Colorado Legislative Council Staff

December 2021 | Economic & Revenue Forecast

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Executive Summary

This report presents the budget outlook based on current law and the December 2021 forecast for General Fund and cash fund revenue, as well as the TABOR outlook. This December forecast also includes annual forecasts for kindergarten through twelfth grade (K-12) enrollment and assessed valuation, which inform an updated school finance outlook. Additionally, this forecast includes projections for the adult and juvenile corrections populations. Consistent with other quarterly forecasts, this document includes summaries of expectations for the U.S. and Colorado economies and an overview of current economic conditions in nine regions of the state.

General Fund Budget Outlook

FY 2020-21

Preliminary figures from the Office of the State Controller suggest that General Fund revenue grew 10.7 percent in FY 2020-21 above prior year levels. Preliminary, unaudited figures suggest that the General Fund ended the year with a 28.9 percent reserve, $2.85 billion above the required 2.86 percent reserve. Based on the September 1, 2021, TABOR certification, revenue subject to TABOR exceeded the Referendum C cap by $453.6 million, requiring TABOR refunds in the current FY 2021-22.

FY 2021-22

The ongoing economic and jobs recovery from the COVID-19 recession will increase General Fund revenue collections by a projected 11.7 percent above year-ago levels. Based on the enacted budget and before adjustments for any supplemental appropriations, the General Fund is projected to end the year with a 28.4 percent reserve, $1.85 billion above the required 13.4 percent reserve. Revenue subject to TABOR is expected to exceed the Referendum C cap by $1.9 billion.

FY 2022-23 Unbudgeted

The General Assembly is projected to have $3.2 billion, or 20.7 percent, more to spend or save in the General Fund than what is budgeted to be spent and saved in FY 2021-22. As a budget has not yet been adopted for FY 2022-23, this amount holds current appropriations for FY 2021-22 constant and assumes current law transfers, the projected TABOR refund obligation, and the 15.0 percent General Fund reserve requirement. The $3.2 billion amount does not incorporate other caseload growth, inflationary, or other budgetary pressures. Revenue subject to TABOR is expected to exceed the Referendum C cap by $1.8 billion.

Risks to the forecast. The evolving COVID-19 pandemic continues to pose sizable risks to the economy, caseloads, and revenue streams. As this forecast expects revenue subject to TABOR to exceed the Referendum C cap throughout the forecast period by a sizable amount, General Fund revenue forecast error is expected to lead to higher or lower TABOR refunds instead of impacting the amount of revenue available to spend or save. That said, higher (or lower) cash funds revenue subject to TABOR could decrease (or increase) budget flexibility by requiring additional TABOR refunds, which are paid for using revenue from the General Fund. The published actual rate of Denver-Aurora-Lakewood inflation will also have important budgetary consequences. Higher (or lower) than expected inflation would allow the state to retain more (or less) revenue under the Referendum C cap, and may also contribute to higher (or lower) budget pressures for state programs.

Cash Fund Revenue

Preliminary figures suggest that cash fund revenue subject to TABOR fell 0.2 percent in FY 2020-21 to $2.24 billion, following an 8.3 percent decline in FY 2019-20 on pandemic-related drags. Revenue is expected to grow in the current and future years, rebounding 8.7 percent in FY 2021-22 from pandemic-induced lows, before moderating to rates slightly above inflation plus population growth, 4.7 percent and 4.5 percent growth in FY 2022-23 and FY 2023-24, respectively. Improvements in crude oil and natural gas prices, increased travel activity, and improved casino traffic will drive growth across severance tax, transportation-related revenue, and gaming revenue streams in the current fiscal year. Collections are expected to nearly recover to pre-pandemic levels in the current year. Based on stronger-than-expected collections and economic activity to date, revenue expectations were increased $33.9 million in FY 2021-22, $20.3 million in FY 2022-23, and $4.9 million in FY 2023-24 relative to the September forecast. For more information, see the cash funds section beginning on page 33.

Unemployment Insurance Trust Fund insolvency. The Unemployment Insurance Trust Fund ended FY 2020-21 with a deficit of $1.0 billion due to an unprecedented increase in unemployment benefits paid during the COVID-19-related recession and continued elevated unemployment. Benefits paid rose from $365.5 million in FY 2018-19 prior to the pandemic to $1.27 billion in FY 2019-20, and reached $2.03 billion in FY 2020-21. Benefits paid are expected to decline in FY 2021-22, to $638.4 million. The fund became insolvent in August 2020, when benefits exceeded available funds. As of December 13, 2021, the state had $1.0 billion in federal loans outstanding. The fund is expected to end the current fiscal year with a deficit of $916.0 million. The fund is not expected to return to solvency until FY 2023-24, necessitating ongoing borrowing to fund benefits, and triggering a move to the highest rate schedule beginning January 1, 2022. For more information, see page 40.

Economic Outlook

Colorado and the nation's economic recovery from the 2020 recession continues but remains challenged by the ongoing COVID-19 pandemic. While economic activity has reached and exceeded pre-pandemic levels, employment has yet to fully recover as several in-person industries remain heavily impacted by health concerns, and many workers have scaled back or reconsidered their employment options. Price pressures continue to mount on pandemic-induced supply chain disruptions, strong global demand for goods, high energy prices, and labor shortages across most industries. Supply chain constraints and labor shortages are expected to pose headwinds for business growth during the forecast period. Consumer activity remains remarkably strong on goods spending, while services industries continue to recover ground. Risks to the forecast remain elevated due to pandemic-related uncertainty and evolving monetary and fiscal policy landscapes. Discussion of the economic outlook begins on page 79, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 21 and 22 on pages 101 and 102.

School Finance Outlook

An update to the school finance outlook begins on page 17.

FY 2021-22. Relative to the FY 2021-22 appropriation made during the 2021 session, the state aid requirement for total program funding is expected to be $206 million lower than previously budgeted. This reflects lower-than-expected enrollment and at-risk populations in the 2021-22 school year, which reduced the overall total program cost by $67 million. In addition, the local share is expected to be $139 million higher than previously forecast on stronger-than-expected gains in property tax revenue.

FY 2022-23. The state aid requirement is expected to increase $186 million in FY 2022-23 relative to current year levels. This estimate assumes that the budget stabilization factor is held constant and is based on revised inflation expectations and the 2021 kindergarten through twelfth grade (K-12) enrollment forecast, which suggest that total program requirements will increase by $263 million year-over-year. Additionally, the 2021 assessed valuation forecast implies a $77 million increase in the local share in FY 2022-23 over current year levels.

K-12 Enrollment

A forecast for K-12 enrollment begins on page 43. Enrollment for the current (2021-22) school year totals 843,264 student FTE across Colorado's public schools, down 2,692 student FTE, or 0.3 percent, from the previous school year. The pandemic continues to dampen traditional, brick and mortar enrollment, and is expected to weigh on growth over the next two years, along with longer-run trends, including lower birth rates, high housing prices, and slower net migration to Colorado among families. In the 2022-23 school year, enrollment is projected to increase by 445 student FTE (up 0.1 percent) before declining 423 FTE in FY 2023-24 (down 0.1 percent). Risks to the forecast are weighted to the upside. Should the pandemic ease or enrollment trends revert to pre-pandemic levels sooner than later, enrollment will be higher than expected.

Assessed Valuation

A forecast for assessed values—the amount of property values that are subject to taxation at local mill levies—begins on page 49. Preliminary data indicate that assessed values increased 4.4 percent statewide in the 2021 reassessment year, with strong growth in residential values more than offsetting nonresidential declines. This forecast expects assessed values to increase by 1.3 percent in 2022, an intervening year, before growing by 14.1 percent in the 2023 reassessment year. The forecast expects 2023 assessed values to reflect reacceleration in home prices since the beginning of the COVID-19 pandemic, as well as rebounding commercial and oil and gas values following pandemic weakness in those areas.

With the passage of Amendment B, the Colorado Constitution no longer requires the General Assembly to adjust the residential assessment rate (RAR) to maintain a constitutional target percentage. This forecast assumes application of the assessment rates in Senate Bill 21-293, which temporarily reduces the assessment rates for all residential, agricultural, and renewable energy producing property for the 2022 and 2023 property tax years only.

Corrections Populations

A forecast for the state's adult prison population and parole caseload begins on page 59. A forecast for juvenile correctional populations, including commitment, parole, and detention populations, begins on page 73.

The state's **adult prison population** fell to 15,434 offenders over FY 2020-21. The decline reflects continued disruptions to the criminal justice system due to the COVID-19 pandemic and measures to contain it, primarily in suppressing admissions from courts. The population has begun to rise slowly since June, and is expected to continue to increase to 16,286 inmates in June 2022 and 17,162 inmates in June 2023 as court operations normalize.

After spiking to an all-time high of 10,315 in June 2020 due to expedited releases aimed at pandemic containment, the in-state **adult parole population** fell to 9,198 on June 30, 2021. The parole population will continue to fall from present levels, reflecting reduced admissions since the start of the pandemic and recovering, but still subdued releases, reaching 8,216 in June 2022 and 7,524 in June 2023.

The **juvenile commitment and parole populations** are expected to continue to decline, while the **juvenile detention population** is expected to rise from its current low. During FY 2021-22, the commitment population fell to an average of 341 in FY 2020-21 and is expected to fall further to average 297 youths. The parole population experienced a one-time increase as a result of new releases with the onset of the pandemic. However, this population fell during the current year, to an average of 163 youths, and is expected to fall further in subsequent years, reflecting reduced commitments. The detention population fell precipitously with fewer arrests during the pandemic, and averaged 146 youths during FY 2020-21. It is expected to rebound to 178 youths in FY 2022-23, remaining well below the 215-bed cap imposed by Senate Bill 21-071.

General Fund Budget Overview

This section presents the General Fund overview based on current law. A summary of the General Fund overview is shown in Table 1. This section also presents expectations for the following:

- a summary of changes in expectations relative to the September 2021 forecast (Table 2);
- statutory transfers to transportation and capital construction funds (Table 3);
- the disposition of fiscal policies dependent on revenue collections;
- General Fund rebates and expenditures (Table 4); and
- cash fund transfers to and from the General Fund (Table 5).

FY 2020-21

Preliminary estimates suggest that the General Fund ended FY 2020-21 with a 28.9 percent reserve, $2.85 billion higher than the statutorily required 2.86 percent reserve (Table 1, line 19). Based on preliminary figures, General Fund revenue grew 10.7 percent in FY 2020-21 relative to year-ago levels, reflecting surprisingly strong income tax collections given the economic impacts of the pandemic. These preliminary amounts will be updated with audited actual figures for the March 2022 forecast.

