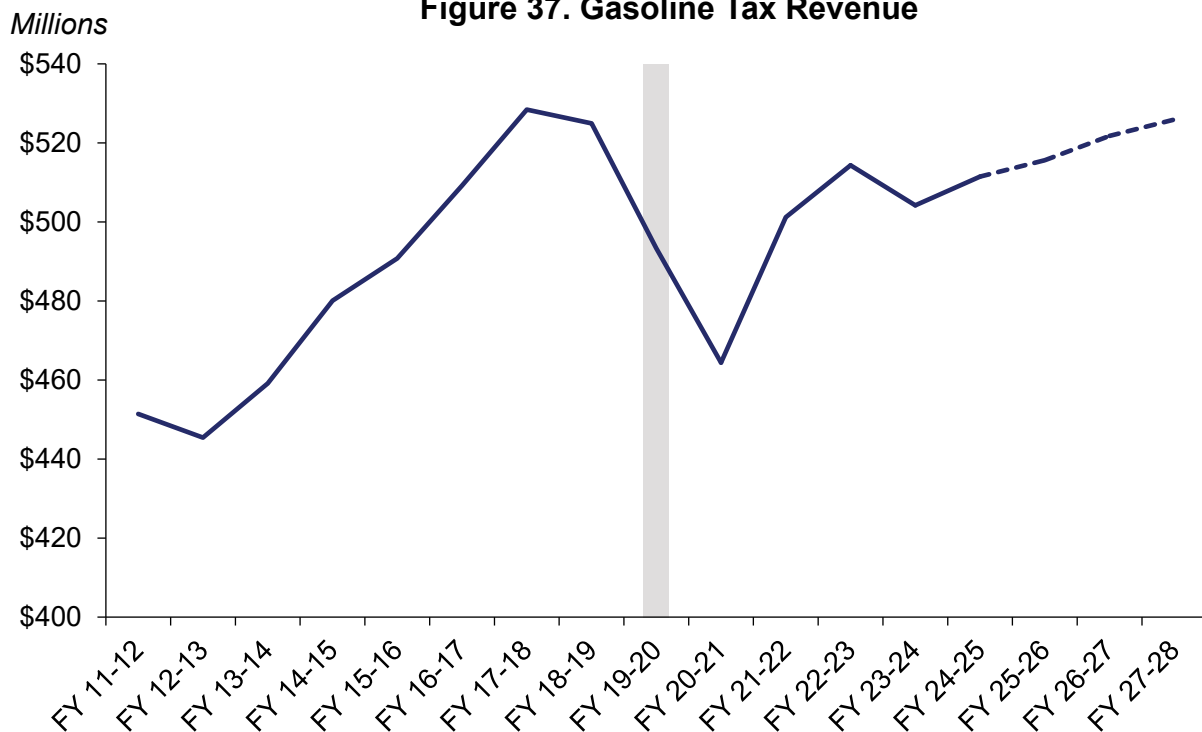
Figure 36. Detailed Transportation Cash Fund Forecast

Highway Users Tax Fund (HUTF)	Prelim FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
Motor and Special Fuel Taxes	\$644.3	\$649.2	\$658.0	\$668.2
<i>Percent Change</i>	<i>-0.7%</i>	<i>0.8%</i>	<i>1.4%</i>	<i>1.6%</i>
Road Usage Fees	\$120.1	\$149.8	\$182.2	\$215.9
<i>Percent Change</i>	<i>29.3%</i>	<i>24.7%</i>	<i>21.6%</i>	<i>18.5%</i>
Total Registrations	\$434.8	\$420.2	\$420.6	\$441.5
<i>Percent Change</i>	<i>11.6%</i>	<i>-3.3%</i>	<i>0.1%</i>	<i>5.0%</i>
<i>Registrations</i>	\$244.5	\$246.2	\$248.5	\$250.1
<i>Road Safety Surcharge</i>	\$145.1	\$128.3	\$126.0	\$145.1
<i>Late Registration Fees</i>	\$45.1	\$45.7	\$46.0	\$46.2
Other HUTF	\$89.8	\$92.6	\$95.0	\$96.9
<i>Percent Change</i>	<i>3.8%</i>	<i>3.2%</i>	<i>2.6%</i>	<i>2.0%</i>
Total HUTF	\$1,289.0	\$1,311.8	\$1,355.7	\$1,422.6
<i>Percent Change</i>	<i>5.8%</i>	<i>1.8%</i>	<i>3.3%</i>	<i>4.9%</i>
Non-HUTF	Prelim FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
State Highway Fund	\$35.2	\$36.0	\$33.8	\$31.7
<i>Percent Change</i>	<i>26.5%</i>	<i>2.4%</i>	<i>-6.0%</i>	<i>-6.3%</i>
Other Transportation Funds	\$169.8	\$177.1	\$185.3	\$193.7
<i>Percent Change</i>	<i>-5.3%</i>	<i>4.3%</i>	<i>4.6%</i>	<i>4.5%</i>

Total Transportation Revenue	Prelim FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
Total Transportation	\$1,494.0	\$1,524.9	\$1,574.9	\$1,648.0
<i>Percent Change</i>	4.8%	2.1%	3.3%	4.6%

The HUTF is the largest transportation-related cash fund, with revenue primarily sourced from motor fuel taxes and motor vehicle registrations. Motor fuel taxes, comprising both gasoline and diesel, account for over half of HUTF revenue. Gasoline tax revenue experienced steady growth between FY 2012-13, reaching a peak of \$528.4 million in FY 2017-18. However, the COVID-19 pandemic and the accelerating adoption of electric vehicles (EVs) introduced volatility into this revenue stream. In FY 2023-24, gasoline tax collections declined by 2.0 percent. However, FY 2024-25 saw a modest rebound, with a 1.4 percent year-over-year increase. OSPB anticipates continued, albeit moderate, growth in the near term. This outlook reflects increasing Vehicle Miles Traveled (VMT) across Colorado, which supports fuel tax collections despite structural headwinds from rising EV market share and reduced commuter travel.

Figure 37. Gasoline Tax Revenue

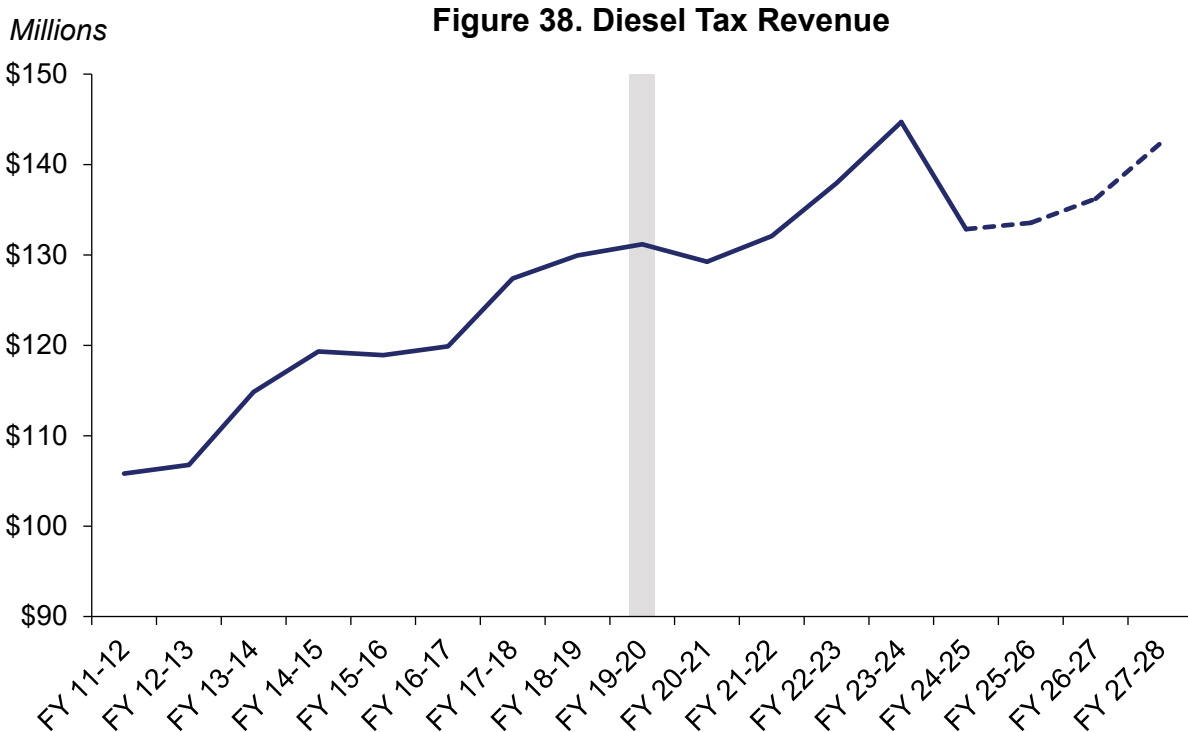


Note: Dotted line indicates forecast; shading denotes recession.

Source: Colorado Department of Revenue

Special fuel tax revenue, primarily from diesel sales, declined by 9.2 percent in FY 2024-25, marking a reversal from the steady growth seen in prior years. Previous increases were driven by strong retail activity and freight shipping. However, recent volatility in global trade, compounded by tariff-related uncertainty and overall weaker consumer demand, has led to

reduced retail inventories and freight shipping activity. OSPB expects decreased consumer demand and sustained pressure on freight volumes, resulting in flat or marginal growth in special fuel tax revenue over the forecast horizon. Revenue is not expected to return to FY 2023-24 levels within the current forecast period.



*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 will be raised incrementally until it hits 8 cents per gallon in FY 2028-29, then will continue to grow in FY 2031-32 and thereafter at the rate of inflation. The scheduled increases in the Road Usage Fee are expected to drive revenue growth in the total HUTF in the near term.

Registration revenue experienced a modest increase at the close of FY 2024-25, likely due to a surge in new vehicle registrations ahead of anticipated price increases from tariffs. OSPB projects moderate growth in registration revenue, supported by vehicle re-registrations and population growth, while higher new vehicle prices are expected to dampen new car sales. FY 2024-25 marked the full restoration of the Road Safety Surcharge following a period of reduced rates. However, SB25-258 reintroduced a \$3.70 reduction across all vehicle weight tiers for a 24-month period, negatively impacting expected revenue in the forecast period. The bill also modified the FASTER distribution formula, including a hold-harmless provision for local governments, as shown in Figure 39. Late registration fee collections reached a record \$45.1 million in FY 2024-25, growing by 3.7 percent year-over-year. This trend is expected to

continue, as broader cost pressures and behavior may lead more Coloradans to delay vehicle registration.

Revisions to the "Other HUTF" category reflect weaker-than-anticipated retail delivery fee collections. While the motor vehicle daily rental fee revenue continues to increase, growth has slowed relative to prior expectations. Over the forecast period, this category is projected to grow modestly, supported by planned increases in the retail delivery fee and marginal gains in other minor revenue sources, including miscellaneous fines, charges, and fees.

Figure 39. HUTF Distributions

HUTF Distributions	Prelim FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
Off-the-Top Deductions	\$210.6	\$223.0	\$236.3	\$250.4
State Highway Fund (CDOT)	\$661.4	\$658.6	\$676.7	\$706.9
Counties	\$248.7	\$255.0	\$261.5	\$273.1
Cities	\$168.3	\$175.2	\$181.2	\$192.2
Total HUTF	\$1,289.0	\$1,311.8	\$1,355.7	\$1,422.6

The State Highway Fund (SHF) receives revenue from a variety of smaller sources, including special transport permits and interest earnings. In FY 2024-25, the SHF grew by 26.5 percent, driven largely by interest income and an annual transfer from the Fuels Impact Enterprise. Looking forward, SHF revenue is expected to grow slowly in FY 2025-26 before declining in FY 2026-27 and FY 2027-28 due to anticipated reductions in interest earnings, while other components of the fund are expected to remain relatively stable.

The majority of other miscellaneous transportation-related revenue comes from the Aviation Fund and the Colorado DRIVES Fund, with smaller contributions from additional funds. The Aviation Fund is highly volatile, resulting in FY 2024-25 collections declining by 18.2 percent to \$42.9 million, significantly below previous projections. Future collections are expected to return to historical averages. Other registration-related funds have remained in line with prior-year levels with more muted growth. However, several of these funds are implicated in SB25-317, which will transfer or credit some of the interest earnings from the DRIVES Account, AIR Account, and Emergency Medical Services Account to the General Fund. The Multimodal Transportation and Mitigation Options Fund receives revenue from the Retail Delivery Fee. Despite weakness in this revenue stream in the most recent fiscal year, planned fee increases are expected to support continued revenue growth through the forecast period. OSPB anticipates overall growth in revenue across Other Transportation Funds throughout the forecast window, even with continued volatility and policy-driven impacts.

Gaming

By using an updated methodology for forecasting individual revenue streams rather than the top line number alone, the OSPB forecast for total gaming revenue is revised slightly upward due to a strong ending to FY 2024-25 that increased the base year and out-years of the forecast. Growth is primarily driven by positive but diminishing growth in gaming taxes, which account for 98 percent of all gaming revenues. Interest income growth is expected to be negative over the next two years, in accordance with interest rate cut expectations, and gaming licenses revenue is also expected to have minor declines as more casinos consolidate, reducing the number of unique licenses. Gaming tax revenues increased by 9.64 percent from FY 2021-22 to FY 2024-25, which was not enough to meet the 10.87 compound annual growth rate needed to trigger a permanent Electronic Player Credit Refund Rule that would have given operators an ongoing refund. OSPB had previously anticipated that operators would have been more motivated to meet this threshold to potentially trigger ongoing refunds, however apparent headwinds to the industry led to lower-than-expected revenues over this period and could signal limited revenue growth over the forecast period.