Based on the September 1, 2021, TABOR certification published by the Office of the State Controller, revenue subject to TABOR exceeded the Referendum C cap by $453.6 million. The TABOR surplus amount is set aside in the year in which it is collected and refunded in the following year. The FY 2020-21 TABOR surplus and $17.8 million in under-refunds from surpluses in prior years will be refunded to taxpayers in the current FY 2021-22 via the three TABOR refund mechanisms in current law. For more information, see the TABOR section of this forecast beginning on page 23.

FY 2021-22

The General Fund is expected to end FY 2021-22 with a 28.4 percent reserve, $1.85 billion higher than the statutorily required 13.4 percent reserve (Table 1, line 19). This amount incorporates legislation enacted in 2021, including Senate Bill 21-226, which increased the reserve requirement from 2.86 percent to 13.4 percent. Strong wage and business income growth and robust goods consumption, as well as elevated inflationary pressures are projected to boost General Fund revenue collections by 11.7 percent above year-ago levels. Relative to the September forecast, revenue expectations were increased by $791.4 million on higher-than-expected collections year-to-date and increased expectations for inflation. On increased expectations for both cash funds and General Fund revenue subject to TABOR, revenue is now projected to exceed the Referendum C cap by $1.9 billion in FY 2021-22, resulting in a TABOR refund of an equal amount in FY 2022-23.

FY 2022-23

Because a budget has not yet been enacted for FY 2022-23, Table 1 (line 21) shows the amount of revenue available in FY 2022-23 relative to the amount budgeted to be spent or saved in FY 2021-22. Based on this forecast, the General Assembly will have $3.2 billion, or 20.7 percent, more to spend or save than in FY 2021-22. This amount assumes current law obligations for FY 2022-23, including transfers and rebates and expenditures (Table 1, lines 8 through 12), as well as a 15.0 percent reserve requirement under SB 21-226, and the projected TABOR refund obligation. The $3.2 billion amount is a cumulative amount based on prior year revenue expectations and the budget situation in

FY 2021-22. Any changes in revenue expectations or changes made to the budget for FY 2021-22 will carry forward into FY 2022-23. The $3.2 billion amount holds FY 2021-22 appropriations constant and therefore does not reflect any caseload, inflationary, or other budgetary pressures.

Governor's budget request. Scenario B, shown on lines 23 and 24 of Table 1, presents the amount of revenue in excess of the statutorily required 15 percent reserve, assuming adoption of the Governor's November 1, 2021, budget request. This information is provided for informational purposes and should not be considered a policy recommendation by Legislative Council Staff.

- **FY 2022-23 impacts.** Assuming the adoption of the Governor's budget request and this December revenue forecast, the General Fund is expected to end FY 2022-23 with $183.4 million in excess of the statutorily required 15 percent reserve. The budget request increases appropriations by $1.2 billion in FY 2022-23 above current year levels. The request also includes additional transfers from the General Fund to cash funds, most of which are one-time transfers for FY 2022-23. This includes a $50 million transportation transfer, a $374.1 million capital construction transfer, and $1.4 billion in one-time transfers to other cash funds.

- **Ongoing budget impacts for FY 2023-24.** For only the decision items it identifies for FY 2022-23, the Governor's budget request projects year-over-year increases or decreases in appropriations that would be required in FY 2023-24. After adjusting requested FY 2022-23 appropriations by those amounts, and assuming adoption of the Governor's requested transfers, the General Fund would be expected to end FY 2023-24 with $1.1 billion in excess of the statutorily required 15 percent reserve. However, that amount does not include adjustments to appropriations beyond those listed as decision items for FY 2022-23. Any increases or decreases in other appropriations will decrease or increase the excess reserve amount for FY 2023-24. Similarly, any centrally appropriated increases or decreases in appropriations, such as changes to state employee compensation, will change that amount. The Governor's budget request for FY 2023-24 is expected to be presented on November 1, 2022.

  For additional details and information, see the Governor's budget request[1] and the November 10, 2021, Joint Budget Committee Staff document summarizing the request using revenue estimates from the September forecasts.[2]

Risks to the General Fund Budget Outlook

Inflation risk is unusually high. In recent months, pandemic-induced supply chain disruptions have spiked inflation rates to highs not experienced in decades. The impacts of supply chain disruptions on goods prices are expected to continue into 2022. This forecast projects that the Denver-Aurora-Lakewood consumer price index will rise 3.7 percent in 2021 and 3.4 percent in 2022, before easing to 1.8 percent in 2023. Uncertainty surrounding additional supply chain disruptions and the timing of when disruptions will ease clouds the inflation outlook, and poses risks to the state budget outlook and TABOR situation. Specifically, higher (or lower) than expected inflation would

[1] FY 2022-23 Budget Request, Governor Jared Polis, November 1, 2021. Available at: https://www.colorado.gov/governor/office-state-planning-budgeting
[2] Joint Budget Committee Staff, Overview of FY 2022-23 Budget Requests, November 10, 2021. Available at: https://leg.colorado.gov/sites/default/files/overview-11-10-21.pdf

allow the state to retain more (or less) revenue under the Referendum C cap, and may also contribute to higher (or lower) budget pressures for state programs.

General Fund revenue risks threaten TABOR refunds outlook but not the budget. Risks to the revenue forecast remain elevated as the economy continues to adjust to the pandemic and as monetary and fiscal policy landscapes continue to evolve. To date during the pandemic, upside risks to General Fund revenue have materialized resulting in TABOR surpluses large enough to absorb regular forecast error. Barring an economic downturn or major tax policy change, lower General Fund revenue will mean lower TABOR refunds but will have no net budgetary impact on the General Fund. Similarly, higher General Fund revenue simply means larger TABOR refunds without impacting the amount of revenue available to spend or save in the budget.

Higher-than-expected cash funds revenue will increase General Fund budget pressures. In addition to most General Fund revenue, some cash funds—including severance tax revenue, which is the state's most volatile revenue stream—are subject to the TABOR limit. Because TABOR surpluses are refunded using General Fund money, higher than expected cash funds revenue would create additional budgetary pressures for the General Fund.

Federal or state policy changes. This forecast is based on current law, including changes from legislation passed during the 2021 regular legislative session and federal legislation enacted to date. State legislative changes to General Fund appropriations, transfers, and revenue streams will impact the General Fund budget situation. This forecast assumes that the state allocation of funds from the federal American Rescue Plan Act (ARPA) of 2021 will not be deposited into the General Fund. Therefore, these funds are not included in amounts shown in the General Fund budget overview. The passage of additional federal legislation impacting federal income tax policy, such as the Build Back Better Act, poses a risk to revenue forecast estimates.

Changes Between the September 2021 and December 2021 Forecasts

Table 2 summarizes the changes to the General Fund budget outlook between the September 2021 and this December 2021 forecast. Changes for FY 2020-21 reflect corrections to preliminary actual estimates based on updated information. Changes to transfers to and from the General Fund reflect updated expectations for transfers that are dependent on revenue streams, including gaming revenue, marijuana taxes, and cigarette and tobacco taxes. Finally, while General Fund revenue expectations were increased relative to September forecast estimates, these increases result in larger estimated TABOR refund obligations in FY 2021-22 and FY 2022-23 instead of resulting in additional revenue for General Fund spending or saving. The increase in expectations for cash funds subject to TABOR, however, does result in additional budgetary pressures during the forecast period because TABOR refunds are paid for from the General Fund.

Table 1
General Fund Overview
Dollars in Millions

	Funds Available	FY 2020-21 Preliminary	FY 2021-22 Estimate	FY 2022-23 Estimate	FY 2023-24 Estimate
1	Beginning Reserve	$1,825.7	$3,168.0	$3,494.1	*
2	General Fund Revenue	$14,239.6	$15,906.3	$16,398.5	$17,152.9
3	Transfers from Other Funds *(Table 5)*	$335.2	$32.8	$31.3	$31.2
4	**Total Funds Available**	**$16,400.6**	**$19,107.1**	**$19,923.9**	*****
5	Percent Change	14.1%	16.5%	4.3%	*
	Expenditures	**Preliminary**	**Budgeted**	**Estimate**	**Estimate**
6	General Fund Appropriations Subject to Limit[1]	$10,978.9	$12,296.4	*	*
7	TABOR Refund Obligation Under Art. X, §20, (7)(d)	$471.4	$1,878.5	$1,752.3	$1,850.7
8	Rebates and Expenditures *(Table 4)*	$295.8	$146.9	$144.9	$145.0
9	Transfers to Other Funds *(Table 5)*	$1,318.3	$525.3	$512.6	$531.5
10	Transfers to the State Education Fund[2]	$113.0	$123.0	$0.0	$0.0
11	Transfers to Transportation Funds *(Table 3)*	$30.0	$294.0	$115.0	$0.0
12	Transfers to Capital Construction Funds *(Table 3)*	$43.0	$348.9	$20.0	$20.0
13	**Total Expenditures**	**$13,250.4**	**$15,613.06**	*	*
14	Percent Change	3.7%	17.8%	*	*
15	Accounting Adjustments[3]	$17.8	*	*	*
	Reserve	**Preliminary**	**Budgeted**	**Estimate**	**Estimate**
16	Year-End General Fund Reserve	$3,168.0	$3,494.1	*	*
17	Year-End Reserve as a Percent of Appropriations	28.9%	28.4%	*	*
18	Statutorily Required Reserve[4]	$314.0	$1,647.7	*	*
19	**Amount in Excess or (Deficit) of Statutory Reserve**	**$2,854.0**	**$1,846.4**	*	*
20	Excess Reserve as a Percent of Expenditures	21.5%	11.8%	*	*
	Perspectives on FY 2022-23 (Unbudgeted)			**Estimate**	**Estimate**
	Scenario A: Holds FY 2021-22 Appropriations Constant[5]				
21	Amount in Excess or (Deficit) of 15% Reserve Requirement			$3,238.2	*
22	As a Percent of Prior-Year Expenditures			20.7%	*
	Scenario B: Assumes the Governor's FY 2022-23 Budget Request, with Selected Adjustments for FY 2023-24[6]				
23	Amount in Excess or (Deficit) of 15% Reserve Requirement			$183.4	$1,132.6
24	As a Percent of Requested Expenditures			1.0%	7.0%
	Addendum	**Preliminary**	**Estimate**	**Estimate**	**Estimate**
25	Percent Change in General Fund Appropriations	-7.5%	12.0%	*	*
26	5% of Colorado Personal Income Appropriations Limit	$16,597.8	$17,519.5	$18,519.6	$19,741.9
27	Transfers to State Education Fund per Amendment 23	$950.2	$823.8	$941.4	$983.9

*Totals may not sum due to rounding. * Not estimated.*

[1]Includes appropriations for bills passed by both chambers during the 2021 and prior legislative sessions.

[2]Includes transfers pursuant to SB 19-246, HB 20-1420, and SB 21-208.

[3]Includes $17.8 million for underrefunds of TABOR surpluses from prior years.

[4]The required reserve is calculated as a percent of operating appropriations, and is required to equal 2.86 percent in FY 2020-21, 13.4 percent in FY 2021-22, and 15 percent each year thereafter.

[5]This scenario holds appropriations in FY 2022-23 equal to appropriations in FY 2021-22 (line 6) to determine the total amount of money available relative to FY 2021-22 expenditures, net of the obligations in lines 7 through 12.

[6]This scenario assumes appropriations and transfers requested in the Governor's November 1, 2021, budget proposal for FY 2022-23. For FY 2023-24, the scenario omits transfers in the FY 2022-23 request that are identified as one-time, and adjusts appropriations in accordance with changing amounts identified in each FY 2022-23 budget decision item. The scenario does not incorporate adjustments to FY 2023-24 appropriations for other budget items not included as decision items in the FY 2022-23 budget request. For more information, see the November 10, 2021 JBC Staff briefing available at: https://leg.colorado.gov/sites/default/files/overview-11-10-21.pdf.

Table 2
Changes in the General Fund Budget Situation Relative to the September 2021 Forecast
Dollars in Millions, Positive Amounts Reflect an Increase Relative to September

	Components of Change	2020-21	2021-22	2022-23	Description of Changes
1	**Funds Available**	**-$0.8**	**$818.4**	**$517.9**	
2	Beginning Reserve	$0.0	$17.1	-$19.3	Carries changes in the prior-year's reserve forward.
3	General Fund Revenue	-$0.8	$791.4	$528.4	Higher revenue expectations on year-to-date collections.
4	Transfers from Other Funds	$0.0	$9.8	$8.8	See Table 5. Changes to transfers that growth with revenue streams.
5	**Expenditures**	**-$0.1**	**$837.7**	**$550.5***	
6	Operating Appropriations	$0.0	$14.5	$14.5*	Adjustments based on updated information.
7	TABOR Refund Obligation	$0.0	$846.2	$575.8	Higher General Fund and cash funds revenue forecast on stronger-than-expected collections to date.
8	Rebates and Expenditures	$0.0	-$3.0	-$4.4	See Table 4. Reduced on lower-than-expected expenditures year-to-date.
9	SEF Transfers	$0.0	$0.0	$0.0	
10	Transportation Transfers	$0.0	$0.0	$0.0	
11	Capital Construction Transfers	$0.0	$0.0	$0.0	
12	Other Cash Fund Transfers	-$0.1	-$20.0	-$37.4	See Table 5. Changes to transfers that grow with revenue streams.
13	Accounting Adjustment	$17.8			Revenue set aside in prior years for prior TABOR refunds that were underrefunded.
14	Required Reserve	$0.0	$1.9	$1.9*	Reflects adjustment to appropriations amounts.
15	**Surplus Relative to Required Reserve**	**$17.1**	**-$21.2**	**-$32.8***	

**Because a budget for FY 2022-23 has not yet been adopted, amounts assume that FY 2021-22 appropriations are held constant in FY 2022-23.*

General Fund Transfers to Transportation and Capital Construction

Statutory transfers from the General Fund to transportation and capital construction funds are shown in Table 3. In the General Fund overview shown in Table 1, these transfers are reflected on lines 11 and 12. Other non-infrastructure-related transfers to and from the General Fund are summarized in Table 5, and shown on lines 3 and 9 of Table 1.

Table 3
Infrastructure Transfers to and from the General Fund
Dollars in Millions

Transportation Funds	2020-21	2021-22	2022-23	2023-24
SB 21-110	$30.0			
SB 21-260		$170.0	$115.0	
SB 21-265		$124.0		
Total	**$30.0**	**$294.0**	**$115.0**	**$0.0**

Capital Construction Funds	2020-21	2021-22	2022-23	2023-24
HB 15-1344*	$20.0	$20.0	$20.0	$20.0
HB 20-1378	$3.0			
SB 21-064		$0.1		
SB 21-112	$20.0			
SB 21-224		$328.8		
Total	**$43.0**	**$348.9**	**$20.0**	**$20.0**

*Transfers are contingent upon requests made by the Capital Development Committee.

General Fund contributions to transportation. Following a one-time $30.0 million transfer from the General Fund to the State Highway Fund for FY 2020-21, legislation enacted in 2021 directs an additional $294.0 million in transfers to the State Highway Fund in FY 2021-22. For FY 2022-23 through FY 2025-26, Senate Bill 21-260 requires transfers from the General Fund to the State Highway Fund and the Multimodal Transportation and Mitigation Options Fund depending on the amount of revenue retained as a result of the TABOR limit adjustment in the bill. This forecast projects that the entire $115 million transfer will be made in FY 2022-23, with no additional transfer requirement thereafter. The bill also repealed an ongoing obligation for $50 million annual transfers from the General Fund to the State Highway Fund beginning in FY 2022-23. Finally, the bill creates new blocks of ongoing transfers that begin in FY 2024-25, beyond the current forecast period.

Fiscal Policies Dependent on Revenue Conditions

Certain fiscal policies are dependent upon forecast revenue conditions. These policies are summarized below.

Partial refundability of the conservation easement tax credit is expected to be available for tax years 2021 through 2024. The conservation easement income tax credit is available as a nonrefundable credit in most years. In tax years when the state refunds a TABOR surplus, taxpayers may claim an amount up to $50,000, less their income tax liability, as a refundable credit. The state collected a TABOR surplus in FY 2020-21. This forecast expects a TABOR surplus in each of FY 2021-22, FY 2022-23, and

FY 2023-24. Therefore, partial refundability of the credit is expected to be available for tax years 2021, 2022, 2023, and 2024.

Contingent transfers for affordable housing. House Bill 19-1322 created conditional transfers from the Unclaimed Property Trust Fund (UPTF) to the Housing Development Grant Fund for affordable housing projects for three fiscal years. House Bill 20-1370 delayed the start of these contingent transfers until FY 2022-23. The transfers are contingent based on the balance in the UPTF as of June 1 and the Legislative Council Staff June 2023 forecast and subsequent June forecasts. For the fiscal year in which a relevant forecast is published, if revenue subject to TABOR is projected to fall below a "cutoff" amount equal to the projected Referendum C cap minus $30 million dollars, a transfer will be made. The transfer is equal to the greater of $30 million, or the UPTF fund balance. Based on this forecast, no transfer is expected for FY 2022-23 or FY 2023-24, as revenue subject to TABOR is expected to come in well above the cutoff amount.

Table 4
General Fund Rebates and Expenditures
Dollars in Millions

Category	Preliminary FY 2020-21	Percent Change	Estimate FY 2021-22	Percent Change	Estimate FY 2022-23	Percent Change	Estimate FY 2023-24	Percent Change
Senior and Veterans Property Tax Exemptions	157.9	4.4%	162.8	3.1%	164.4	0.9%	170.8	3.9%
TABOR Refund Mechanism[1]	NA		-$162.8		-$164.4		-$170.8	
Cigarette Rebate	$9.3	4.2%	$9.3	0.6%	$9.0	-3.9%	$8.7	-3.2%
Old Age Pension Fund	$78.9	-7.0%	$66.6	-15.6%	$63.8	-4.2%	$62.0	-2.8%
Aged Property Tax and Heating Credit	$6.4	8.8%	$5.9	-7.5%	$5.7	-2.5%	$5.7	-1.2%
Older Coloradans Fund	$8.0	-20.0%	$10.0	25.0%	$10.0	0.0%	$10.0	0.0%
Interest Payments for School Loans	$1.3	-80.6%	$4.1	226.8%	$4.1	0.0%	$4.1	0.0%
Firefighter Pensions	$4.3	1.2%	$4.4	1.5%	$4.5	1.5%	$4.5	0.0%
Amendment 35 Distributions	$0.8	-1.0%	$0.9	9.4%	$0.8	-2.5%	$0.8	-2.3%
Marijuana Sales Tax Transfer to Local Govts.	$29.0	18.2%	$26.8	-7.6%	$28.0	4.5%	$29.8	6.5%
Business Personal Property Exemptions[2]	NA		$18.9		$19.0	0.5%	$19.4	2.0%
Total Rebates and Expenditures	**$295.8**	**103.0%**	**$146.9**	**-50.3%**	**$144.9**	**-1.4%**	**$145.0**	**0.0%**

Totals may not sum due to rounding. NA = Not applicable.

[1]Pursuant to SB 17-267, local government reimbursements for these property tax exemptions are the first TABOR refund mechanism used to meet the prior year's refund obligation.

[2]Pursuant to HB 21-1312, local government are reimbursed for expanded business personal property tax exemptions.

Table 5
Cash Fund Transfers
Dollars in Millions

Transfers to the General Fund		2020-21	2021-22	2022-23	2023-24
HB 05-1262	Amendment 35 Tobacco Tax	$0.8	$0.9	$0.8	$0.8
SB 13-133 & HB 20-1400	Limited Gaming Fund	$44.7	$25.6	$26.4	$26.4
HB 20-1361	Reduce The Adult Dental Benefit	$1.1	$2.3		
HB 20-1380	Move Tobacco Litigation Settlement Moneys	$40.0			
HB 20-1381	Cash Fund Transfers	$88.5			
HB 20-1387	Transfers From Unexpended County Reimbursements	$13.0			
HB 20-1395	End WORK Act Grants Transfer Money To General Fund	$0.2			
HB 20-1401	Marijuana Tax Cash Fund Spending & Transfer	$137.0			
HB 20-1406	Cash Fund Transfers To The General Fund	$7.9			
HB 20-1427	2020 Tax Holding Fund	$2.0	$4.1	$4.1	$4.1
SB 21-209	Repealed Cash Funds		$0.05		
SB 21-251	Loan Family Medical Leave Program				$1.53
Total Transfers to the General Fund		**$335.2**	**$32.8**	**$31.3**	**$31.2**