Figure 40. Total Gaming Revenues, by Category

Gaming Revenues & Refunds	Preliminary FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
Gaming Tax Revenues	\$177.6	\$179.6	\$180.7	\$181.6
Interest Revenue	\$2.8	\$2.6	\$2.5	\$2.5
Fines, Fees, Licensing	\$0.9	\$0.9	\$0.9	\$0.9
Electronic Player Credit Refunds (Excess of 3.5% Cap)	\$0.0	N/A	N/A	\$0.0
A. Total Gaming Revenues	\$181.3	\$183.1	\$184.0	\$185.0
<i>Annual Percent Change</i>	<i>2.2%</i>	<i>1.0%</i>	<i>0.5%</i>	<i>0.5%</i>
A1. Total Revenue Attributed to Limited Gaming	\$123.9	\$125.0	\$127.4	\$128.0
A2. Total Revenue Attributed to Extended Gaming	\$57.5	\$58.1	\$56.7	\$56.9

Figure 41 below shows the forecasted distribution of Limited Gaming revenues.

Figure 41. Limited Gaming Distributions

Limited Gaming Distributions	Preliminary FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
Total Gaming Revenues	\$181.3	\$183.1	\$184.0	\$185.0

Limited Gaming Distributions	Preliminary FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
Less Non-Limited Gaming Distributions	(\$66.7)	(\$66.5)	(\$69.2)	(\$69.9)
Total Limited Gaming Revenue for Distribution	\$112.1	\$114.7	\$114.8	\$115.1
Amount to State Historical Society (28%)	\$31.4	\$32.1	\$32.1	\$32.2
<i>History Colorado (80% of 28%)</i>	\$25.1	\$25.7	\$25.7	\$25.8
<i>Grants to Cities for Historical Preservation (20% of 28%)</i>	\$6.3	\$6.4	\$6.4	\$6.4
Amount to Counties (12%)	\$13.4	\$13.8	\$13.8	\$13.8
Amount to Cities (10%)	\$11.2	\$11.5	\$11.5	\$11.5
Amount to Distribute to Remaining Programs (State Share) (50%)	\$56.0	\$57.4	\$57.4	\$57.5
<i>Local Government Impact Fund</i>	\$6.0	\$6.4	\$6.6	\$6.8
<i>Colorado Tourism Promotion Fund</i>	\$15.0	\$15.0	\$15.0	\$15.0
<i>Creative Industries Cash Fund</i>	\$2.0	\$2.0	\$2.0	\$2.0
<i>Film, Television, and Media Operational Account</i>	\$0.5	\$0.5	\$0.5	\$0.5
<i>Advanced Industries Acceleration Fund</i>	\$5.5	\$1.8	\$5.5	\$5.5
<i>Innovative Higher Education Research Fund</i>	\$2.1	\$2.1	\$2.1	\$2.1
<i>Responsible Gaming Fund</i>	\$2.5	\$2.5	\$2.5	\$2.5
Transfer to the General Fund	\$22.4	\$27.0	\$23.2	\$23.1

Figure 42 below shows the forecasted distribution of Extended Gaming revenues.

Figure 42. Extended Gaming Distributions

Extended Gaming Distributions	Preliminary FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
Total Gaming Revenues	\$181.3	\$183.1	\$184.0	\$185.0
Less Limited Gaming Distributions and Adjustments	(\$131.6)	(\$131.3)	(\$132.2)	(\$115.1)
Total Extended Gaming Revenue for Distribution	\$47.2	\$50.0	\$51.8	\$52.0
Community Colleges, Mesa and Adams State (78%)	\$36.8	\$39.0	\$40.4	\$40.6
Counties (12%)	\$5.7	\$6.0	\$6.2	\$6.2
Cities (10%)	\$4.7	\$5.0	\$5.2	\$5.2

Gaming revenues in Colorado follow a unique formula to determine revenue that is subject to TABOR and exempt from TABOR, as well as how revenues are distributed. Originally, limited gaming revenue was fully subject to TABOR; however, HB 24-1469 clarified that limited gaming collections for local governments are exempt. In Figure 43 below, limited gaming is reduced by the distributions to cities, counties, and grants to cities for historical preservation to calculate the TABOR impact of gaming-related revenues. Other legislation that impacted this revenue stream are SB 25-225, which reduced the transfer to the Advanced Industries Acceleration Fund in FY 2025-26; and SB 25-317, which will transfer some of limited gaming non-exempt interest earnings to the General Fund. End-of-year adjustments to the distribution and exempt amounts result in slight downward revisions for non-exempt revenues for FY 2024-25 by \$1.2 million, FY 2025-26 by \$3.0 million, and FY 2026-27 by \$0.5 million.

Figure 43. TABOR Impacts of Gaming Revenue

TABOR Impacts of Gaming Revenue	Preliminary FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
A. Total Gaming Revenues	\$181.3	\$183.1	\$184.0	\$185.0
Total Limited Gaming Revenues	\$125.4	\$125.0	\$127.4	\$128.0
Less HB24-1469 Revenue				
Reclassification of Limited Gaming Distributions	(\$30.9)	(\$31.7)	(\$31.7)	(\$31.8)
<i>Amount to Cities</i>	(\$11.2)	(\$11.5)	(\$11.5)	(\$11.5)
<i>Amount to Counties</i>	(\$13.4)	(\$13.8)	(\$13.8)	(\$13.8)
<i>Grants to Cities for Historical Preservation</i>	(\$6.3)	(\$6.4)	(\$6.4)	(\$6.4)
Total TABOR Non-Exempt Revenue	\$94.4	\$93.3	\$95.7	\$96.3
Total TABOR Exempt Revenue	\$86.9	\$89.8	\$88.3	\$88.7

Severance

Severance tax revenue fell significantly in FY 2024-25 to below-average levels of \$66.9 million following elevated taxpayer refunds during the fiscal year. Overall revenue in FY 2024-25 turned negative in February after refunds were higher than revenue collections, but revenue regained positivity over the final quarter of the year. In FY 2025-26, severance tax revenue is projected to normalize to average levels of \$170.3 million despite projected declining oil prices, as elevated refunds are not expected and higher natural gas prices will partially offset weaker oil prices. In FY 2026-27, revenue is forecast to decline by 10.2 percent to \$153.0 million due to downgraded oil price forecasts and the expiration of the reduced ad valorem credit beginning in Tax Year 2027. More information related to the ad valorem credit is provided below. For FY 2025-26, this change reflects an upward revision of \$7.4 million from the June forecast after healthy collections to begin the fiscal year, but this forecast incorporates a downward revision of \$18.8

million in FY 2026-27 from lower oil price expectations. Economic assumptions underpinning this revenue forecast can be found in the Energy section of this report.

Figure 44. Severance Tax Forecast (millions)

	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Oil & Gas	\$28.0	\$145.2	\$123.7	\$183.0
Coal	\$6.9	\$7.0	\$6.9	\$6.9
Metals	\$2.1	\$2.2	\$2.1	\$2.1
Interest	\$29.8	\$16.0	\$20.2	\$21.2
Total	\$66.9	\$170.3	\$153.0	\$213.2
YoY Change	-69.4%	154.5%	-10.2%	39.4%

Severance tax revenue declined by 69.4 percent in FY 2024-25. The significant decline in revenue was from above-average refunds, likely due to more taxpayers claiming ad valorem credits than expected. 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 taxpayers’ severance tax liability are based upon property taxes paid one or two years ago, depending on if the taxpayer pays taxes on an accrual basis or cash basis. The record refund levels in FY 2024-25 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 percent 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 were applied as ad valorem credit claims against their severance tax liability in FY 2024-25.

In FY 2025-26, severance tax revenue is projected to more than double to \$170.3 million, primarily due to lower taxpayer refund expectations. Taxpayer refunds are expected to normalize in this fiscal year with lower projected ad valorem credits available. This revenue increase is expected despite lower oil price expectations. In 2025, West Texas Intermediate oil prices are expected to decline by 17 percent compared to 2024 levels to approximately \$64 per barrel before declining 21 percent further in 2026 to an estimated \$50 per barrel. Despite these price declines, revenue is expected to normalize to average levels due to fewer refunds and higher natural gas price expectations. Since FY 2000-01, severance tax revenue collections averaged approximately \$160 million. In FY 2026-27, revenue is expected to decline by 10.2 percent to below average levels of \$153.0 million as lower oil prices weigh on revenue. In FY 2027-28, revenue is projected to increase to above-average levels of \$213.2 million from normalizing oil and gas prices.

This severance tax forecast also takes into account policy adjustments with revenue impacts from the 2025 legislative session, which include SB25-040, SB25-307, and SB25-317. In FY 2025-26, SB25-317, *Transfer Cash Fund Investment Earnings to the Gen Fund*, diverts severance tax interest earnings that would otherwise be credited to the Local Government Severance Tax Fund and Just Transition Cash Fund to the General Fund. This action results in reduced interest earnings from severance tax revenue of an estimated \$9.4 million in FY 2025-26 and \$0.7 million in FY 2026-27. In FY 2026-27 and ongoing, only interest earnings from the Just Transition Cash Fund are diverted. This reduction in severance tax revenue is offset by a corresponding increase in General Fund interest revenue. This forecast also considers impacts from SB25-040, *Future of Severance Taxes and Water Funding Task Force*, which delays a change to the ad valorem credit calculation from Tax Year 2026 to Tax Year 2028. Finally, this forecast also takes into account SB25-307, which limits the distribution of oil and gas severance tax revenue to the Decarbonization Tax Credits Administration (DTCA) Fund to the net total of oil and gas severance tax revenue in years in which earnings from the reduced ad valorem credit result in higher revenue than overall oil and gas revenue.

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 under the current calculation at 75 percent as provided for within SB25-040. In Tax Year 2027, the reduced level of the ad valorem credit expires and is increased back to 87.5 percent. 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 (DNR), and the other 50 percent is allocated to the Department of Local Affairs (DOLA). Of the amount distributed to DNR, 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 DOLA, 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 45.

Figure 45. Severance Tax Forecast Distribution Table

	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Total Severance Tax Revenue (excluding interest, in millions)	\$37.1	\$154.3	\$132.8	\$192.0
<i>Distribution</i>				
Decarbonization Tax Credits Administration	\$24.0	\$29.0	\$15.7	\$0.0
Department of Natural Resources	\$6.6	\$62.7	\$58.6	\$96.0
Department of Local Affairs	\$6.6	\$62.7	\$58.6	\$96.0

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. In FY 2024-25, DORA revenues increased 20.9 percent, 10.9 percent more than expected in the June forecast, due to elevated Division of Insurance and Real Estate Cash Fund revenue at the end of the fiscal year. New 2025 state legislation enacted during the regular legislative session that impact DORA cash funds primarily have an impact on FY 2026-27 and ongoing, with continuations of existing revenue sources and various fee modifications in the Division of Insurance and Division of Professional Occupations. The main fiscal impact from new legislation comes from HB25-1154, *Communication Services People with Disabilities Enterprise*, which changes the funding structure for services by replacing the Telephone Users with Disabilities Fund with different TABOR-exempt fees on wireless voice services and prepaid wireless retail transactions that are remitted to the Communication Services for People with Disabilities Enterprise. Preliminary actuals for FY 2024-25 show 20.9 percent growth to \$116.2 million in DORA revenue, and the revenue forecast for DORA cash funds is 1.0 percent growth in FY 2025-26 to \$117.4 million, 2.6 percent in FY 2026-27 to \$120.5 million, and 2.8 percent growth in FY 2027-28 to \$123.9.

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 delineates 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 66.1 percent of revenue in the miscellaneous cash fund forecast in FY 2024-25. Enacted bills from the 2025 regular legislative session reduced revenue in FY 2025-26 by \$149.8 million, but tax credit sales from the 2025 extraordinary legislative session enacted by HB25B-1004 and HB25B-1006 increased revenue expectations in FY 2025-26 by \$200 million. In HB25B-1006, *Improve Affordability Private Health Insurance*, \$100 million in revenue generated from insurance

premium and corporate tax credits sales will be directed to the Health Insurance Affordability (HIA) Cash Fund, thereby disqualifying the HIA Enterprise’s TABOR Exempt status for FY 2025-26 and classifying all revenue generated by the HIA Enterprise in FY 2025-26 as subject to TABOR. This change in TABOR classification for the HIA Enterprise’s revenue will increase revenue subject to TABOR in Miscellaneous Cash Funds by an estimated \$150.2 million in FY 2025-26 on a one-time basis. Outside of legislative impacts, the Adult Dental Fund, discussed in more detail below, was revised up again by \$6.5 million in FY 2025-26 and \$2.7 million in FY 2026-27 based on elevated year-to-date actuals. Additionally, the Information Technology Revolving Fund was revised up \$15.9 million in FY 2025-26 due to an error in OSPB’s forecast for OIT’s fiscal year reconciliation of charges to TABOR-exempt enterprises.

Compared to the June OSPB Forecast, FY 2024-25 revised down by \$3.5 million, FY 2025-26 is revised up \$381.9 million, and FY 2026-27 is revised up \$27.5 million. Figure 46 details the forecast revenue through FY 2027-28. The additional \$350 million in revenue from the 2025 extraordinary session bills are included within the “Other” category below.

Figure 46. Miscellaneous Cash Funds Revenue Estimates (Millions)

	Preliminary FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
Top 25	\$640.9	\$569.3	\$605.3	\$618.5
Growth	1.8%	-11.2%	6.3%	2.2%
Other	\$329.1	\$727.4	\$434.2	\$461.0
Growth	6.4%	121.0%	-40.3%	6.2%
Total	\$970.0	\$1,296.7	\$1,039.5	\$1,079.5
Growth	3.3%	33.7%	-19.8%	3.8%

To highlight the impact that Adult Dental, tax credit sale proceeds, and Health Insurance Affordability cash funds are having on the miscellaneous cash funds forecast, the below table details the annual forecast amount for the traditional categories while breaking out these three cash funds. Without including these funds, the Top 24 cash funds would see growth of -16.4 percent in FY 2025-26, while other miscellaneous funds would see growth of 14.6 percent in FY 2025-26. In total, miscellaneous cash funds would record growth of -5.1 percent by excluding these funds’ revenue impacts.