Transfers from the General Fund		2020-21	2021-22	2022-23	2023-24
SB 11-047	Bioscience Income Tax Transfer to OEDIT	$7.1	$8.0	$8.3	$8.7
SB 14-215	Marijuana Tax Cash Fund	$203.0	$173.3	$181.1	$192.8
SB 15-244 & SB 17-267	State Public School Fund	$32.9	$30.4	$31.7	$33.8
HB 18-1323	Pay For Success Contracts Pilot Program Funding	$0.5	$0.4		
HB 19-1168 & SB 20-215	Health Insurance Affordability Cash Fund	$5.2	$9.8	$16.7	$28.5
HB 19-1245	Housing Development Grant Fund	$15.0	$56.8	$59.7	$62.8
HB 20-1116	Procurement Technical Assistance Program Extension	$0.2	$0.2	$0.2	$0.2
HB 20-1412	COVID-19 Utility Bill Payment-related Assistance	$4.8			
SB 20-003	State Parks Improvement Appropriation	$1.0			
HB 20-1427	2020 Tax Holding Fund	$49.0	$204.4	$204.9	$204.5
HB 20-1427*	Preschool Programs Cash Fund	$0.2	$0.9	$0.5	$0.2
SB 20B-002	Housing & Direct COVID Emergency Assistance	$54.0			
SB 20B-003	Energy Utility Bill Payment Assistance	$5.0			
SB 20B-004	Transfers for COVID Emergency	$100.0			
EO D2020 230	Disaster Emergency Fund Transfer	$148.9			

**HB 20-1427 requires the transfer of 73% of additional sales tax revenue due to the imposition of the minimum cigarette price to the Preschool Programs Cash Fund on June 30th in 2021, 2022, and 2023.*

Table 5 (Cont.)
Cash Fund Transfers
Dollars in Millions

Transfers from the General Fund (Continued)		2020-21	2021-22	2022-23	2023-24
HB 21-1149	Energy Sector Career Pathway in Higher Education		$5.0		
HB 21-1215	Expansion of Justice Crime Prevention Initiative	$3.5			
HB 21-1253	Renewable & Clean Energy Project Grants	$5.0			
HB 21-1260	Implement State Water Plan	$20.0			
HB 21-1262	Money Support Agricultural Events Organization	$5.0			
HB 21-1263	Meeting & Events Incentive Program	$10.0			
HB 21-1285	Funding to Support Creative Arts Industries		$5.0		
HB 21-1288	Colorado Startup Loan Program	$31.4			
HB 21-1290	Additional Funding For Just Transition	$15.0			
HB 21-1326	Support DNR Programs	$25.0			
SB 21-054	Wildfire Mitigation & Response	$13.0			
SB 21-113	Firefighting Aircraft Wildfire Mgmt. & Response	$30.8			
SB 21-202	Public School Air Quality Improvement Grants	$10.0			
SB 21-211	Adult Dental Benefit	$1.1	$2.3		
SB 21-225	Repay Cash Funds For 2020 Transfers		$10.0		
SB 21-227	State Emergency Reserve	$101.0			
SB 21-230	CO Energy Office Energy Fund	$40.0			
SB 21-231	Energy Office Weatherization Assistance Grants	$3.0			
SB 21-234	Agriculture & Drought Resiliency	$3.0			
SB 21-235	Stimulus Funding Dept. of Ag Efficiency Programs	$3.0			
SB 21-240	Watershed Restoration Grant Program Stimulus	$30.0			
SB 21-242	Housing Devt. Grants Hotels Tenancy Support	$15.0			
SB 21-243	CDPHE Appropriation Public Health Infrastructure		$14.5		
SB 21-248	Loan Program for Colorado Agriculture	$30.0			
SB 21-251	Loan Family Medical Leave Program	$1.5			
SB 21-258	Wildfire Risk Mitigation	$25.0			
SB 21-281	Severance Tax Trust Fund Allocation	$9.5		$9.5	
SB 21-283	Cash Fund Solvency		$4.3		
SB 21-286	Home- & Community-based Services	$260.7			
Total Transfers from the General Fund		**$1,318.3**	**$525.3**	**$512.6**	**$531.5**
Net General Fund Impact		**-$983.1**	**-$492.5**	**-$481.3**	**-$500.3**

School Finance Outlook

This section presents information on the outlook for school finance from a state budgetary perspective, both in the current (FY 2021-22) and subsequent (FY 2022-23) fiscal years. This outlook incorporates information from the K-12 enrollment and assessed value projections, located on page 43 and page 49, respectively, of the forecast document. Enrollment changes are a major determinant of overall required formula funding (total program), since funding is allocated on a per pupil basis. Similarly, assessed values on real property determine a school district's property tax base, which, along with a school district's total program mill levy, determine a school district's available property tax revenue. This revenue, supplemented by specific ownership tax revenue from vehicle registrations, constitutes the local share of school district funding. Subject to available budgetary resources, the difference between total program funding requirements and the local share is the amount the state must cover through state equalization payments, or state aid.

Relative to last year's appropriation, the **FY 2021-22** requirement for state aid has decreased by about $206 million. This is because:

- total program requirements have decreased by $67 million; and
- revenue available for the local share increased by $139 million.

For **FY 2022-23**, the state aid requirement is expected to increase by $186 million on a year-over-year basis because:

- total program requirements will increase by $263 million relative to current year levels; and
- revenue available for the local share will increase by $77 million relative to current year levels.

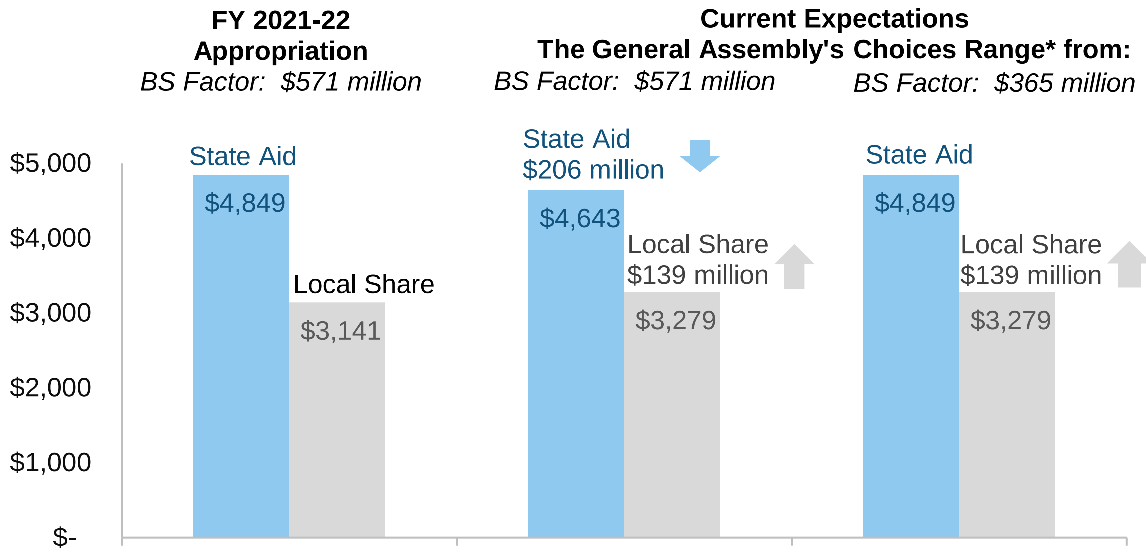
State funding for total program will depend on budget decisions made by the General Assembly, including the amount of the budget stabilization factor, and the funding allocation between the General Fund and State Education Fund. For example, the contribution for school finance from the State Education Fund for FY 2022-23 would increase by $533 million and the General Fund requirement would decrease by $304 million on a year-over-year basis under the following scenario:

- a $400 million ending balance for the State Education Fund in FY 2022-23; and
- the budget stabilization factor is reduced to a level of $421.2 million as per the Governor's budget request.

Funding Status for the Current Fiscal Year (FY 2021-22)

Lower than expected enrollment and increased expectations for property tax revenue collections are expected to increase budgetary flexibility by $206 million in the current fiscal year relative to the initial appropriation enacted in 2021. Preliminary funded pupil counts and funded at-risk pupil counts are lower than estimates made last year. Specifically, the funded pupil count decreased by just over 2,300 students, while funded at-risk totals decreased by nearly 37,000 students. This decreases the overall total program cost by about $67 million relative to the initial appropriation. At the same time, the preliminary estimate for the local share is $139 million, or 4.4 percent, higher than expected during the 2021 legislative session. This includes an increase of $117 million in property taxes and an increase of $22 million in specific ownership taxes. As shown in Figure 1 below, the combination of these changes means that the state's obligation for school finance is nearly $206 million lower than the appropriation for state aid made in the 2021 legislative session. The General Assembly could choose to decrease either the General Fund or the State Education Fund appropriation by $206 million, decrease the budget stabilization factor by $206 million, or anything in between, to address this reduction in the state's obligation.

Figure 1
Change in Expectations for School Finance Funding, FY 2021-22
Dollars in Millions



**The range of choices to address the additional $206 million in school finance flexibility.*

At-Risk Population during the COVID-19 Pandemic

The 2021 legislative appropriation for school finance was made during the COVID-19 pandemic, under conditions of heightened uncertainty. In Senate Bill 21-268, the estimated funded pupil count and local share were based on the December 2020 enrollment and assessed values forecast, which anticipated bounce backs both in the overall funded pupil count, and in the number of at-risk students.

During the 2021-22 academic year, most Colorado school districts have experienced continued enrollment declines, especially among the early grades of elementary school. Additionally, enrollment declines and the provision of universal free lunch has also reduced the number of families that have submitted the required paperwork to qualify for the federal free and reduced price lunch program. Because qualification for this program is the primary determinant of at-risk funding, the reported number of at-risk students likely does not accurately reflect the true number of eligible students.

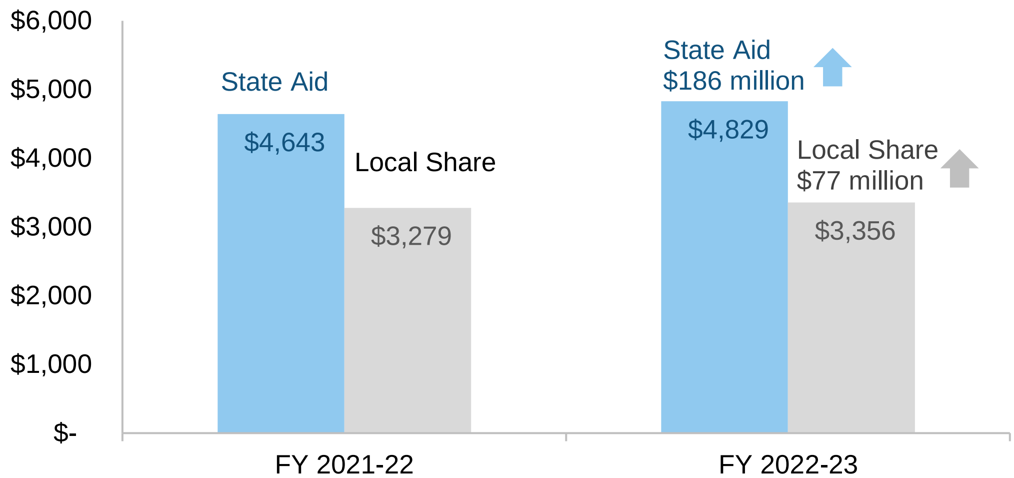
Additional Local Share from House Bill 21-1164

During the 2021 legislative session, the General Assembly enacted House Bill 21-1164, designed to authorize the Colorado Department of Education (CDE) to implement a correction schedule for district total program mill levies by phasing down total program mill levy credits. As a result of this legislation, 18 districts increased their total program mill levy by less than one mill, while another 101 districts increased their levy by one mill. This resulted in an estimated $89 million in additional local share, which is included in the local share totals presented above.

Funding Outlook for Next Fiscal Year (FY 2022-23)

Total program funding requirements are expected to increase by $263 million between FY 2021-22 and FY 2022-23. The estimated funded pupil count is expected to decrease by nearly 5,500 pupils on a year-over-year basis. Inflation expectations for 2021 have held steady since the September forecast, remaining at 3.7 percent. As shown in Figure 2, the combination of these two factors increases the overall required cost of total program by about $263 million on a year-over-year basis. This total includes an increase of $186 million in required state aid, as assessed values are projected to grow by 1.3 percent in FY 2022-23 on a year-over-year basis, leading to an increase of $77 million in the local share.

Figure 2
Change in Expectations for School Finance Funding, FY 2021-22 to FY 2022-23
Dollars in Millions



Assuming an ending balance in the State Education Fund of $400 million in FY 2022-23, $300 million in FY 2023-24, and a $150 million thereafter, and that the budget stabilization factor is reduced by $150 million as the Governor has requested, the available contribution from the State Education Fund for FY 2022-23 is projected to increase by $533 million on a year-over-year basis. This implies that the corresponding General Fund requirement for school finance will decrease by $304 million relative to FY 2021-22. Under this scenario, the required contribution from the General Fund in FY 2023-24 would need to increase by $263 million, or 7.0 percent, in order to hold the budget stabilization factor at this new, lower level, and maintain an ending balance in the State Education Fund of $300 million.

Summary of Updated Information Incorporated into the School Finance Model

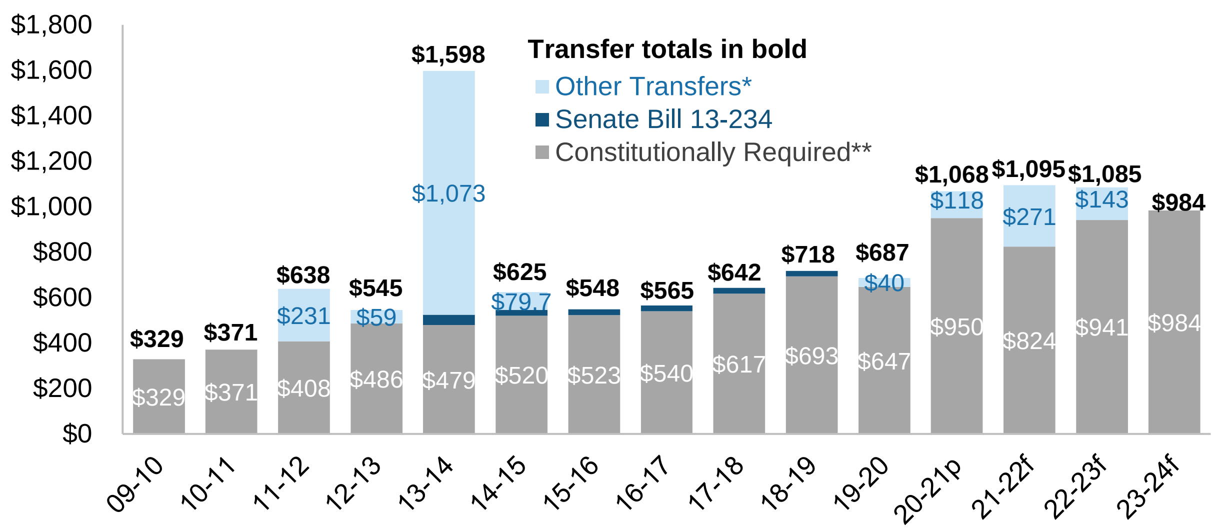
Each fall, school districts collect enrollment information from all 178 school districts and the Charter School Institute (CSI). Districts report preliminary totals to CDE, which in turn provides this information to Legislative Council Staff to assist in the development of its K-12 enrollment projections. Preliminary pupil counts are also incorporated into the Legislative Council Staff school finance model. All district-level pupil counts are provided on a full-time equivalent (FTE) basis. Enrollment components include the overall pupil count for grades 1-12 as well as total kindergarten, online, ASCENT, and CSI students. This information is used to determine a school district's funded pupil count. CDE also provides information on the number of funded at-risk students and the K-12 membership, which is used to determine a school district's funding for at-risk pupils, which for many districts can be a significant component of district total program. When preliminary counts are finalized in January, the school finance model will be updated accordingly.

In addition, CDE also obtains district-level information on assessed values and specific ownership tax revenue. This information is combined with certified mill levies for each district to obtain estimates for the amount of funding school districts will receive from local revenue sources. Updated enrollment and local share estimates thus combine to provide the best estimate for the state's obligation for state equalization payments for both the current and subsequent fiscal years. Final true-up for the FY 2021-22 appropriation for state aid will occur through passage of a mid-year supplemental bill for CDE. The appropriation for state aid in FY 2022-23 will be made through passage of the 2022 Long Bill and the 2022 School Finance Act.

State Education Fund Transfers

The Colorado Constitution requires the State Education Fund to receive one-third of 1 percent of taxable income. In FY 2021-22, the State Education Fund is expected to receive $823.8 million as a result of this requirement, with higher amounts in the following year resulting from growth in taxable income among Colorado taxpayers. Figure 3 shows revenue to the State Education Fund.

Figure 3
Revenue to the State Education Fund
Dollars in Millions



Source: Colorado State Controller's Office and Legislative Council Staff forecast. p = Preliminary. f = Forecast.
**Includes transfers under SB 09-260 for FY 2008-09, SB 11-183 and SB 11-156 for FY 2011-12, HB 12-1338 for FY 2012-13 and FY 2013-14, HB 14-1342 for FY 2014-15, SB 19-246 for FY 2019-20, HB 20-1420 for FY 2020-21 and FY 2021-22, HB 20-1427 for FY 2020-21 through FY 2022-23, and SB 21-208 for FY 2021-22.*
***One-third of 1 percent of federal taxable income is required to be dedicated to the State Education Fund under Article IX, Section 17 of the Colorado Constitution.*

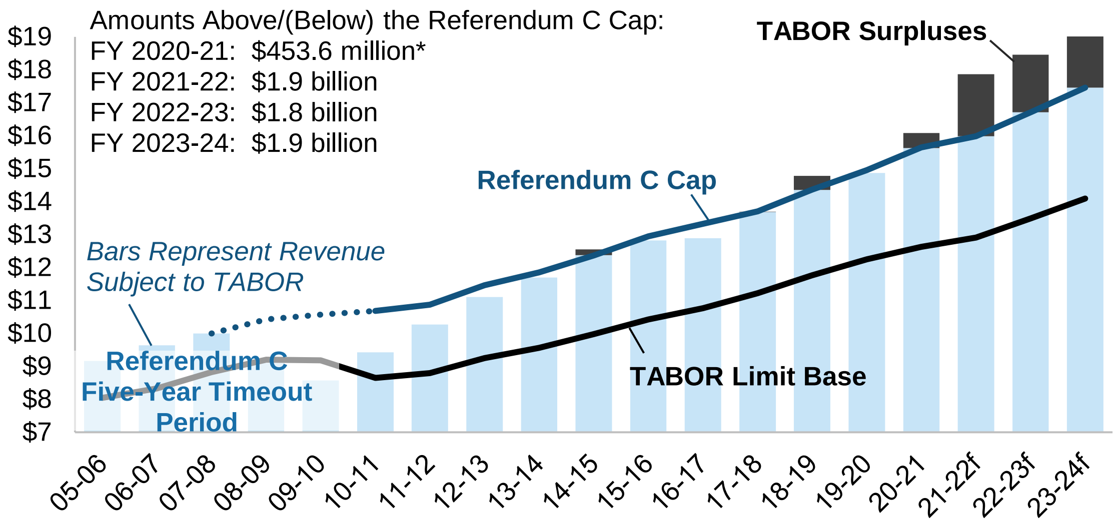
In addition, the General Assembly has at different times authorized the transfer of additional moneys from the General Fund to the State Education Fund (see Table 1, line 10). Money in the State Education Fund is required to be used to fund kindergarten through twelfth grade public education. In addition, House Bill 20-1420 includes a transfer of $113 million in FY 2020-21 and $23 million in FY 2021-22 to the State Education Fund, and Senate Bill 21-208 includes a $100 million transfer in FY 2021-22.

Finally, Proposition EE, which was approved by voters in the November 2020 election, also transfers new revenue from increased cigarette, tobacco and nicotine taxes to the State Education Fund for three fiscal years. These amounts are currently estimated at $4.8 million in FY 2020-21, $147.8 million in FY 2021-22, and $143.3 million in FY 2022-23. These amounts represent a portion of the transfers from the General Fund to the 2020 Tax Holding Fund shown in Table 5 under House Bill 20-1427.

TABOR Outlook

The state TABOR outlook is presented in Table 7 and illustrated in Figure 4, which also provides a history of the TABOR limit base and the Referendum C cap. In FY 2020-21, state revenue subject to TABOR exceeded the Referendum C cap, creating a state obligation for **TABOR refunds** to taxpayers in FY 2021-22. State revenue subject to TABOR is projected to exceed the Referendum C cap in each of FY 2021-22, FY 2022-23, and FY 2023-24, creating a state obligation for TABOR refunds to taxpayers in each of FY 2022-23, FY 2023-24, and FY 2024-25.

Figure 4
TABOR Revenue, TABOR Limit Base, and the Referendum C Cap
Dollars in Billions



Source: Office of the State Controller and Legislative Council Staff. f = Forecast.
**The refund amount for FY 2020-21 differs from surplus amount because it includes $17.8 million in under-refunds from prior TABOR surpluses.*

FY 2020-21. On September 1, 2021, the State Controller certified that state revenue subject to TABOR exceeded the Referendum C cap by $453.6 million. After accounting for an outstanding refund obligation attributable to under-refunds of prior TABOR surpluses, the Controller reports that the state is obligated to refund $471.4 million in the current FY 2021-22. The FY 2020-21 surplus will be refunded to taxpayers via the three TABOR refund mechanisms under current law, which are explained in greater detail below. Pursuant to **Senate Bill 21-260**, the Referendum C cap was increased by $225.0 million in FY 2020-21, reversing a reduction made to the FY 2017-18 Referendum C cap in Senate Bill 17-267.