Figure 47. Miscellaneous Cash Funds Revenue Estimates (Millions)

	Preliminary FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
Top 24 (Not including Adult Dental)	\$574.9	\$480.6	\$518.3	\$534.9
Adult Dental	\$66.1	\$88.8	\$87.0	\$83.6
Tax Credit Sale Proceeds (TCSP) Cash Fund	\$0	\$200.0	\$0	\$0
Health Insurance Affordability (HIA) Cash Fund	\$0	\$150.2	\$0	\$0

	Preliminary FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
Other (Not including TCSP or HIA)	\$329.1	\$377.1	\$434.2	\$461.0
Total	\$970.0	\$1,296.7	\$1,039.5	\$1,079.5

An important note about the legislatively driven forecast revisions tied to SB25-262 *Changes to Money in the Capital Construction Fund* and SB25-317 *Transfer Cash Fund Investment Earnings to General Fund* is that any decrease in interest revenue in any cash fund revenue stream has a corresponding increase in interest revenue in the General Fund interest revenue, which is detailed in the “Other General Fund Revenue” section. Therefore, while the interest revenue impacts from SB25-262 and SB25-317 don’t change the amount of revenue subject to TABOR, they do increase General Fund availability dollar-for-dollar.

Adult Dental Fund

A particular fund to highlight within Miscellaneous Cash Fund is the Adult Dental Fund, which is the largest individual cash fund within the category for FY 2024-25 and is forecast to remain the largest for FY 2025-26, FY 2026-27, and FY 2027-28. This fund is unique within all cash fund revenue subject to TABOR, because the revenue is directly related to Adult Dental Medicaid benefits expenditures. The benefit had previously been limited to \$1,500 per person annually, but that limit was removed in 2023. At that time, it was unknown how much the increased usage of the Adult Dental benefit would increase expenditures and revenue subject to TABOR. As a result, the Adult Dental Fund revenue forecast has undergone upward revisions every quarter from the December 2023 OSPB forecast through June 2025, with the single exception being FY 2024-25 revenue coming in below the June 2025 Forecast. In order to fully implement the Adult Dental Medicaid benefit, required funds are transferred from the Unclaimed Property Trust Fund (UPTF) to the Adult Dental Fund. The transfer is accounted for as revenue subject to TABOR because the UPTF is outside of the State’s TABOR district, and transferring UPTF dollars into the State’s district falls under the definition of revenue subject to State’s TABOR limit. The Adult Dental Fund received \$66.1 million in FY 2024-25 and is forecast to receive \$88.8 million in FY 2025-26, \$87.0 million in FY 2026-27, and \$83.6 million in FY 2027-28. The expected decline in the out-years is due to improving economic conditions.

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 revenue because of their significant budgetary implications. In particular, these revenues impact the General Fund, Marijuana Tax Cash Fund (MTCF), 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 described in more detail below.

Healthy School Meals for All (HSMA)

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 and by securing additional federal funding for school meals. In Tax Year 2023, there were 187,231 state tax returns impacted by Proposition FF tax provisions, contributing to \$109.2 million in revenue for that year. Based on the most recent taxpayer data for Tax Year 2024, as of September 1st, there have been 153,153 state tax returns with a HSMA revenue impact have been filed with revenue tax-year-to-date at \$105.6 million, with the average HSMA revenue per qualifying return of \$690. Final Tax Year 2024 revenue data will be reported by OSPB on December 1, 2025.

Figure 48. Healthy School Meals for All Revenue

	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast
Revenue (Millions)	\$132.3	\$149.8	\$150.7	\$155.6
Growth	18.2%	13.2%	0.6%	3.2%

For FY 2023-24, actual HSMA revenue on an accrued basis was \$112.0 million, exceeding the estimate published in the ballot language and 2022 Blue Book for Proposition FF. Due to this, HB25-1274 referred a retention measure to the ballot for the November 2025 election. If approved, this measure would allow the state to retain and spend the excess revenue collected in FY 2023–24 and ongoing. If the measure is not approved, Proposition FF tax policy and subsequent revenue estimates for all fiscal years shown in Figure 48 will need to be adjusted to remain consistent with the original Blue Book revenue estimates. For FY 2024-25, revenue increased by 18.2%, reaching \$132.3 million. In the June forecast, OSPB had revised up the estimates on both the number of taxpayers and the amount that the average taxpayer is contributing to HSMA revenue for Tax Year 2024 due to actuals coming in higher than previously expected. This trend continued in the most recent report with average HSMA revenue per qualifying return remaining higher than last year at \$690 compared to an average of \$583 for Tax Year 2023. For FY 2025-26, OSPB expects HSMA revenue to grow by 13.2 percent to \$149.8 million. This is a significant upward revision of \$34.9 million compared to the June forecast due to the enactment of the federal reconciliation bill, H.R. 1, which is expected to increase revenue to HSMA. For FY 2026-27, OSPB expects HSMA revenue to grow slightly by 0.6 percent to \$150.7 million which is an upward revision of approximately \$63 million compared to the June forecast, due to a full year’s impacts from H.R. 1.

H.R. 1 included a range of tax provisions that affect taxable income, with direct implications for Colorado’s income tax base. One of the largest concerns for HSMA revenue in previous forecasts from FY 2025-26 onwards was the expiration of the higher standard deduction provisions put in place by the Tax Cuts and Jobs Act of 2017 (TCJA). H.R. 1. permanently extended and enhanced the higher standard deduction provisions put in place under TCJA. Originally, TCJA increased the standard deduction amounts to \$12,000 for single filers and \$24,000 for joint filers with increases based upon inflation. H.R. 1 permanently increased standard deduction amounts to \$15,750 for single filers and \$23,625 for individuals who file as head of household, and \$31,500 for married individuals filing jointly, which are all adjusted annually for inflation. If the TCJA provisions had expired, there would have been lower revenue allocated to HSMA from filers choosing the standard deduction since the standard deduction would have fallen below or near the Proposition FF limits. Hence, this extension of the standard deduction provisions is the primary reason for the majority of the HSMA upward revision in both fiscal years, with a half-year impact of H.R. 1 in FY 2025-26 and a full-year impact in FY 2026-27. Additionally, H.R. 1 raises the State and Local Tax (SALT) deduction cap from \$10,000 per household to \$40,000 for married couples with income at or below \$500,000, effective through 2029. The cap will be indexed for inflation, starting at \$40,400 in 2026, but will revert to \$10,000 in 2030. In effect, H.R. 1 allows high-income filers to claim a larger deduction on their federal taxes through this provision. However, because Proposition FF requires these excess federal deductions to be added back to Colorado taxable income, the higher SALT cap will indirectly increase state tax revenue, which increases revenue to the Healthy School Meals for All (HSMA) program.

In addition to H.R. 1, there is a legislative change at the state level that will provide an increase to HSMA revenue, dependent upon voter approval. HB25-1274, *Healthy School Meals for All Program*, passed during the 2025 Legislative session, referring two ballot measures to voters at the November 2025 statewide election. The first ballot measure, if approved, would allow the state to retain and spend revenue collected in FY 2023-24 in excess of the revenue estimate provided to voters in the 2022 Blue Book. As previously noted, if this measure is not approved, all HSMA revenue projections presented in Figure 48 would be revised downward, as specifics within the tax policy would be adjusted such that Proposition FF revenue over collections fit within the original Blue Book estimate. The second ballot measure would increase revenue to HSMA beyond Proposition FF levels, that if approved would reduce the Proposition FF addback thresholds from \$12,000 to \$1,000 for single tax filers and from \$16,000 to \$2,000 for joint taxpayers. If approved, OSPB estimates this expansion measure will bring in additional revenue of approximately \$56 million in FY 2025-26 and approximately \$113.6 million in FY 2026-27, all of which would be available to support the Healthy School Meals for All (HSMA) program. As a note, OSPB expects \$12.6 million more revenue than the final blue book estimate in Tax Year 2026, largely based on the number of tax filers expected in Tax Year 2026. As previously noted, OSPB has revised up its expectations of tax filers in 2024 based on elevated returns to date

compared to the previous year. SB24-214 required that if HSMA revenue was not at least \$150 million per year starting in Tax Year 2026, the scope of the program would change to only serve eligible sites that are defined as sites that currently participate in the Community Eligibility Provision (CEP). However, due to H.R. 1, HSMA revenue is projected at higher levels, and OSPB now expects there will be sufficient revenue available to fully fund the HSMA program at current levels. SB25B-003, enacted during the 2025 extraordinary legislative session in August, made changes to the expansion measure referred to by HB25-1274, by allowing revenue raised under the measure to support the Supplemental Nutrition Assistance Program (SNAP) as well due to H.R. 1 shifting more of the cost of SNAP funding to states. If the expansion measure were to pass, OSPB estimates approximately \$70 million in HSMA revenue would be available for SNAP programming in FY 2026-27.

Sports Betting

Sports betting has become increasingly accessible and popular throughout the country and in Colorado. A majority of states have legalized sports betting, and over half of U.S. adults have access to retail betting locations (such as casinos) or sports betting websites¹⁷. Sports betting was legalized in Colorado in 2019 through the passage of Proposition DD and officially began in May of 2020. In 2023, over \$121 billion was wagered in the U.S., and in 2024 that number grew to \$148.7 billion¹⁸, an increase of 22.8 percent. During that same period, Colorado wagers grew 11.3 percent. Wager growth in the U.S. is likely attributable to new states legalizing sports betting and new bettors participating for the first time. While historical wager growth has been relatively strong, including 16.2 percent growth in FY 2023-24, there is evidence of moderating growth as the industry in Colorado matures, indicated by reduced annual new bettor growth and increased amounts bet by the existing customer base. In FY 2024-25, wager growth slowed to 4.8 percent, and FY 2025-26 and FY 2026-27 are forecast to be 3.5 percent and 3.0 percent respectively.

OSPB forecasts sports betting tax revenue will continue growing significantly in Colorado but as a result of increases in handle and the effective tax rate instead of wagers. The handle, or hold percentage, is the amount sports betting operators retain after distributing payments to players. A low hold percentage indicates a successful month for bettors, while a high hold percentage indicates a successful month for sports betting operators. Historically, Colorado has been one of the leading states in terms of hold for bettors, second only to Nevada, which carries a reputation for more experienced bettors as the most mature market and destination for experienced bettors. In recent months, Colorado's hold percentage for operators has been trending upwards, as the state's average hold has grown from 6.9 percent prior to 2024 to 8.4 percent since January 2024, potentially due to the market's expansion to less experienced

¹⁷ Legal Sports Report (2025). [US Sports Betting Revenue and Handle \(link to source\)](#).

¹⁸ Sportsbook Review (2025) ([link to source](#)).

participants. Hold percentage can be impacted by trends in sports, especially some of the major sports that receive a larger share of bets in Colorado, such as professional basketball and football. One trend that may be playing into the fluctuating hold percentage is that the win percentage in the most recent season of professional football was heavily skewed toward the “favorites”, with the favorite winning 72.1 percent of the time in the 2024 season, which was up from the 66.2 percent average in the preceding three seasons, resulting in a better season for bettors¹⁹. Another factor is that there tends to be a correlation between a low hold percentage and success across local sports teams, as the 2024 Broncos, Nuggets, and Avalanche all reached the playoffs while the University of Colorado Buffaloes football team reached the Alamo Bowl. Despite favorable outcomes for bettors last year, hold percentages continue to increase in Colorado, particularly in 2025, as the hold percentage rose to an average of 9.2 percent through July. OSPB has further revised up the hold percentage expectations due to recent months of elevated hold percentage and as Colorado trends toward the national average of 8.6 percent²⁰.

Additionally, HB25-1311 *Deductions for Net Sports Betting Proceeds* has updated the tax base of sports betting revenues for operators. Colorado taxes sports betting by taxing Net Sports Betting Proceeds (NSBP) by 10 percent. This allows sports betting operators to deduct federal excise tax and a portion of free bets offered to bettors from their state tax liability. The updated legislation limits these free bet deductions to 1 percent of all wagers beginning in January 2026 and then eliminates these deductions beginning July 2026. This legislation will boost Colorado NSBP and the amount of sports betting tax revenue that Colorado receives. This will apply upward pressure to this revenue stream, and OSPB has revised the sports betting tax forecast upward in the forecast years accordingly. One long-term downside risk to this revenue would be prediction markets expanding into sports. These markets, which are not subject to Colorado sports betting statutes and taxation, could reduce market share from current sports betting operators, decreasing future tax revenues.

Figure 49. Colorado Sports Betting Taxation Revenue Distribution

	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Total Sports Betting Tax Revenue	\$36.8	\$43.9	\$54.1	\$55.6
<i>Year-Over-Year Change</i>	<i>21.0%</i>	<i>19.3%</i>	<i>23.2%</i>	<i>2.7%</i>
Hold-Harmless Fund (6%)	\$2.2	\$2.6	\$3.3	\$3.3
Water Plan Implementation Cash Fund	\$34.2	\$40.7	\$50.2	\$51.5

¹⁹ Sports Odds History (2025) ([link to source](#))

²⁰ Legal Sports Report (December 2024) ([link to source](#)).

As shown in Figure 49 above, sports betting revenues are distributed by a formula. Following the passage of Proposition JJ on the Colorado ballot this past November, the state is allowed to retain all revenue in excess of \$29 million. Six percent of sports betting revenue goes to the Wagering Revenue Recipients Hold-Harmless Fund to offset any demonstrated loss of revenue attributable to sports betting. Prior to FY 2024-25, \$130,000 was directed to the Behavioral Health Administration in the Department of Human Services to operate a crisis hotline for gamblers and to assist the prevention, education, and treatment of gambling disorders, as well as workforce development for counselors certified in the treatment of gambling disorders. However, that statute has been repealed and the transfer no longer occurs. The vast majority of the funds (minus administration costs) are disbursed into the Water Plan Implementation Cash Fund.