Forecasts for FY 2021-22 through FY 2023-24. State revenue subject to TABOR is projected to exceed the Referendum C cap throughout the forecast period. In the current FY 2021-22, revenue is expected to exceed the Referendum C cap by $1.9 billion, before exceeding the cap by $1.8 billion in FY 2022-23 and $1.9 billion in FY 2023-24. Refunds of those amounts are expected to be returned to taxpayers in the year following each surplus. The actual refund obligation in any given year will incorporate any over- or under-refund of prior year surpluses.

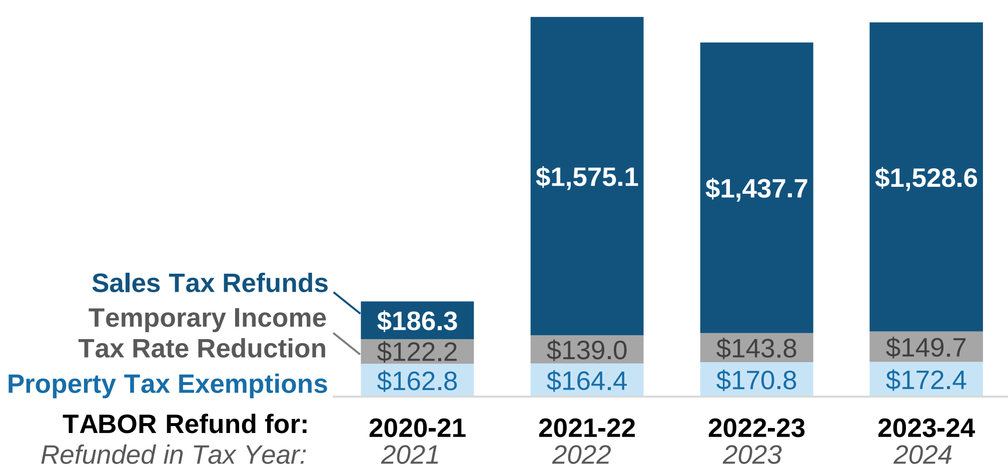
Relative to the September forecast, expectations for state revenue subject to TABOR were increased primarily on higher expectations for General Fund revenue (see the General Fund revenue section beginning on page 27 for more information).

Population adjustments. Following each decennial census, the census population counts are used instead of population estimates for purposes of calculating the growth factors for the TABOR limit. As shown in Table 5, the 2020 decennial census count for Colorado's population exceeded the 2019 estimate by 0.3 percent.

Risks to the forecast. Estimates of the TABOR surplus and TABOR refund obligation represent the amount by which state revenue subject to TABOR is expected to exceed the Referendum C cap. Therefore, any error in the General Fund or cash funds revenue forecasts will result in an error of an equal amount in the TABOR refund forecast.

TABOR refund mechanisms. Current state law includes three TABOR refund mechanisms: property tax exemptions for seniors and disabled veterans, a temporary reduction in the income tax rate from 4.55 percent to 4.50 percent, and the six-tier sales tax refund mechanism based on taxpayers' incomes. All three refund mechanisms will be used to refund the FY 2020-21 surplus in tax year 2021, and, based on this forecast, all three refund mechanisms are expected to be used for each of tax years 2022, 2023, and 2024, as shown in Figure 5. Table 6 on page 25 provides estimates for the amounts to be refunded to taxpayers via the six-tier sales tax refund mechanism for tax year 2021, and estimated amounts for tax years 2022, 2023, and 2024.

Figure 5
Expected TABOR Refunds and Refund Mechanisms
Dollars in Millions



Source: Legislative Council Staff December 2021 forecast.

Refunds made via property tax exemptions reduce an obligation that would otherwise be paid from General Fund revenue. Refunds made via the income tax rate reduction and sales tax refund are paid to taxpayers when they file their state income tax returns. These two mechanisms are accounted for as an offset against the amount of surplus revenue restricted to pay TABOR refunds, rather than as a revenue reduction. Therefore, the General Fund revenue forecast does not incorporate downward adjustments as a result of these refund mechanisms being activated.

Table 6
Projected TABOR Refunds via the Six-Tier Sales Tax Refund Mechanism
Does Not Include Refunds Via Property Tax Exemptions and Temporary Income Tax Rate Reduction

Tax Year 2021 (FY 2020-21 TABOR Refund Obligation)

Taxpayer Distribution			Amount for Single Filers	Amount for Joint Filers
	up to	$44,000	**$37**	**$74**
$44,001	to	$88,000	**$49**	**$98**
$88,001	to	$139,000	**$56**	**$112**
$139,001	to	$193,000	**$68**	**$136**
$193,001	to	$246,000	**$74**	**$148**
$246,001	and up		**$117**	**$234**

Tax Year 2022 (FY 2021-22 TABOR Refund Obligation)

Taxpayer Distribution			Amount for Single Filers	Amount for Joint Filers
	up to	$45,000	**$308**	**$616**
$45,001	to	$91,000	**$410**	**$820**
$91,001	to	$144,000	**$472**	**$944**
$144,001	to	$200,000	**$561**	**$1,122**
$200,001	to	$254,000	**$604**	**$1,208**
$254,001	and up		**$972**	**$1,944**

Tax Year 2023 (FY 2022-23 TABOR Refund Obligation)

Taxpayer Distribution			Amount for Single Filers	Amount for Joint Filers
	up to	$46,000	**$278**	**$556**
$46,001	to	$93,000	**$370**	**$740**
$93,001	to	$146,000	**$426**	**$852**
$146,001	to	$203,000	**$506**	**$1,012**
$203,001	to	$259,000	**$545**	**$1,090**
$259,001	and up		**$876**	**$1,752**

Tax Year 2024 (FY 2023-24 TABOR Refund Obligation)

Taxpayer Distribution			Amount for Single Filers	Amount for Joint Filers
	up to	$47,000	**$292**	**$584**
$47,001	to	$94,000	**$389**	**$778**
$94,001	to	$149,000	**$448**	**$896**
$149,001	to	$207,000	**$532**	**$1,064**
$207,001	to	$264,000	**$572**	**$1,144**
$264,001	and up		**$921**	**$1,842**

Table 7
TABOR Limit and Retained Revenue
Dollars in Millions

		Actual FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24
	TABOR Revenue				
1	General Fund[1]	$13,860.2	$15,433.9	$15,913.5	$16,650.2
2	Cash Funds[1]	$2,237.7	$2,433.1	$2,546.7	$2,660.3
3	**Total TABOR Revenue**	**$16,097.9**	**$17,867.0**	**$18,460.2**	**$19,310.6**
	Revenue Limit				
4	Allowable TABOR Growth Rate	3.1%	2.2%	4.5%	4.5%
5	Inflation (*from Prior Calendar Year*)	1.9%	2.0%	3.7%	3.4%
6	Population Growth (*from Prior Calendar Year*)	1.2%	0.3%	0.8%	1.1%
7	TABOR Limit Base	$12,628.1	$12,905.9	$13,486.7	$14,093.6
8	Voter Approved Revenue Change (Referendum C)	$3,016.3	$3,082.6	$3,221.3	$3,366.3
9	Total TABOR Limit / Referendum C Cap	$15,644.3	$15,988.5	$16,708.0	$17,459.8
10	**TABOR Revenue Above** (Below) **Referendum C Cap**	**$453.6**	**$1,878.5**	**$1,752.3**	**$1,850.7**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C[2]	$3,016.3	$3,082.6	$3,221.3	$3,366.3
12	Fiscal Year Spending (*revenue available to be spent or saved*)	$15,644.3	$15,988.5	$16,708.0	$17,459.8
13	Outstanding Under-refund Amount[3]	$17.8			
14	**Revenue Refunded to Taxpayers**	**$471.4**	**$1,878.5**	**$1,752.3**	**$1,850.7**
15	TABOR Reserve Requirement	$469.3	$479.7	$501.2	$523.8

Totals may not sum due to rounding.
[1]Revenue differs from the amount in the General Fund and cash fund revenue summaries because of accounting adjustments across TABOR boundaries.
[2]Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.
[3]This amount represents under-refunds from prior years.

General Fund Revenue

This section presents the Legislative Council Staff outlook for General Fund revenue, the state's main source of funding for discretionary operating appropriations. Table 8 on page 31 summarizes preliminary General Fund revenue collections for FY 2020-21 and projections for FY 2021-22 through FY 2023-24.

FY 2020-21. Preliminary figures suggest that General Fund revenue increased 10.7 percent over year-ago levels to total $14.2 billion in FY 2020-21. These preliminary amounts will be updated with audited actual figures for the March 2022 forecast.

Forecast for FY 2021-22 through FY 2023-24. General Fund revenue is expected to increase 11.7 percent to total $15.9 billion in FY 2021-22. Growth is expected to moderate to rates that parallel inflation and population growth contributions through the remainder of the forecast period, growing 3.1 percent to total $16.4 billion in FY 2022-23, and increasing 4.6 percent to total $17.2 billion in FY 2023-24. As the economy continues to adjust and recover from the COVID-19 pandemic, employment growth is expected to sustain income growth and consumer activity, bolstering income tax and sales tax collections. Additionally, recent tax policy changes, including voter approval of Proposition EE tobacco taxes, are expected to boost revenue on net.

Forecast revisions. The revenue outlook was increased by $791.4 million, or 5.2 percent, for the current FY 2021-22 and by $528.4 million, or 3.3 percent, for FY 2022-23. Increases reflect upward revisions to the forecasts for individual income tax and sales tax revenue, reflecting strong collections to begin the fiscal year and higher expectations for inflation.

Risks to the forecast. Risks to the General Fund revenue forecast remain elevated. On the upside, revenue collections have consistently outperformed forecast expectations since the beginning of the pandemic recession. Downside risks to the economic outlook, which include the imposition of economic restrictions in response to the Omicron variant, persistent supply chain disruptions, a large, near-term equity market correction, high inflation over a longer period than expected, or an economic slowdown in response to monetary policy choices, would all translate into downside risks to the revenue forecast. While substantial upside and downside risks are both present, the budget impact of revenue collections above or moderately below expectations would be offset by a correspondingly larger or smaller TABOR refund obligation.

Finally, limited information is available confirming the impact of recent income tax policy changes and the extent to which federal fiscal stimulus is supporting state income taxes. These policy impacts complicate the ability to assess the underlying health of the state tax base, which could be stronger or weaker than currently forecast.

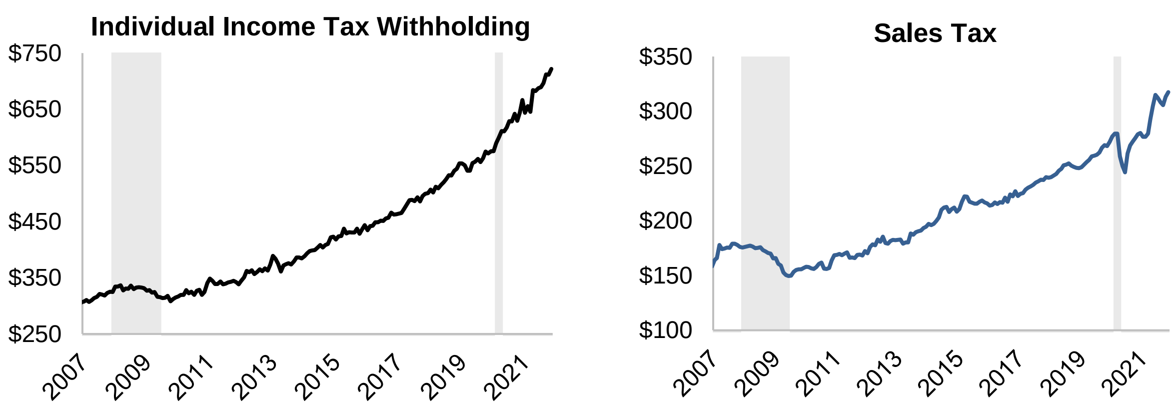
Individual Income Tax

Taxable income earned by individuals and non-corporate businesses is taxed at a flat rate of 4.55 percent. Revenue is credited to the General Fund and is subject to TABOR, except that an amount equal to one third of 1 percent of taxable income is transferred to the State Education Fund (SEF) and exempt from TABOR. Individual income tax revenue is the largest source of General Fund revenue, accounting for about 61 percent of revenue to the General Fund in FY 2020-21, net of the SEF transfer.

FY 2020-21. Individual income tax collections exceeded expectations throughout FY 2020-21 as growth in incomes continued unabated by the pandemic recession (Figure 6, left). Preliminary collections for FY 2020-21 show that individual income tax revenue, before application of the SEF transfer, increased by 9.7 percent over year-ago levels to $9.5 billion. FY 2020-21 collections surprised on the upside throughout the fiscal year. Federal fiscal stimulus propped up employment through the federal paycheck protection program and boosted state taxable income via unemployment insurance benefits. Additionally, the pandemic recession had comparatively minor impacts on many high-income earners, who comprise a larger share of the income tax base.

Forecast for FY 2021-22 through FY 2023-24. In the current FY 2021-22, individual income tax collections are expected to reach $10.7 billion before application of the SEF transfer, an increase of 12.6 percent over year-ago levels. Individual income tax collections are expected to increase by an additional 3.7 percent in FY 2022-23 and 5.0 percent in FY 2023-24 as job gains support ongoing wage growth.

Figure 6
Selected General Fund Revenue Sources
Millions of Dollars in Monthly Collections



Source: Office of the State Controller with Legislative Council Staff seasonal adjustments. Data are shown as a three-month moving average on a cash basis. November 2021 collections are preliminary.

Income tax rate. This forecast expects the state TABOR refund obligation for each of FY 2020-21 through FY 2022-23 to be sufficient to trigger a temporary reduction in the income tax rate from 4.55 percent to 4.50 percent for each of tax years 2021 through 2024. The cost of the rate reduction is accounted as a debit against restricted prior year TABOR surpluses, rather than a reduction in current year revenue. Therefore, the forecast for all fiscal years reflects the application of a 4.55 percent tax rate for budget purposes.

Legislative adjustments. This forecast includes significant adjustments for the future impacts of recent legislation on individual income tax revenue. **House Bill 21-1311** expanded the state earned income tax credit and activated the state child tax credit, while also restricting the application of federal itemized deductions and qualified business income deductions for the purpose of determining Colorado taxable income. **House Bill 21-1233** is expected to increase claims of the tax credit for conservation easement donations, thereby decreasing state revenue. On net, legislation enacted during 2021 is expected to reduce income tax revenue by between $25 million and $45 million annually, because large impacts of legislation in both directions are mostly expected to offset one another.

Corporate Income Tax

Corporate income tax revenue totaled $1,183.7 million in FY 2020-21, a 62.5 percent increase from the prior fiscal year. Corporate profits reached their nadir in the second quarter of 2020. Despite the significant disruptions to the economy caused by the pandemic, profits have since grown at a rapid pace. Additionally, the pandemic caused a shift in consumer spending toward goods-producing businesses, which tend to account for a larger share of corporate income tax in Colorado, increasing corporate income tax revenue further.

Collections in FY 2020-21 reached record levels, and are expected to decline by 8.1 percent in FY 2021-22 to $1,087.9 million. Despite this reduction, corporate income tax revenue will remain nearly $170 million above its level for FY 2018-19, a very strong year for corporate income tax collections. Corporate profits are expected to grow at a slower pace as federal stimulus wanes and inflation remains high. Additionally, as vaccination becomes more widespread, individuals are expected to shift back towards spending on services. In combination, these shifts are expected to moderate growth in corporate income tax collections.

Corporate income tax collections are expected to resume their growth in FY 2022-23, adding 0.8 percent to total $1,096.7 million. In FY 2023-24, collections are expected to grow by 2.8 percent to $1,127.6 million. Corporate income tax revenue is volatile, and to the extent that economic performance falls short of or exceeds expectations, revenue will likewise be lower or higher than forecast.

Sales Tax

The 2.9 percent state sales tax is assessed on the purchase of goods, except those specifically exempted, and a relatively small collection of services. Sales tax receipts increased 7.0 percent to total $3.4 billion during FY 2020-21, supported by robust consumer and business activity, large fiscal stimulus measures, and improving pandemic conditions.

Through the first five months of the current fiscal year, sales tax revenue rose strongly as household balance sheets remained healthy and consumers returned to spending on food services and accommodations. Despite a steady return to many of the service sector activities that suffered severe declines during the pandemic, consumer spending remains elevated for many taxable goods. Robust job and wage growth, together with elevated household savings, boosted spending heading into the holiday season. Nominal tax revenues have also grown in part due to upward price pressures for key goods that comprise a significant share of sales tax revenue, most notably for new and used motor vehicles.

While personal income growth is expected to slow significantly in FY 2021-22 as government transfer payments recede, consumer spending and recent legislative adjustments will boost tax revenues through the fiscal year. Sales tax revenue is expected to rise 8.7 percent in FY 2021-22 on strong goods consumption and elevated costs for many goods, including vehicles, due to supply chain constraints.

Revenue growth is expected to slow to 4.5 percent in FY 2022-23 as consumers resume more spending on nontaxable service sector activities and shift away from some goods consumption. In FY 2023-24, sales tax revenue is expected to grow more in line with personal incomes and increase another 4.5 percent.

Use tax

The 2.9 percent state use tax is due when sales tax is owed, but is not collected at the point of sale. Use tax revenue is largely driven by capital investment among manufacturing, energy, and mining firms. Revenue was up by 1.8 percent in FY 2020-21 following a 39.1 percent decline in FY 2019-20. During the forecast period, use tax is expected to grow by 8.2 percent in FY 2021-22, and then at a slower pace of 6.7 percent and 5.7 percent in FY 2022-23 and FY 2023-24, respectively. Over the forecast period, revenue growth will be supported by more investment in oil and gas activity, improved nonresidential construction and investment activity, and legislative changes enacted during the 2021 session.

Use tax revenue fell sharply in FY 2019-20 as rules promulgated by the Department of Revenue and legislative changes enacted in HB 19-1240 converted retail use tax collections to sales tax collections. The immediate, steep decline in retailers' use tax moderated and reversed in FY 2020-21. Use tax collections are now expected to grow over the long term as business activity increases.

Proposition EE Cigarette, Tobacco, and Nicotine Taxes

Table 8 includes a line for Proposition EE taxes, which are deposited in the General Fund, transferred to the 2020 Tax Holding Fund, and distributed to fund affordable housing, eviction legal defense, rural schools, tobacco education programs and, in the future, preschool programs. Table 8 shows expected revenue collections, while equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 5 on page 15. Proposition EE taxes totaled $49.0 million in FY 2020-21. This forecast estimates that Proposition EE taxes will total $204.4 million in FY 2021-22 and $204.9 million in FY 2022-23.

Proposition EE was referred to voters under House Bill 20-1427 and approved in November 2020. The measure increased cigarette and tobacco taxes and created a new tax on nicotine products. Beginning January 1, 2021, the cigarette tax increased from $0.84 to $1.94 per pack; the tax for tobacco products increased from 40 percent to 50 percent of manufacturer's list price (MLP); and the new tax for nicotine products, 30 percent of MLP, was instituted. These tax rates will continue to increase incrementally until FY 2027-28, when they reach $2.64 per pack for cigarettes and 62 percent of MLP for tobacco and nicotine products. Revenue from the new taxes is exempt from TABOR as a voter-approved revenue change.

Table 8
General Fund Revenue Estimates
Dollars in Millions

	Category	Preliminary FY 2020-21	Percent Change	Estimate FY 2021-22	Percent Change	Estimate FY 2022-23	Percent Change	Estimate FY 2023-24	Percent Change
	Excise Taxes								
1	Sales	$3,419.5	7.0	$3,716.0	8.7	$3,882.9	4.5	$4,058.4	4.5
2	Use	$214.2	1.8	$231.7	8.2	$247.2	6.7	$261.4	5.7
3	Retail Marijuana Sales	$288.2	17.4	$268.0	-7.0	$280.0	4.5	$298.2	6.5
4	Cigarette	$30.1	-7.3	$33.1	9.9	$31.8	-3.9	$30.8	-3.2
5	Tobacco Products	$29.0	19.1	$24.5	-15.7	$25.8	5.5	$26.2	1.5
6	Liquor	$53.4	6.6	$56.1	5.1	$57.7	3.0	$59.5	3.0
7	Proposition EE Tobacco Taxes	$49.0	NA	$204.4	317.0	$204.9	0.2	$204.5	-0.2
8	**Total Excise**	**$4,083.5**	**8.6**	**$4,533.8**	**11.0**	**$4,730.5**	**4.3**	**$4,939.0**	**4.4**
	Income Taxes								
9	Net Individual Income	$9,481.8	9.7	$10,680.3	12.6	$11,075.3	3.7	$11,624.5	5.0
10	Net Corporate Income	$1,183.7	62.5	$1,087.9	-8.1	$1,096.7	0.8	$1,127.6	2.8
11	**Total Income Taxes**	$10,665.5	13.8	$11,768.2	10.3	$12,171.9	3.4	$12,752.1	4.8
12	Less: Portion diverted to the SEF	-$950.2	46.9	-$823.8	-13.3	-$941.4	14.3	-$983.9	4.5
13	**Income Taxes to the General Fund**	**$9,715.3**	**11.3**	**$10,944.3**	**12.7**	**$11,230.6**	**2.6**	**$11,768.2**	**4.8**
	Other Sources								
14	Estate	$0.0	NA	$0.0	NA	$0.0	NA	$0.0	NA
15	Insurance	$336.3	-0.3	$337.9	0.5	$349.1	3.3	$363.3	4.1
16	Pari-Mutuel	$0.3	-21.2	$0.4	30.8	$0.5	20.0	$0.5	5.0
17	Investment Income	$50.0	60.9	$55.7	11.3	$52.7	-5.5	$46.1	-12.5
18	Court Receipts	$3.5	-9.8	$3.9	10.7	$3.7	-3.4	$3.6	-2.8
19	Other Income	$50.7	423.4	$30.2	-40.5	$31.5	4.2	$32.2	2.2
20	**Total Other**	**$440.9**	**15.3**	**$428.1**	**-2.9**	**$437.4**	**2.2**	**$445.7**	**1.9**
21	**Gross General Fund Revenue**	**$14,239.6**	**10.7**	**$15,906.3**	**11.7**	**$16,398.5**	**3.1**	**$17,152.9**	**4.6**

Totals may not sum due to rounding. NA = Not applicable. SEF = State Education Fund.