Marijuana

Total marijuana revenue in FY 2024-25 was largely aligned with expectations relative to the June forecast (1.4 percent below expectations). Medical and retail continue to decline, while wholesale, which has been inconsistent month-to-month throughout FY 2024-25, is around flat growth over the fiscal year. This suggests that wholesale sales are stabilizing after the previous two fiscal years, which saw double-digit year-over-year declines nearly every month. As discussed in the June forecast, this may be related to the growth in flower sales relative to concentrate, which may be driving higher demand for wholesale to satisfy customer demand for fresher products. While the increased demand has not yet led to increases in the average market rate (AMR) prices, which remain at a historic low, should this demand pattern hold, then price increases will likely follow. Preliminary actuals for FY 2024-25 show an overall 6.0 percent decline in marijuana revenue, followed by an anticipated decline of 1.5 percent in FY 2025-26. Growth is expected to turn positive in FY 2026-27 by 2.5 percent followed by 2.9 percent growth in FY 2027-28.

Figure 50. Marijuana Tax Revenue Through FY 2027-28

Marijuana Tax Revenue	Preliminary FY 24-25	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28
Proposition AA Taxes (Not Subject to TABOR)				
Retail Marijuana 15% Special Sales Tax	\$186.4	\$183.0	\$187.6	\$193.3
Retail Marijuana 15% Excise Tax	\$42.3	\$42.1	\$44.3	\$45.8
Interest Earnings	\$3.6	\$3.5	\$3.0	\$3.0
Total Proposition AA Taxes	\$232.2	\$228.6	\$234.9	\$242.1
2.9% Sales Tax & Interest (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	\$3.2	\$3.6	\$3.3	\$3.2
Retail Marijuana 2.9% State Sales Tax	\$1.5	\$1.1	\$1.1	\$1.0
Interest Earnings	\$0.1	\$0.1	\$0.1	\$0.1
Total 2.9% Sales Taxes & Interest	\$4.9	\$4.9	\$4.5	\$4.3
Total Marijuana Taxes	\$237.1	\$233.5	\$239.4	\$246.5

Marijuana revenue is distributed to several different sources once collected, the largest being (1) the Marijuana Tax Cash Fund (MTCF) from the retail special sales tax and (2) BEST School Capital Construction from the excise tax on wholesale purchases. During the 2025 regular legislative session, SB25-268 was enacted, changing the allocation formula for revenue from the special sales tax. Starting in FY 2025-26, distribution to local governments will fall to 3.5 percent (previously 10 percent), and distribution to the General Fund will increase from 90 percent to 96.5 percent, of which 14.51 percent will be retained, 11.74 percent will go to the State Public School Fund (SPSF), 1.55 percent will go to the Marijuana Cash Fund, and 72.2 percent will go to the MTCF. This change keeps the retained General Fund and SPSF allocations at the same levels, while increasing funding to the MTCF and decreasing funding to local governments. Allocations to each of these funds per the new formula are shown below.

Figure 51. Forecast-Over-Forecast Revisions by Fund

Marijuana Tax Revenue (Sep)	Total Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Fund	Marijuana Tax Cash Fund	Marijuana Cash Fund
Preliminary FY 2024-25	\$237.1	\$18.6	\$26.1	\$42.3	\$21.1	\$129.0	\$0.0
Forecast FY 2025-26	\$233.5	\$6.4	\$25.6	\$42.1	\$20.7	\$135.9	\$2.7
Forecast FY 2026-27	\$239.4	\$6.6	\$26.3	\$44.3	\$21.3	\$138.3	\$2.8
Forecast FY 2027-28	\$246.5	\$6.8	\$27.1	\$45.8	\$21.9	\$142.0	\$2.9

Change from June	Total Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Fund	Marijuana Tax Cash Fund	Marijuana Cash Fund
Forecast FY 2024-25	-\$1.1	-\$0.1	-\$0.2	\$0.6	-\$0.1	-\$1.4	\$0.0
Forecast FY 2025-26	-\$1.3	-\$0.1	-\$0.3	\$0.9	-\$0.2	-\$1.7	\$0.0
Forecast FY 2026-27	-\$2.8	-\$0.1	-\$0.5	\$1.0	-\$0.4	-\$2.6	-\$0.1

The relative stability of the marijuana revenue over the last quarter leads to small downward revisions of \$1.1 million in FY 2024-25, \$1.3 million in FY 2025-26, and \$2.8 million in FY 2026-27. Almost all of this decline is concentrated in the MTCF; however, these estimates are still higher than they otherwise would be given the new allocation formula, which went into effect July 1, 2025. BEST revenue is revised up throughout the forecast period based on the projected stability of wholesale revenue going forward.

Federal Mineral Lease

Federal mineral lease (FML) revenue declined in FY 2024-25 to a below-average level of \$85.0 million, after a weak first half of the fiscal year was partially buoyed by stronger collections in the latter half of the year due to recovering natural gas prices. This was the second consecutive year of below-average collections, following a weak FY 2023-24, also due to lower natural gas

prices. Through the first half of FY 2024-25, Henry Hub prices averaged \$2.27 per million BTU compared to the 10-year average of \$3.10, leading to revenue weakness early in the fiscal year. However, prices increased by nearly 62 percent over the second half of the fiscal year to an average of \$3.67, leading to higher revenue collections to end the year. With above-average natural gas prices and below-average oil price expectations underpinning the forecast, FML revenue is projected to grow and return closer to average levels in FY 2025-26 and FY 2026-27. However, due to provisions within the federal reconciliation bill, H.R. 1, there are lower revenue expectations due to the decreased royalty rate on coal provided for within the bill, which will lower royalty revenue to the State. Royalty revenue derived from natural gas production on federal leases accounts for nearly half of total FML revenue in Colorado in a typical year, while oil comprises approximately 20 percent and carbon dioxide and coal make up the remaining 30 percent. This means that natural gas price fluctuations impact FML revenue collections more than severance tax revenue, which is more reliant on oil production and price. Energy price assumptions are discussed in more detail in the energy section of the economic outlook.

FML revenue declined by 12.3 percent in FY 2024-25 to \$85.0 million. Compared to the June forecast, actual revenue for the fiscal year was \$1.7 million below expectations. In FY 2025-26, FML revenue is estimated to grow by 13.0 percent to \$96.0 million. This represents a downward revision of \$15.8 million from June due to the lower coal royalty rate in H.R. 1 and a weaker oil price forecast. Revenue is projected to slowly increase by 0.5 percent to \$96.5 million in FY 2026-27, largely reflecting a steady sector from the year prior. In FY 2027-28, revenue is projected to increase to \$102.2 million on normalizing oil and gas prices. The new coal royalty rate provisions provided for within H.R. 1 are projected to decrease FML revenue by approximately \$6.5 million annually over the forecast period. The reduced oil and gas royalty rates provided for within H.R. 1 are not expected to materially impact FML revenue in Colorado since the higher royalty rates that were previously in place only impacted new oil and gas leases since the enactment of the Inflation Reduction Act. There is potential for additional FML revenue over the forecast period if oil and gas or coal industries respond to reduced royalty rates and the federal government’s deregulatory policy approach by increasing investment on federal lands. However, this forecast assumes that industry interest to invest on federal lands will remain similar to the previous decade. Since FY 2016-17, annual FML revenue collections averaged \$101.8 million. The FML distribution forecast can be found in Figure 52.

Figure 52. Federal Mineral Lease Forecast Distribution Table

	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Total FML Revenue	\$85.0	\$96.0	\$96.5	\$102.2
Change	-12.3%	13.0%	0.5%	5.9%
Bonus Payments (portion of total FML revenue)				
Local Government Perm Fund	\$0.2	\$0.4	\$0.4	\$0.5
Higher Ed FML Revenues Fund	\$0.1	\$0.2	\$0.2	\$0.3

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	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Non-Bonus FML Revenue	\$84.8	\$95.7	\$96.2	\$101.7
State Public School Fund	\$41.0	\$46.2	\$46.5	\$49.1
Colorado Water Conservation Board	\$8.5	\$9.6	\$9.6	\$10.2
DOLA Grants	\$17.0	\$19.1	\$19.2	\$20.3
DOLA Direct Distribution	\$17.0	\$19.1	\$19.2	\$20.3
School Districts	\$1.4	\$1.6	\$1.6	\$1.7

Lottery

Total lottery sales in FY 2024-25 were \$827.9 million, of which 72.4 percent were from Scratch games. After Scratch, jackpot games such as MegaMillions, Powerball, and Lotto made up 21.2 percent of sales. The remaining 6.4 percent is made up of Lucky for Life, Cash 5, and Pick 3. Figure 53 shows projections of lottery sales broken down by game.

Figure 53: Lottery Revenues, in Millions of Dollars

	Actual FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Scratch	\$599.7	\$612.1	\$653.3	\$682.7
Powerball	\$65.0	\$120.4	\$79.4	\$85.2
MegaMillions	\$60.6	\$60.3	\$64.7	\$71.6
Lotto	\$49.7	\$51.8	\$52.0	\$53.0
Lucky for Life	\$22.9	\$25.3	\$25.8	\$26.2
Cash 5	\$14.5	\$13.7	\$12.9	\$12.2
Pick 3	\$15.4	\$15.2	\$15.4	\$14.6
Total	\$827.9	\$898.9	\$903.5	\$945.6

After an increase in total lottery sales of 1.2 percent in FY 2023-24, total sales declined by 8.1 percent in FY 2024-25. This was largely due to a dearth of jackpots over \$1 billion in that fiscal year, as compared with a historic five \$1 billion jackpots in FY 2023-24. As a result, Powerball and MegaMillions sales dropped by 52 percent and 18.7 percent, respectively. It typically takes at least 12 weeks for jackpots to grow to \$1 billion. When jackpot games reach this point, ticket sales increase as consumers are drawn to the larger prize amount. Thus far in FY 2025-26, there has been one large billion-dollar jackpot, with four draws over \$1 billion. A jackpot of this scale so early in the fiscal year, combined with the potential of other large jackpots, translates to a rebound in expected sales growth in Powerball of 85.2 percent in FY 2025-26 before moderating in FY 2026-27. Meanwhile, Scratch revenues are expected to grow by 2.1 percent in FY 2025-26, and OSPB is projecting sales growth of 6.7 percent in FY 2026-27 as a result of an expansion of gaming possibilities.

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 2023-24, the lowest percentage of sales going to the

distribution was 21.3 percent. In FY 2024-25, the percentage of sales going to the distribution was 20.5 percent. In FY 2025-26, OSPB expects this percentage to see a modest increase to 21.1 percent, before dipping to 20 percent in FY 2026-27 due to anticipated higher administrative costs. Figure 54 shows anticipated distributions to lottery beneficiaries.

Figure 54. Lottery Distributions, in Millions of Dollars

	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Total distribution	\$169.8	\$189.3	\$181.0	\$187.9
Constitutional distribution	\$169.8	\$182.6	\$180.8	\$187.4
<i>Conservation Trust Fund</i>	\$67.9	\$75.7	\$72.4	\$75.1
<i>GOCO</i>	\$84.9	\$88.0	\$90.2	\$93.5
<i>CPW</i>	\$17.0	\$18.9	\$18.1	\$18.8
Statutory distribution	\$0.0	\$6.7	\$0.3	\$0.4
<i>Outdoor Equity Fund</i>	\$0.0	\$4.0	\$0.3	\$0.4
<i>BEST</i>	\$0.0	\$2.7	\$0.0	\$0.0
<i>OREC Economic Development</i>	N/A	\$0.0	\$0.0	\$0.0
<i>Park/Outdoor Rec CF</i>	\$0.0	\$0.0	\$0.0	\$0.0
<i>Wildlife CF</i>	\$0.0	\$0.0	\$0.0	\$0.0
<i>Strategic OREC Management</i>	N/A	N/A	\$0.0	\$0.0

Of the funds that enter the distribution, the Colorado constitution stipulates that 40 percent is sent to the Conservation Trust Fund to support municipalities and counties, whereas 10 percent is directed towards the Parks and Outdoor Recreation Cash Fund for the acquisition, development, and improvement of state parks and recreation areas. Additionally, Great Outdoors Colorado (GOCO) receives a distribution increasing at the pace of inflation to help preserve and enhance the state’s parks. Any funds that remain after the constitutional disbursements have been made are then distributed according to a statutory formula. Accordingly, the first \$4 million is sent to the Outdoor Equity Grant Program, the subsequent \$3 million is sent to the BEST School Capital Construction fund, and the next \$750,000 is sent to the Outdoor Recreation Economic Development Cash Fund. Any remaining funds are then divided on a percentage basis, whereby the Outdoor Equity Cash Fund receives 10 percent, the BEST program receives 50 percent, the Wildlife Cash Fund receives 20 percent, and the Parks and Outdoor Recreation Cash Fund receives the final 20 percent. In the event that the total amount of funds for the statutory distribution exceeds \$20 million, the percentage-basis distribution of remaining funds is slightly altered.

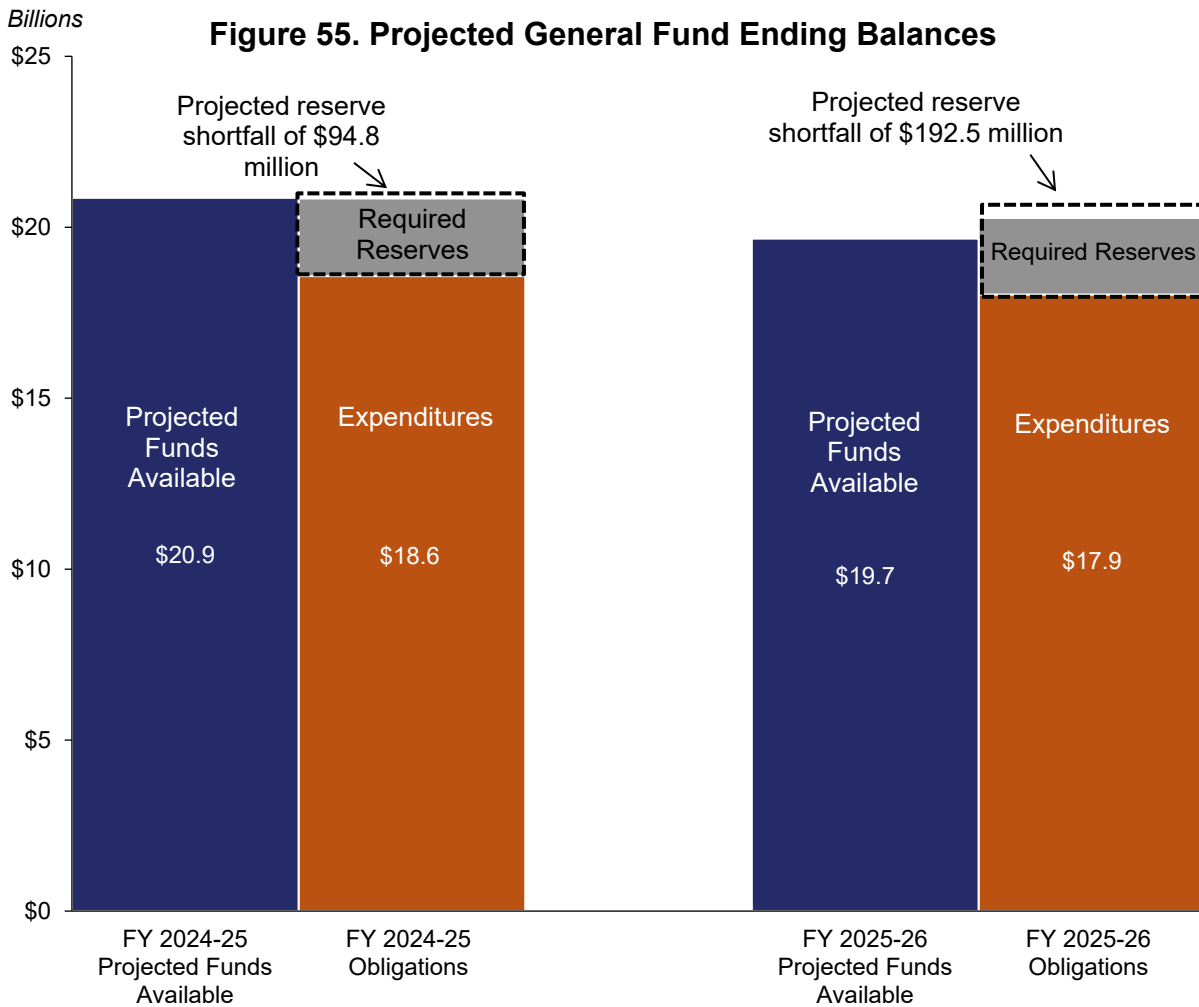
In FY 2024-25, the Conservation Trust Fund received \$67.9 million, CPW received \$17 million, and GOCO received the remaining \$84.9 million, which was \$1.1 million short of the GOCO cap of \$86 million. In FY 2025-26, OSPB expects distributions to spill over into the Outdoor Equity

Fund and part of the BEST portion of the statutory distribution, as sales are expected to increase faster than the growth of the GOCO cap. Then, in FY 2026-27, statutory distribution amounts are expected to fall, with the spillover partially funding the Outdoor Equity Fund portion, as sales growth moderates.

Budget Outlook

General Fund

In FY 2024-25, General Fund preliminary revenue collections fell 0.4 percent, an upward revision of \$67.3 million as final estimated payments came in above expectations. In FY 2025-26, gross general fund revenue is expected to again decline mildly at 0.8 percent, a downward revision of \$756.0 million, due to the negative impacts from H.R. 1 more than offsetting upward revisions to personal income and retail trade assumptions that flow into OSPB’s income and sales tax revenue projections.



In Figure 55 above, the gray bar represents the amount of total reserves relative to the dashed box representing the statutory reserve requirement. OSPB presents the budgetary outcomes resulting from the revenue projections included in this forecast combined with all bills passed in the 2025 state legislative session, the 2025 state extraordinary session, the federal bill H.R. 1 signed on July 4th by President Trump, and the Governor’s August 28th Executive Order. Note that the FY 2025-26 balancing above represents not only the spending restrictions captured in Table 4A in the appendix, but also proposed changes to transfers and diversions found in Table 4b that have yet to be taken up by the legislature. Without those changes, the budgetary shortfall of the 15 percent reserve is expected to be \$357.1 million, as displayed in Table 4a (which includes only current law).

Also, SB25-310 implements Proposition 130, which requires the state to provide \$350 million in additional funding to local law enforcement agencies after the passage on the November 2024 statewide ballot. The bill does so by issuing a \$500 million warrant to the Public Employees’ Retirement Association (PERA), and reduce future direct distributions thereby creating budget room to transfer General Fund into state accounts to improve recruitment, training, and retention of local law enforcement, and also fund death benefits to the family of first responders killed in the line of duty. Statute also considers this \$500 million a part of the state’s 15 percent reserve. Additionally, the 2024 legislative session made small, temporary adjustments to the 15 percent reserve on General Fund appropriations. In HB24-1231, \$41.3 million in General Fund is deposited into an escrow account to support capital construction costs related to health care education. The statutory reserve is temporarily adjusted downward by this amount until the money is released from escrow, at which point the reserve moves back as the state will recoup the money. Also, HB24-1466 includes an adjustment to the statutory reserve in FY 2024-25 to account for a one time shift in supporting state expenditures with federal funds. The final result is that the 15 percent reserve on appropriations is technically reported as 15.1 percent in FY 2024-25 and 14.8 percent in FY 2025-26, due to the impacts from those aforementioned state bills in 2024 and 2025.

In the current forecast, OSPB expects the state will be \$94.8 million below the statutory reserve limit for FY 2024-25. This is largely the result of an overexpenditure of \$68.6 million by the Department of Health Care Policy and Financing (HCPF). Cash fund revenues also came in higher than expected by \$24.2 million, and the elimination of an enterprise resulted in an increase in the TABOR limit by \$13.9 million. Other minor forecast revisions account for the remainder of the changes.

In FY 2025-26, the forecasted reserve is now \$192.5 million below the statutory requirement. The significant downward revision is primarily due to federal tax policy changes that directly impact state General Fund revenues, which were anticipated to drop the approximate 15 percent reserve expected in June down to a 10 percent reserve in the interim forecast²¹. Then the combination of impacts from the 2025 extraordinary legislative session combined with the

²¹ See the interim forecast presentation to the JBC on August 5th ([link](#))

Governor’s August 28th Executive Order to restrict spending and propose supplementary transfers, the reserve was then expected to increase to 13.0 percent in the current fiscal year of FY 2025-26²². Finally, the revisions up to the underlying economic assumptions on income and consumer spending this year are expected to now leave the reserve at 13.6 percent (\$192.5 million below the 15 percent reserve).

Figure 56 below illustrates the changes in the ending balance. While FY 2024-25 is relatively straightforward as described above, OSPB has broken down FY 2025-26 into chronological impacts – from the June forecast, to the H.R. 1 incorporated interim forecast, to the changes enacted during the special session, and finally for impacts resulting from forecast revisions. The passage of H.R. 1 created a revenue loss of \$1,024.6 million for the state, which was partially offset by the elimination of \$289.0 million of TABOR cap surplus, for a net impact of -\$735.6 million. In response, the legislature convened in a special session and modified tax policy that had a \$168.5 million impact, and a \$100.0 million transfer into the general fund from tax credit sales, while an executive order reduced spending by \$103.0 million, and proposed transfers and diversions that help General fund balancing by \$149.2 million, for a net special session/executive order impact of \$520.7 million. Finally, the \$70.3 million lower beginning FY 2025-26 balance, an increase of \$100.1 million in general fund revenue expectations, a decrease of \$2.8 million in transfers into the general fund, and small positive impacts from reduced rebates and expenditures, transfers from the general fund, and changes in the reserve. These impacts result in an ending balance forecast of -\$192.5 million below the 15 percent reserve.

Figure 56: Crosswalk between March and June Ending Balances

June Forecast FY25 Ending Balance Above/Below Reserve	(\$24.5)
(-) FY25 GF Overexpenditures	(\$68.6)
(-) Cash Fund Revenue Increase	(\$24.2)
(+) TABOR Limit Increase	\$13.9
(+) Exempt GF Revenue	\$5.6
(+) Transfers to GF	\$2.7
(-) Higher R&Es	(\$1.4)
(+) Reduced Transfers from GF	\$1.7
Sept Forecast FY25 Ending Balance Above/Below Reserve	(\$94.8)
June Forecast FY26 Ending Balance Above/Below Reserve	(\$40.9)
H.R. 1 Impacts	
(-) H.R. 1 GF Revenue Impacts	(\$1,024.6)
(+) TABOR Cap Surplus Elimination	\$289.0
H.R. 1 Subtotal Impacts	(\$735.6)
Special Session Impacts	
(+) SS GF Revenue Impacts	\$168.5
(+) Spending Restrictions from EO	\$103.0
(+) EO Transfers & Diversions	\$149.2

²² See the letter to the JBC about the executive order on August 28th ([link](#))

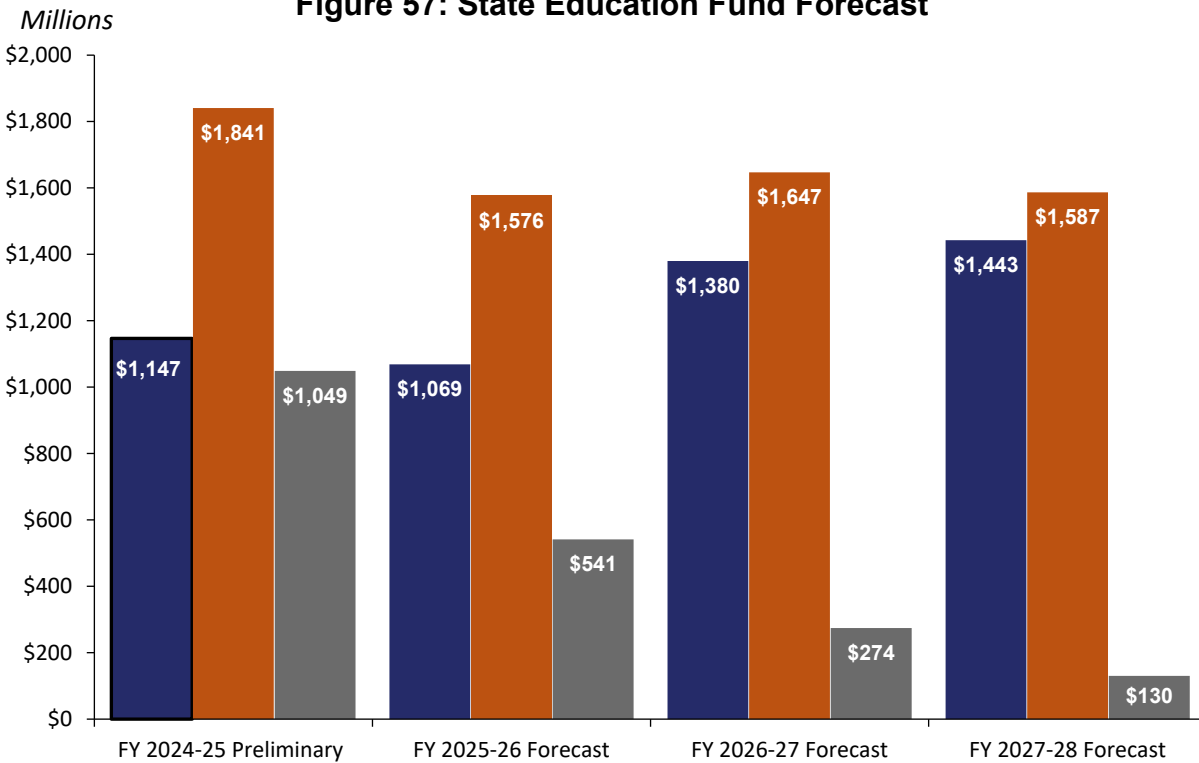
(/) HIA Disqualification (net zero offsetting impact)	\$0.0
(+) General Fund Transfer from Tax Credit Sales	\$100.0
SS Subtotal Impacts	\$520.7
Forecast Impacts	
(-) Change in Beginning Balance (from FY25)	(\$70.3)
(+) Forecast GF Revenue	\$100.1
(+) Forecast Transfers to GF	(\$2.8)
(+) Forecast R&Es	\$7.7
(+) Forecast Transfers from GF	\$13.1
(+) Changes in Reserve after Supplementals Pass	\$15.4
Forecast Subtotal Impacts	\$63.3
Sept Forecast FY26 Ending Balance Above/Below Reserve	(\$192.5)

State Education Fund

The State Education Fund (SEF) ended FY 2023-24 with a robust balance of \$1,674.1 million (\$1.67 billion, subsequent legislation passed during the 2024 and 2025 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 the legislative sessions of 2024 and 2025. From the 2024 Legislative Session 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). From the 2025 Legislative Session this includes SB25-113 (Mid-Year Adjustment to Funding) and HB25-1320 (School Finance Act).

In FY 2024-25 based on the latest actual estimates, the SEF balance decreased to \$1,049.0 million, a drop of \$625.1 million from the previous year. This is a downward revision of \$77 million from the June forecast, after incorporating the mid-year adjustments made to total program funding in SB25-113. In FY 2025-26, the SEF balance is projected to decrease to \$541.4 million and further decline to \$274.3 million in FY 2026-27 based on current law. For FY 2025-26, this is a downward revision of the ending balance of \$192 million from the June forecast, driven by lower SEF revenue expectations and higher total program expectations. From the June forecast revenue to the SEF has been revised down by \$113.9 million for FY 2025-26 and by \$72.3 million in FY 2026-27. In FY 2027-28, the SEF balance is expected to decline further by \$144.2 million to \$130.1 million.

Figure 57: State Education Fund Forecast



During the 2024 legislative session, in addition to property tax legislation, House Bill 24-1448 established a new school finance formula. This policy change is projected to increase the cumulative Total Program requirement by approximately \$284 million in FY 2025-26 and FY 2026-27 alone. In the 2025 legislative session, House Bill 25-1320 modified certain provisions of HB24-1448 while initiating implementation of the new formula. Taken together, the policy changes enacted in the 2024 and 2025 sessions are expected to increase state share requirements for school finance by approximately \$800 million over a three-year period. Recognizing the growing financial pressures on the State Education Fund (SEF), the General Assembly established the Kids Matter Account within the SEF through HB25-1320. Beginning July 1st, 2026, the bill requires that state revenues collected from an existing tax on 65 percent of one-tenth of federal taxable income must be deposited into the account. OSPB predicts this policy change will give a boost of \$221.6 million to the SEF in FY 2026-27, a revision down of \$14.1 million from the June forecast. In FY 2027-28, OSPB expects the Kids Matter diversion to be \$232.7 million. In the June forecast, OPSB anticipated a significant increase in SEF revenue due to the Kids Matter diversion. However, this diversion primarily provided a one-time boost in FY 2026-27—a boost that has been substantially reduced as a result of H.R. 1. Additionally, HB25-1320 caps the amount of revenue deposited in the Public School Capital Construction Assistance Fund (PSCCAF) at \$150 million. Any revenue collected above this cap is redirected to the State Public School Fund to support Total Program expenditures. This additional funding helps alleviate some of the pressure on the State Education Fund (SEF) in FY 2025-26 and FY 2026-27.

Under current law, 30 percent of the new School Finance Formula is scheduled to be implemented in FY 2026-27, with full implementation expected by FY 2031-32. Alongside the fiscal pressure of phasing in the new formula, OSPB projects the local share to grow by only 1 to 2 percent per year in the tax years 2026 and 2027 (that correspond with FY 2026-27 and FY 2027-28), placing additional strain on the state’s share. Given the growing demands on the School Education Fund (SEF) and the goal of maintaining a healthy SEF balance, OPSB estimates that an additional \$150 million from the General Fund will be required in FY 2026-27, increasing to \$250 million in FY 2027-28 to fully fund current law.

Forecast Risks

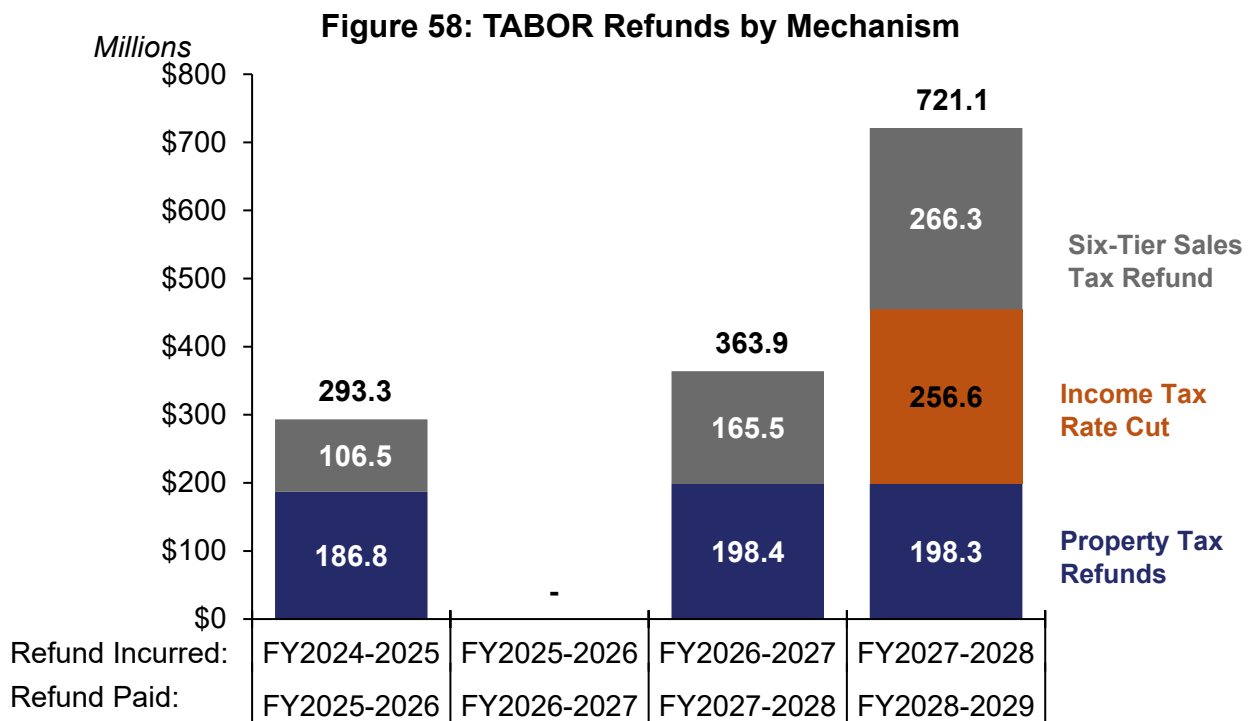
This budget outlook is based on OSPB’s economic forecast as detailed in Tables 1 and 2 of the Reference Tables at the end of this document. This economic forecast is subject to both upside and downside risks, though risks are weighted slightly to the downside. The state budget faces near-term risks resulting from cumulative inflationary impacts due to trade policy, alongside headwinds from immigration policy and tailwinds from pro-growth tax policy measures in the federal bill H.R. 1. Longer-term risks include the tax revenue and state expenditure impacts of increasing Medicaid caseload and 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 for all but one of the forecast years.



In FY 2024-25, the revenue above the cap is revised up to \$293.3 million after accounting for prior years’ refund adjustments, a \$69.3 million increase from the June forecast, based on actual revenues exceeding the forecast for the close of the fiscal year. In FY 2025-26, refunds are not projected to be incurred, as a result of the tax policy changes from H.R 1, which reduce anticipated revenues to below the cap. In FY 2026-27 TABOR refunds are revised down to \$363.9 million, a decrease of \$172.5 million, as OSPB expects H.R. 1 impacts to offset a rebound in the business and spending environment as monetary policy loosens and tariff impacts

stabilize. In FY2027-28, OSPB initially projects a \$721.1 million surplus as continued economic strength drives revenue growth in excess of growth in the spending cap.

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.

Compared to the June forecast, OSPB has significantly revised down the cost of the Senior Homestead and Disabled Veteran property tax exemption for Property Tax Year (PTY) 2025 and 2026 based on preliminary data from the Division of Property Taxation on utilization of the portability provision established in SB24-111. Previously, OSPB relied on early fiscal note estimates of the number of seniors who would qualify the new provision, but initial data from local governments indicate the utilization has been well below the projections. OSPB previously estimated this provision would cost \$31 million in refund to be paid in the current fiscal year, but now expects an obligation of closer to \$1.4 million, and an estimated \$2.1 million in FY 2026-27 for PTY 2026. OSPB believes low awareness of this provision and a stagnant housing market which may have reduced the usual churn of older Coloradan's selling their homes, resulted in this under-utilization. Current law has this provision expiring after Tax Year 2026, resulting in a reduced reimbursement obligation for Homestead beginning in FY2027-28.

FY 2024-25 closed stronger than OSPB's expectations in June, resulting in total refunds of \$293.3 million, providing sufficient surplus to fully refund the estimated \$186.8 million required for the Homestead exemption and portability, with the remaining \$106.5 million refunded through the six-tier sales tax refunds. The income tax rate reduction is not triggered for this year. Note that the TABOR cap was adjusted in FY 2024-25 due to the disqualification of the Front Range Waste Diversion Enterprise.

In FY 2025-26, OSPB anticipates the state revenues will fall below the TABOR cap, resulting in no refunds to be paid out in FY 2026-27. This revision is a result of the passage of H.R 1 and its tax policy changes by the federal government, which reduce state revenues beginning in Tax Year 2025, and result in a particularly strong impact in this fiscal year. As a result, the projected \$193.0 million of Homestead expenditures in FY 2026-27 will be paid out of the state general fund, rather than the TABOR surplus. The TABOR cap in this fiscal year is anticipated to be shifted as a result of two enterprise changes. First, due to SB24-123 *Waste Tire Management Enterprise*, which establishes a new enterprise and folds an existing cash fund and fee revenue into the enterprise, reducing the cap by \$1.7 million. Secondly, HB25b-1006 *Improve Affordability Private Health Insurance* establishes a mechanism for state funding support to the

Health Insurance Affordability Enterprise (HIAE) contingent on federal inaction regarding the federal enhanced Premium Tax Credits that help individuals afford health insurance, in the current fiscal year. This support is anticipated to disqualify the HIAE as an enterprise due to the level of state support, causing a temporary increase in the TABOR cap of around \$150.2 million based on the enterprise's revenue. In the subsequent fiscal year, OSPB anticipates the enterprise will re-qualify as such, and the TABOR cap will be reduced by a similar amount, depending on the revenues collected in the year of disqualification.

OSPB forecasts a return to TABOR surplus in FY 2026-27, estimated at \$363.9 million. Homestead refunds are projected to grow to \$198.4 million despite the expiration of the portability provision, and the remaining \$165.5 million will be distributed through the six-tier sales tax mechanism.

In FY 2027-28 OSPB initially forecasts further growth in TABOR surplus up to \$721.1 million. After refunding the estimated \$198.3 million in Homestead costs, OSPB forecasts an income tax reduction of 0.07%, returning \$256.6 million, with the remaining \$266.3 million being allocated through the six-tier sales tax.

Reference Tables

Table 1: Colorado Economic Variables – History and Forecast

Income		Actual 2020	Actual 2021	Actual 2022	Actual 2023	Actual 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
1	Personal Income (Billions) /A	\$374.3	\$416.7	\$447.9	\$470.6	\$492.9	\$514.6	\$536.2	\$562.0	\$590.6
2	Change	6.5%	11.3%	7.5%	5.1%	4.7%	4.4%	4.2%	4.8%	5.1%
3	Wage and Salary Income (Billions)	\$187.8	\$205.6	\$224.8	\$238.7	\$250.5	\$261.0	\$270.9	\$282.8	\$296.7
4	Change	2.7%	9.5%	9.3%	6.2%	4.9%	4.2%	3.8%	4.4%	4.9%
5	Per-Capita Income (\$/person) /A	\$64,700.0	\$71,676.0	\$76,548.0	\$79,752.0	\$82,744.0	\$85,752.0	\$88,777.0	\$92,483.0	\$96,620.0
6	Change	5.6%	10.8%	6.8%	4.2%	3.8%	3.6%	3.5%	4.2%	4.5%
Population & Employment		2020	2021	2022	2023	2024	2025	2026	2027	2028
7	Population (Thousands)	5,784.6	5,814.0	5,850.6	5,900.9	5,957.2	6,001.2	6,040.2	6,076.5	6,112.9
8	Change	0.9%	0.5%	0.6%	0.9%	1.0%	0.7%	0.6%	0.6%	0.6%
9	Net Migration (Thousands)	29.4	13.6	23.8	33.4	38.9	25.0	20.0	20.0	20.0
10	Unemployment Rate	6.8%	5.5%	3.1%	3.3%	4.3%	4.7%	5.0%	4.7%	4.2%
11	Total Nonagricultural Employment (Thousands)	2,652.7	2,750.9	2,869.7	2,937.5	2,971.0	2,985.9	2,996.3	3,020.3	3,050.5
12	Change	-4.9%	3.7%	4.3%	2.4%	1.1%	0.5%	0.4%	0.8%	1.0%
Construction Variables		2020	2021	2022	2023	2024	2025	2026	2027	2028
13	Total Housing Permits Issued (Thousands)	40.5	56.5	48.8	39.4	32.2	32.3	33.2	35.3	37.6
14	Change	4.8%	39.7%	-13.6%	-19.3%	-18.3%	0.5%	2.7%	6.3%	6.5%
15	Nonresidential Construction Value (Millions) /B	\$5,607.5	\$5,681.0	\$6,630.1	\$6,691.6	\$4,734.4	\$5,757.0	\$5,877.9	\$6,201.2	\$6,461.7
16	Change	8.6%	1.3%	16.7%	0.9%	-29.2%	21.6%	2.1%	5.5%	4.2%
Price Variables		2020	2021	2022	2023	2024	2025	2026	2027	2028
17	Retail Trade (Billions) /C	\$228.8	\$268.3	\$299.9	\$302.6	\$306.5	\$313.6	\$322.7	\$337.2	\$353.4
18	Change	1.9%	17.3%	11.8%	0.9%	1.3%	2.3%	2.9%	4.5%	4.8%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100)	272.2	281.8	304.4	320.3	327.6	336.1	348.2	356.9	365.5
20	Change	2.0%	3.5%	8.0%	5.2%	2.3%	2.6%	3.6%	2.5%	2.4%

/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 2020	Actual 2021	Actual 2022	Actual 2023	Actual 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	\$20,267.6	\$21,494.8	\$22,034.8	\$22,671.1	\$23,305.0	\$23,701.2	\$23,867.1	\$24,272.9	\$24,734.0
2	Change	-2.2%	6.1%	2.5%	2.9%	2.8%	1.7%	0.7%	1.7%	1.9%
3	Personal Income (Billions) /B	\$19,620.1	\$21,419.5	\$22,088.9	\$23,402.5	\$24,669.3	\$25,779.4	\$26,733.3	\$27,882.8	\$29,193.3
4	Change	6.8%	9.2%	3.1%	5.9%	5.4%	4.5%	3.7%	4.3%	4.7%
5	Per-Capita Income (\$/person) /B	\$59,172	\$64,497	\$66,131	\$69,484	\$72,533	\$75,345	\$77,744	\$80,684	\$84,056
6	Change	5.8%	9.0%	2.5%	5.1%	4.4%	3.9%	3.2%	3.8%	4.2%
7	Wage and Salary Income (Billions)	\$9,465.7	\$10,315.6	\$11,123.1	\$11,725.2	\$12,401.1	\$12,934.3	\$13,374.1	\$13,868.9	\$14,479.2
8	Change	1.5%	9.0%	7.8%	5.4%	5.8%	4.3%	3.4%	3.7%	4.4%
Population & Employment		2020	2021	2022	2023	2024	2025	2026	2027	2028
9	Population (Millions)	331.6	332.1	334.0	336.8	340.1	342.2	343.9	345.6	347.3
10	Change	1.0%	0.2%	0.6%	0.8%	1.0%	0.6%	0.5%	0.5%	0.5%
11	Unemployment Rate	8.1%	5.4%	3.7%	3.6%	4.0%	4.2%	4.6%	4.7%	4.4%
12	Total Nonagricultural Employment (Millions)	142.2	146.3	152.5	155.9	158.0	159.4	159.9	160.5	161.9
13	Change	-5.8%	2.9%	4.3%	2.2%	1.3%	0.9%	0.3%	0.4%	0.9%
Other Key Indicators		2020	2021	2022	2023	2024	2025	2026	2027	2028
14	Consumer Price Index (1982-84=100)	258.8	271.0	292.7	304.7	313.7	322.8	334.1	341.8	349.3
15	Change	1.2%	4.7%	8.0%	4.1%	2.9%	2.9%	3.5%	2.3%	2.2%
16	Corporate Profits (Billions)	\$2,411.3	\$3,077.6	\$3,316.7	\$3,546.5	\$3,827.8	\$3,950.3	\$3,887.1	\$4,093.1	\$4,301.8
17	Change	-3.5%	27.6%	7.8%	6.9%	7.9%	3.2%	-1.6%	5.3%	5.1%
18	Housing Permits (Millions)	1.47	1.74	1.68	1.51	1.48	1.42	1.43	1.51	1.58
19	Change	6.1%	18.1%	-3.3%	-10.1%	-2.2%	-3.9%	0.8%	5.2%	5.2%
20	Retail Trade (Billions)	\$6,107.8	\$7,225.4	\$7,873.5	\$8,139.5	\$8,386.0	\$8,654.3	\$8,836.1	\$9,171.8	\$9,557.0
21	Change	0.7%	18.3%	9.0%	3.4%	3.0%	3.2%	2.1%	3.8%	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	Preliminary FY 2024-25	Percent Change	Forecast FY 2025-26	Percent Change	Forecast FY 2026-27	Percent Change	Forecast FY 2027-28	Percent Change
1	Sales	\$4,441.1	1.8%	\$4,575.6	3.0%	\$4,769.8	4.2%	\$4,986.7	4.5%
2	Use	\$216.6	-7.1%	\$229.1	5.8%	\$245.7	7.2%	\$259.1	5.4%
3	Retail Marijuana Sales - Special Sales Tax	\$186.4	-4.4%	\$183.0	-1.8%	\$187.6	2.5%	\$193.3	3.0%
4	Cigarette	\$19.5	-4.6%	\$18.3	-6.3%	\$17.3	-5.6%	\$16.3	-5.6%
5	Tobacco Products	\$23.7	9.7%	\$22.5	-4.9%	\$22.3	-0.9%	\$22.0	-1.5%
6	Liquor	\$54.0	-3.6%	\$56.8	5.1%	\$56.8	0.1%	\$57.6	1.4%
7	Total Proposition EE	\$243.6	17.2%	\$238.0	-2.3%	\$232.1	-2.5%	\$270.5	16.5%
8	Proposition KK	\$3.9	NA	\$15.6	297.2%	\$13.1	-16.3%	\$13.4	2.6%
9	Total Excise	\$5,188.8	1.8%	\$5,338.9	2.9%	\$5,544.7	3.9%	\$5,818.9	4.9%
	Income Taxes	FY 2024-25	% chg.	FY 2025-26	% chg.	FY 2026-27	% chg.	FY 2027-28	% chg.
10	Net Individual Income	\$9,997.9	-0.5%	\$10,435.3	4.4%	\$11,181.0	7.1%	\$11,796.5	5.5%
11	Net Corporate Income	\$2,619.5	-6.3%	\$1,831.4	-30.1%	\$2,254.3	23.1%	\$2,394.9	6.2%
12	Total Income	\$12,617.4	-1.7%	\$12,266.7	-2.8%	\$13,435.4	9.5%	\$14,191.4	5.6%
13	<i>Less: State Education Fund Diversion</i>	\$1,060.6	-12.3%	\$1,042.7	-1.7%	\$1,135.3	8.9%	\$1,192.1	5.0%
14	<i>Less: Kids Matter Account Diversion</i>	\$0.0	NA	\$0.0	NA	\$221.6	NA	\$232.7	5.0%
15	<i>Less: Proposition 123 Diversion</i>	\$317.0	-3.1%	\$313.1	-1.2%	\$340.9	8.9%	\$358.0	5.0%
16	<i>Less: Healthy School Meals</i>	\$132.3	NA	\$149.8	13.2%	\$150.7	0.6%	\$155.6	3.2%
17	Total Income to General Fund	\$11,107.4	-1.7%	\$10,761.1	-3.1%	\$11,586.8	7.7%	\$12,253.0	5.7%
	Other Revenue	FY 2024-25	% chg.	FY 2025-26	% chg.	FY 2026-27	% chg.	FY 2027-28	% chg.
18	Insurance	\$659.5	21.7%	\$727.7	10.4%	\$749.2	2.9%	\$778.6	3.9%
19	Interest Income	\$166.7	-33.7%	\$144.6	-13.3%	\$130.1	-10.0%	\$122.7	-5.7%
20	Pari-Mutuel	\$0.3	-20.4%	\$0.3	20.3%	\$0.3	-0.3%	\$0.3	-2.9%
21	Court Receipts	\$2.1	-35.3%	\$4.1	97.4%	\$3.5	-14.1%	\$3.4	-2.8%
22	Other Income	\$56.5	6.4%	\$64.3	13.9%	\$64.2	-0.2%	\$61.8	-3.7%
23	Total Other	\$885.0	4.1%	\$941.0	6.3%	\$947.2	0.7%	\$966.9	2.1%
24	GROSS GENERAL FUND	\$17,181.3	-0.4%	\$17,041.0	-0.8%	\$18,078.7	6.1%	\$19,038.8	5.3%

/A Dollars in Millions

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

Line	Revenue	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
1	Beginning Reserve	\$3,153.5	\$2,263.7	\$2,082.3	\$2,412.7
2	Gross General Fund Revenue	\$17,181.3	\$17,041.0	\$18,078.7	\$19,038.8
3	<i>Transfers to the General Fund</i>	\$520.0	\$210.2	\$27.8	\$27.6
4	TOTAL GENERAL FUND AVAILABLE	\$20,854.7	\$19,514.9	\$20,188.8	\$21,479.1
	Expenditures	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
5	Appropriation Subject to Limit	\$15,621.8	\$16,538.1	\$16,359.9	\$17,257.7
6	<i>Overexpenditures from the General Fund</i>	\$68.6	\$0.0	\$0.0	\$0.0
7	<i>Dollar Change (from prior year)</i>	\$1,803.2	\$916.2	(\$178.1)	\$897.7
8	<i>Percent Change (from prior year)</i>	13.0%	5.9%	-1.1%	5.5%
9	Spending Outside Limit	\$2,883.1	\$1,497.5	\$1,416.2	\$1,674.1
10	<i>TABOR Refund under Art. X, Section 20, (7) (d)</i>	\$293.3	\$0.0	\$363.9	\$721.1
11	<i>Homestead Exemption (Net of TABOR Refund)</i>	\$0.0	\$0.0	\$193.0	\$0.0
12	<i>Other Rebates and Expenditures</i>	\$187.4	\$835.8	\$335.9	\$335.1
13	<i>Transfers for Capital Construction</i>	\$254.1	\$170.5	\$20.0	\$20.0
14	<i>Transfers for Transportation</i>	\$117.5	\$42.7	\$61.0	\$110.5
15	<i>Transfers to State Education Fund</i>	\$146.0	\$0.0	\$0.0	\$0.0
16	<i>Transfers to Other Funds</i>	\$1,884.8	\$448.6	\$442.4	\$487.4
17	TOTAL GENERAL FUND OBLIGATIONS	\$18,573.5	\$18,035.6	\$17,776.1	\$18,931.7
18	<i>Percent Change (from prior year)</i>	10.1%	-2.9%	-1.4%	6.5%
19	<i>Reversions and Accounting Adjustments</i>	\$17.5	(\$103.0)	\$0.0	\$0.0
	Reserves	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
20	Year-End General Fund Balance	\$2,263.7	\$2,082.3	\$2,412.7	\$2,547.4
21	<i>Portion of the GF Reserve Held at Treasury</i>	\$2,263.7	\$1,582.3	\$1,912.7	\$2,047.4
22	<i>Portion of the GF Reserve Held at PERA</i>	\$0.0	\$500.0	\$500.0	\$500.0
23	<i>Year-End General Fund as a % of Appropriations</i>	14.5%	12.6%	14.7%	14.8%
24	<i>General Fund Statutory Reserve /B</i>	\$2,358.5	\$2,439.5	\$2,412.7	\$2,547.4
25	<i>Statutory Reserve %</i>	15.1%	14.8%	14.7%	14.8%
26	Above/Below Statutory Reserve	(\$94.8)	(\$357.1)	\$0.0	\$0.0

/A. FY 2024-25 and FY 2025-26 expenditures and transfers reflect all bills signed by the Governor through the end of the 2025 regular and extraordinary legislative sessions. Reversions and accounting adjustments in FY 2024-25 reflect projected year-end adjustments, and reversions and accounting adjustments in FY 2025-26 reflect the Governor's spending restrictions per Executive Order D 2025 014. FY 2026-27 and FY 2027-28 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 for SB25-310, HB24-1231, and HB24-1466. Dollars in millions.

Table 4B: Translation from Current Law to Governor’s Budget /A

Table 4B - Translation from Current Law to Governor's Budget (Bolded Lines Sum to Overall Difference)					
Line from Table 4a/4c	Delta (\$M)				Description of Delta
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	
(1) Beginning Reserve	0.0	0.0	149.2	149.2	Reserve Carryover from Previous Year
(2) Gross General Fund Revenue	0.0	105.0	0.0	0.0	Impacts of Tax Credit Package, Exempt GF Revenue
(3) Transfers to the General Fund	0.0	44.2	0.0	0.0	Severance, Interest and other Funds Redirected to General Fund
(5) Appropriation Subject to Limit	0.0	-103.0	0.0	0.0	Governor's Nov 1 Budget (including supp holds in the Nov 1 budget)
(8) Spending Outside Limit	0.0	0.0	0.0	0.0	Sum Rows 9+11+12+13+15 Changes
(9) TABOR Refund	0.0	0.0	0.0	0.0	Cash Fund Revenue Balancing Proposals + GF Impacts of Tax Credits
(11) Other Rebates and Expenditures	0.0	0.0	0.0	0.0	PERA DD added to reb & expend, PTC changes
(12) Transfers for Capital Construction	0.0	0.0	0.0	0.0	Capital Construction Transfers in the Budget (minus \$30m hold in 4A)
(13) Transfer to Transportation Funds	0.0	0.0	0.0	0.0	Transportation Transfer Reductions
(15) Transfer to Other Funds	0.0	0.0	0.0	0.0	Transfers in Governor's Budget (combined reductions and increases)
(20) Reversions	0.0	103.0	0.0	0.0	
(21) General Fund Statutory Reserve	0.0	0.0	0.0	0.0	Change in (5) Appropriation Subject to Limit * 15%
Total Difference (Net Increase in GF for Governor's Budget)	0.0	-252.2	-149.2	-149.2	

/A. This reflects the August 28th, 2025 Executive Order to help balance the budget shortfall. FY 2025-26 reflects proposed increases in gross general fund revenue from the Prop 123 diversion reduction and \$44.2m in increased transfers to the General Fund. Finally, it includes a change to the appropriations lines, offsetting the reversions impacts in Table 4A from the spending reductions. There are ongoing impacts to the beginning balance for FY27.

Table 4C: General Fund Overview – Governor’s Budget /

Line	Revenue	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
1	Beginning Reserve	\$3,153.5	\$2,263.7	\$2,231.5	\$2,561.9
2	Gross General Fund Revenue	\$17,181.3	\$17,146.0	\$18,078.7	\$19,038.8
3	<i>Transfers to the General Fund</i>	\$520.0	\$254.4	\$27.8	\$27.6
4	TOTAL GENERAL FUND AVAILABLE	\$20,854.7	\$19,664.1	\$20,338.0	\$21,628.3
	Expenditures	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
5	Appropriation Subject to Limit	\$15,621.8	\$16,435.1	\$17,354.4	\$18,252.2
6	<i>Overexpenditures from the General Fund</i>	\$68.6	\$0.0	\$0.0	\$0.0
7	<i>Dollar Change (from prior year)</i>	\$1,803.2	\$813.2	\$919.4	\$897.7
8	<i>Percent Change (from prior year)</i>	13.0%	5.2%	5.6%	5.2%
9	Spending Outside Limit	\$2,883.1	\$1,497.5	\$1,416.2	\$1,674.1
10	<i>TABOR Refund under Art. X, Section 20, (7) (d)</i>	\$293.3	\$0.0	\$363.9	\$721.1
11	<i>Homestead Exemption (Net of TABOR Refund)</i>	\$0.0	\$0.0	\$193.0	\$0.0
12	<i>Other Rebates and Expenditures</i>	\$187.4	\$835.8	\$335.9	\$335.1
13	<i>Transfers for Capital Construction</i>	\$254.1	\$170.5	\$20.0	\$20.0
14	<i>Transfers for Transportation</i>	\$117.5	\$42.7	\$61.0	\$110.5
15	<i>Transfers to State Education Fund</i>	\$146.0	\$0.0	\$0.0	\$0.0
16	<i>Transfers to Other Funds</i>	\$1,884.8	\$448.6	\$442.4	\$487.4
17	TOTAL GENERAL FUND OBLIGATIONS	\$18,573.5	\$17,932.6	\$17,776.1	\$18,931.7
18	<i>Percent Change (from prior year)</i>	10.1%	-2.9%	-1.4%	6.5%
19	<i>Reversions and Accounting Adjustments</i>	\$17.5	\$0.0	\$0.0	\$0.0
	Reserves	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
20	Year-End General Fund Balance	\$2,263.7	\$2,231.5	\$2,561.9	\$2,696.6
21	<i>Portion of the GF Reserve Held at Treasury</i>	\$2,263.7	\$1,731.5	\$2,061.9	\$2,196.6
22	<i>Portion of the GF Reserve Held at PERA</i>	\$0.0	\$500.0	\$500.0	\$500.0
23	<i>Year-End General Fund as a % of Appropriations</i>	14.5%	13.6%	14.8%	14.8%
24	<i>General Fund Statutory Reserve /B</i>	\$2,358.5	\$2,424.0	\$2,561.9	\$2,696.6
25	<i>Statutory Reserve %</i>	15.1%	14.7%	14.8%	14.8%
26	Above/Below Statutory Reserve	(\$94.8)	(\$192.5)	\$0.0	\$0.0

/A. FY 2024-25 and FY 2025-26 expenditures and transfers reflect all bills signed by the Governor through the end of the 2025 regular and extraordinary legislative sessions. General Fund reserve ending balances assume that current law is then amended for all the items proposed in the Executive Order D 2025 014, as shown in Table 4b. The statutory reserve is no longer simply 15 percent of General Fund appropriations, but is adjusted for SB25-310, HB24-1231, and HB24-1466. Dollars in millions.

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

Line	Revenue	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
1	Beginning Reserves	\$4,827.7	\$3,312.7	\$2,123.7	\$2,380.0
2	State Education Fund	\$1,674.1	\$1,049.0	\$541.4	\$274.3
3	General Fund	\$3,153.5	\$2,263.7	\$1,582.3	\$2,105.7
4	Gross State Education Fund Revenue	\$1,146.8	\$1,068.7	\$1,379.8	\$1,442.6
5	Transfer to State Education Fund	\$146.0	\$0.0	\$0.0	\$0.0
6	Gross General Fund Revenue /B	\$17,701.2	\$17,251.2	\$18,106.5	\$19,066.4
7	TOTAL FUNDS AVAILABLE FOR EXPENDITURE	\$23,675.7	\$21,632.6	\$21,610.0	\$22,889.0
	Expenditures	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
8	General Fund Expenditures /C	\$18,504.9	\$18,035.6	\$17,776.1	\$18,931.7
9	State Education Fund Expenditures	\$1,840.7	\$1,576.3	\$1,646.9	\$1,586.8
10	TOTAL OBLIGATIONS	\$20,345.7	\$19,611.9	\$19,423.0	\$20,518.5
11	Percent Change (from prior year)	15.2%	-3.6%	-1.0%	5.6%
12	Reversions and Accounting Adjustments	\$94.7	(\$103.0)	\$0.0	\$0.0
	Reserves	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
13	Year-End Balance	\$3,381.3	\$2,123.7	\$2,380.0	\$2,370.5
14	State Education Fund	\$1,049.0	\$541.4	\$274.3	\$130.1
15	General Fund	\$2,332.3	\$1,582.3	\$2,105.7	\$2,240.4

/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	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
1	Transportation-Related /A	\$1,494.0	\$1,524.9	\$1,574.9	\$1,648.0
2	Change	4.8%	2.1%	3.3%	4.6%
3	Limited Gaming Fund /B	\$94.4	\$93.3	\$95.7	\$96.3
4	Change	1.6%	-1.1%	2.6%	0.6%
5	Regulatory Agencies	\$116.2	\$117.4	\$120.5	\$123.9
6	Change	20.9%	1.0%	2.6%	2.8%
7	Insurance-Related	\$28.3	\$26.1	\$28.9	\$29.0
8	Change	5.1%	-7.7%	10.7%	0.2%
9	Severance Tax	\$66.9	\$170.3	\$153.0	\$213.2
10	Change	-69.4%	154.5%	-10.2%	39.4%
11	Kids Matter Account	\$0.0	\$0.0	\$221.6	\$232.7
12	Change	N/A	N/A	N/A	N/A
13	Other Miscellaneous Cash Funds	\$970.0	\$1,296.7	\$1,039.5	\$1,079.5
14	Change	3.4%	33.7%	-19.8%	3.8%
15	TOTAL CASH FUND REVENUE	\$2,769.7	\$3,228.7	\$3,234.0	\$3,422.5
16	Change	-1.0%	16.6%	0.2%	5.8%

/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.

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

Line	TABOR Revenues	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
1	General Fund /A	\$16,680.4	\$16,543.5	\$17,586.1	\$18,614.0
2	Cash Funds /A	\$2,769.1	\$3,228.7	\$3,234.0	\$3,422.5
3	Total TABOR Revenues	\$19,449.4	\$19,772.2	\$20,820.1	\$22,036.5
Revenue Limit Calculation		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
4	Previous calendar year population growth	0.6%	1.4%	0.5%	0.6%
5	Previous calendar year inflation	5.2%	2.3%	2.6%	3.6%
6	Allowable TABOR Growth Rate	5.9%	3.6%	3.1%	4.2%
7	TABOR Limit /B	\$15,462.7	\$16,167.8	\$16,514.1	\$17,207.7
8	General Fund Exempt Revenue Under Ref. C /C	\$3,690.7	\$3,604.5	\$3,942.1	\$4,107.7
9	Revenue Cap Under Ref. C /B /D	\$19,153.4	\$19,991.4	\$20,456.2	\$21,315.4
10	Amount Above/Below Cap	\$296.1	(\$219.1)	\$363.9	\$721.1
11	Revenue to be Refunded including Adjustments from Prior Years /E	\$293.3	\$0.0	\$363.9	\$721.1
12	TABOR State Emergency Reserve Requirement	\$574.6	\$593.2	\$613.7	\$639.5

/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 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
12-47.1-701 (d) Ltd. Gaming Revenue Transfer to the General Fund	\$23.383	\$27.035	\$23.206	\$23.131
HB92-1126 Land and Water Management Fund	-	-	-	-
HB05-1262 A35 Tobacco Tax 24-22-117 (1)(c)(l)	\$0.589	\$0.511	\$0.471	\$0.433
HB08-1216 Consumer Outreach and Education Program	-	-	-	-
HB20-1427 (Prop EE) - 2020 Tax Holding Fund	\$4.050	\$4.050	\$4.050	\$4.050
SB21-213 Use Of Increased Medicaid Match	\$7.363	\$1.163	-	-
HB23-1041 Prohibit Wagering On Simulcast Greyhound Races	-	-	\$0.038	-
HB23-1272 Tax Policy That Advances Decarbonization	\$23.518	\$23.516	-	-
HB24-1413 Severance Tax Transfers	\$69.346	-	-	-
HB24-1414 Repeal COVID Heroes Collaboration Fund	\$3.552	-	-	-
HB24-1426 Controlled Maintenance Trust Fund Transfer	\$48.883	-	-	-
SB25-114 Repeal of the FLEX Program	\$0.625	-	-	-
SB25-260 Repeal Colorado Household Financial Recovery Pilot Program	\$5.206	-	-	-
SB25-264 Cash Fund Transfers to the General Fund	\$171.350	\$53.876	-	-
SB25-293 Transfers from License Plate Cash Fund	\$4.201	-	-	-
SB25-312 American Rescue Plan Act Funds	\$96.812	-	-	-
SB25-317 Transfer Cash Fund Investment Earnings to General Fund	\$62.098	-	-	-
HB25B-1004 Sale of Tax Credits	-	\$100.000	-	-
Transfers to Other Funds (Bill Number and Description)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
SB11-047/HB24-1396 Bioscience Income Tax Transfer to OEDIT	-\$22.023	-\$18.819	-\$18.307	-\$20.179
HB13-1318/SB 17-267 Transfers of Special Sales Tax to MTCF	-\$120.525	-\$127.468	-\$130.717	-\$134.682
SB17-267 Sustainability of Rural CO (Transfer MJ Special Sales Tax to Public School Fund)	-\$21.119	-\$20.727	-\$21.255	-\$21.900
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	-\$243.620	-\$237.990	-\$232.056	-\$270.451
HB24-1349 (Prop KK) - Firearms and Ammunition Excise Tax Cash Fund	-\$2.973	-\$15.450	-\$12.910	-\$13.250
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	-	-
HB23-1305 Continue Health Benefits in Work-related Death	-\$0.150	-\$0.150	-	-

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Transfers to Other Funds (Bill Number and Description), continued	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
SB23-005 Forestry And Wildfire Mitigation Workforce	-\$1.000	-\$1.000	-\$1.000	-\$1.000
SB23-199 Marijuana License Applications and Renewals	-	-\$2.737	-\$2.806	-\$2.891
SB23-205 Universal High School Scholarship Program				
SB23-255 Wolf Depredation Compensation Fund	-\$0.350	-\$0.350	-\$0.350	-\$0.350
HB24-1043 State Contribution to FPPA Death & Disability Fund	-	-\$2.050	-\$2.050	-\$2.050
HB24-1152 Accessory Dwelling Units	-\$8.000	-	-	-
HB24-1176 Behavioral Health Grant for Capital Project	-\$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	-\$0.248
HB24-1386 Broadband Infrastructure Cash Fund for DOC	-\$4.571	-	-	-
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 24-1466 Refinance Federal Coronavirus Recovery Funds	-\$1,394.624	-	-	-
SB 24-170 America 250 - Colorado 150 Commission	-\$0.250	-	-	-
SB24-214 Implement State Climate Goals	-\$0.400	-	-	-
SB24-218 Modernize Energy Distribution Systems	-\$0.800	-	-	-
SB24-221 Funding for Rural Health Care	-\$1.742	-	-	-
HB25-1209 Marijuana Regulation Streamline	-	-\$0.300	-\$0.300	-
SB25-007 Increase Prescribed Burns	-	-\$0.250	-	-
SB25-213 Broadband Infrastructure Cash Fund Transfer	-	-\$0.842	-	-
SB25-254 Transfer Stationary Sources Control Fund	-	-\$5.000	-	-
SB25-255 Transfer to Hazardous Substance Response Fund	-	-\$6.000	-	-
SB25-269 Transfer to Infrastructure Investment & Jobs Act Cash Fund	-	-\$4.000	-	-
SB25-310 Proposition 130 Implementation (Death Benefit Fund)	-	-\$5.000	-\$5.000	-\$5.000
SB25-310 Proposition 130 Implementation (Peace Officer Training and Support Fund)	-	-	-\$15.000	-\$15.000

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Transfers for Capital Construction (Bill Number and Description)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
HB15-1344 Fund National Western Center and Capital Projects	-\$20.000	-\$20.000	-\$20.000	-\$20.000
HB24-1425 Transfers for Capital Construction	-\$232.156	-	-	-
SB24-222 State Funding to Relocate Two State Entities	-\$1.934	-	-	-
SB25-262 Changes to Money in the Capital Construction Fund	-	-\$150.479	-	-
Transfers for Transportation (Bill Number and Description)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
SB21-260/SB25-257 Sustainability of the Transportation System	-\$117.500	-\$42.700	-\$61.000	-\$110.500
Transfers to the State Education Fund (Bill Number and Description)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
SB23B-001 SEF Transfer	-\$146.000	-	-	-
Transfers Subtotals	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Total transfers into General Fund	\$519.977	\$210.151	\$27.764	\$27.614
Total transfers out of General Fund	-\$2,402.379	-\$661.730	-\$523.367	-\$617.871
(Subtotal) Transfers to Other Funds	-\$1,884.790	-\$448.551	-\$442.367	-\$487.371
(Subtotal) Transfers for Capital Construction	-\$254.090	-\$170.479	-\$20.000	-\$20.000
(Subtotal) Transfers for Transportation	-\$117.500	-\$42.700	-\$61.000	-\$110.500
(Subtotal) Transfers to the State Education Fund	-\$146.000	-	-	-
Total Net Transfers	-\$1,882.403	-\$451.579	-\$495.603	-\$590.256

Table 9: Rebates and Expenditures

Line	Rebates & Expenditures	Preliminary FY 2024-25	Percent Change	Forecast FY 2025-26	Percent Change	Forecast FY 2026-27	Percent Change	Forecast FY 2027-28	Percent Change
1	Cigarette Rebate to Local Governments	\$6.4	-6.4%	\$5.4	-14.7%	\$5.2	-4.2%	\$4.8	-7.5%
2	Marijuana Rebate to Local Governments	\$18.6	-4.4%	\$6.4	-65.6%	\$6.6	2.5%	\$6.8	3.0%
3	Old-Age Pension Fund/Older Coloradans Fund	\$99.7	-3.1%	\$101.9	2.2%	\$103.0	1.1%	\$101.8	-1.2%
4	Aged Property Tax & Heating Credit	\$16.4	35.5%	\$12.4	-24.7%	\$14.0	13.2%	\$15.2	8.1%
5	Homestead Exemption	\$173.1	7.4%	\$185.5	7.1%	\$190.9	2.9%	\$198.4	3.9%
6	TABOR Refund Portion of Homestead Exemption	(\$173.1)		(\$185.5)		\$0.0		(\$198.4)	
7	Portable Homestead Exemption Expansion (SB24-111)	\$0.0	N/A	\$1.4	N/A	\$2.1	50.8%	\$0.0	-100.0%
8	TABOR Refund Portion of Homestead Exemption	\$0.0		(\$1.4)		\$0.0		\$0.0	
9	Debt Payment on Bonds for School Loans	\$22.2	-15.3%	\$20.6	-7.3%	\$19.0	-7.8%	\$18.1	-4.8%
10	Fire/Police Pensions	\$4.0	-2.6%	\$4.3	6.5%	\$4.2	-2.9%	\$4.2	0.0%
11	Amendment 35 General Fund Expenditure	\$0.6	-4.9%	\$0.5	-13.1%	\$0.5	-8.0%	\$0.4	-8.0%
12	Property Tax Exemption Reimbursement to Local Governments	\$19.5	18.5%	\$19.6	0.8%	\$18.6	-5.1%	\$18.7	0.5%
13	Transfer to PERA DD	\$0.0	0.0%	\$164.6	N/A	\$164.9	0.2%	\$165.1	0.2%
14	Proposition 130/SB25-310 transfer	\$0.0	0.0%	\$500.0	N/A	\$0.0	-100.0%	\$0.0	N/A
15	Total Rebates & Expenditures (Excluding TABOR Refund)	\$187.4	-22.5%	\$835.8	345.9%	\$528.9	-36.7%	\$335.1	-36.6%