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Cash Fund Revenue

Table 9 summarizes the forecast for cash fund revenue subject to TABOR. Typically, the largest cash fund revenue sources subject to TABOR are motor fuel taxes and other transportation-related revenue, gaming taxes, and severance taxes. The end of this section also presents the forecasts for marijuana tax revenue, Federal Mineral Lease payments, and the outlook for the Unemployment Insurance Trust Fund. These forecasts are presented separately because they are not subject to TABOR limitations.

Table 9
Cash Fund Revenue Subject to TABOR
Dollars in Millions

	Preliminary FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	CAAGR*
Transportation-Related	$1,155.8	$1,230.0	$1,333.1	$1,418.0	
Percent Change	-3.5%	6.4%	8.4%	6.4%	7.1%
Severance Tax	$14.7	$113.9	$113.0	$108.1	
Percent Change	-88.8%	675.6%	-0.8%	-4.3%	94.5%
Gaming Revenue[1]	$101.8	$140.9	$141.4	$143.4	
Percent Change	47.2%	38.3%	0.4%	1.4%	12.1%
Insurance-Related	$20.3	$23.2	$21.4	$21.2	
Percent Change	-18.6%	14.3%	-7.8%	-0.9%	1.5%
Regulatory Agencies	$89.1	$89.9	$90.8	$91.9	
Percent Change	9.9%	0.4%	0.8%	0.8%	1.0%
Capital Construction Related - Interest[2]	$2.6	$3.8	$3.1	$3.5	
Percent Change	-58.3%	42.3%	-18.4%	12.4%	9.3%
2.9% Sales Tax on Marijuana[3]	$15.5	$15.1	$15.3	$15.6	
Percent Change	16.2%	-2.9%	1.8%	1.6%	0.1%
Other Cash Funds[4]	$838.7	$816.5	$828.6	$858.8	
Percent Change	16.6%	-2.7%	1.5%	3.6%	0.8%
Total Cash Fund Revenue[4]	**$2,238.6**	**$2,433.1**	**$2,546.7**	**$2,660.3**	
Subject to the TABOR Limit	-0.2%	8.7%	4.7%	4.5%	5.9%

Totals may not sum due to rounding.

** CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.*

[1]Gaming revenue in this table does not include Amendment 50 revenue because it is not subject to TABOR.

[2]Includes interest earnings to the Capital Construction Fund, the Controlled Maintenance Trust Fund, and transfers from certain enterprises.

[3] Includes revenue from the 2.9 percent sales tax collected from the sale of medical and retail marijuana. This revenue is subject to TABOR.

[4] For FY 2019-20 through FY 2020-21, includes transfers from the Unclaimed Property Trust Fund to the General Fund per SB 19-261 and HB 20-1381. Revenue to this fund is TABOR exempt, but becomes subject to TABOR when transferred out of the fund.

FY 2020-21. Preliminary figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled $2.24 billion in FY 2020-21, a decrease of 0.2 percent from the prior fiscal year. The most significant increase in percentage terms was in gaming revenue, which increased by 47.2 percent to $101.8 million. The largest increase in nominal terms was other cash funds, which increased by 16.6 percent to $838.7 million in part on transfers across TABOR boundaries from the Unclaimed Property Trust Fund. The largest decrease in both percentage and nominal terms was in severance tax collections, which shrank by $117.0 million to $14.7 million in FY 2020-21. The collapse of oil and gas prices in April 2020 and subsequent decline in production activity curtailed severance tax revenue significantly. Transportation-related revenue, the largest source of cash fund revenue subject to TABOR, also declined in FY 2020-21, contracting by $42.4 million to $1.16 billion, as demand for motor fuel and vehicle registrations fell significantly on pandemic-related disruptions and reduced travel activity.

Forecast for FY 2021-22 through FY 2023-24. Total cash fund revenue subject to TABOR in the current FY 2021-22 is expected to total $2.43 billion, an 8.7 percent increase from FY 2020-21. In subsequent years, growth is expected to moderate to 4.7 percent and 4.5 percent in FY 2022-23 and FY 2023-24, respectively. Relative to September, many cash fund forecasts were revised upwards based on stronger than anticipated collections in the current fiscal year. The continued economic recovery, alongside rebounding energy markets and travel activity, are expected to boost cash fund revenues, particularly transportation-related and gaming revenues, throughout the forecast period. However, an anticipated decline in oil and natural gas prices will likely result in declining severance tax revenues beginning in FY 2022-23.

Transportation-related revenue subject to TABOR ended FY 2020-21 down 3.5 percent, falling for the second consecutive year as fuel tax revenues continued to decline from reduced commuter traffic and travel activity. The decline in fuel tax revenue was partially offset by increased vehicle registrations as motor vehicle offices reopened. Revenue is expected to increase by 6.4 percent in FY 2021-22 as travel activity resumes. Increased travel activity and new fee revenue will contribute to growth through the forecast period with revenue increasing 8.4 percent in FY 2022-23 and 6.4 percent in FY 2023-24. The forecast for transportation-related revenue is presented in Table 10.

Most fuel taxes and vehicle registration fees are credited to the **Highway Users Tax Fund** (HUTF) and disbursed to the Department of Transportation, the State Patrol, the Division of Motor Vehicles, and to county and municipal governments for transportation purposes. In FY 2020-21, HUTF revenue decreased for the second consecutive year, falling 2.6 percent on sagging fuel consumption. Fuel tax receipts are expected to rebound in FY 2021-22, but remain just below pre-pandemic peak levels. While fuel consumption is expected to grow through the forecast period, improving vehicle fuel efficiency and permanent shifts to remote work for some will dampen expected growth over the long term. In FY 2020-21, falling fuel revenue was partially offset by vehicle registration fees. DMV office closures during the spring of 2020 shifted a portion of FY 2019-20 vehicle registrations into FY 2020-21 and elevated revenue growth. However, registrations are expected to slow to trend levels through the forecast period. From FY 2021-22 through the forecast period, registration fee revenue will be further impacted by legislative adjustments that temporarily reduce the road safety surcharge.

The outlook for transportation-related revenue will also be influenced by other legislation enacted during the 2021 session, particularly Senate Bill 21-260. The bill has impacts on state revenue subject to and exempt from TABOR. In addition to the previously mentioned changes to the road safety surcharge, Senate Bill 21-260 created a road usage fee on gasoline and diesel fuel beginning in FY 2022-23 along with retail delivery fees credited to the Highway Users Tax Fund and Multimodal Transportation and Mitigation Options Fund. The bill's other revenue impacts occur in state enterprises, which are exempt from TABOR and excluded from the amounts shown in Table 10.

Table 10
Transportation Revenue by Source
Dollars in Millions

	Preliminary FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	CAAGR*
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	$593.6	$648.8	$665.4	$668.7	4.0%
Percent change	-4.9%	9.3%	2.6%	0.5%	
Road Usage Fees	$0.0	$0.0	$60.3	$90.9	
Percent change	NA	NA	NA	50.8%	
Total Registrations	$400.2	$380.9	$362.2	$398.0	-0.2%
Percent change	4.8%	-4.8%	-4.9%	9.9%	
Registrations	*$234.1*	*$243.9*	*$245.6*	*$248.7*	
Road Safety Surcharge	*$137.8*	*$108.0*	*$91.9*	*$126.4*	
Late Registration Fees	*$28.3*	*$29.0*	*$24.7*	*$22.9*	
Other HUTF Receipts[1]	$48.1	$62.5	$83.4	$87.7	22.2%
Percent change	-23.7%	30.0%	33.5%	5.1%	
Total HUTF	**$1,041.9**	**$1,092.2**	**$1,171.3**	**$1,245.2**	6.1%
Percent change	-2.6%	4.8%	7.2%	6.3%	
State Highway Fund (SHF)[2]	$18.4	$23.9	$24.1	$24.6	10.2%
Percent change	-33.2%	29.9%	1.0%	2.0%	
Other Transportation Funds	$95.5	$113.9	$137.7	$148.1	15.7%
Percent change	-5.8%	19.3%	20.8%	7.6%	
Aviation Fund[3]	*$16.9*	*$26.9*	*$29.6*	*$30.2*	
Multimodal Transportation Options Fund[4]	*$0.0*	*$0.0*	*$6.8*	*$7.6*	
Law Enforcement-Related[5]	*$6.9*	*$5.6*	*$4.4*	*$4.4*	
Registration-Related[6]	*$71.6*	*$81.5*	*$96.9*	*$105.9*	
Total Transportation Funds	**$1,155.8**	**$1,230.0**	**$1,333.1**	**$1,418.0**	7.1%
Percent change	-3.5%	6.4%	8.4%	6.4%	

Totals may not sum due to rounding. NA = Not applicable.

**CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.*

[1]Includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.

[2]Includes only SHF revenue subject to TABOR. Beginning in FY 2019-20, SHF revenue subject to TABOR no longer includes local government grants and contracts.

[3]Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.

[4]Retail delivery fee revenue credited to the fund under SB 21-260.

[5]Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.

[6]Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and POST Board registration fees.

Severance tax revenue, including interest earnings, totaled $14.7 million in FY 2020-21, a decline from $131.7 million in the prior year. After decreasing over the past two fiscal years, revenue is expected to increase to $113.9 million in FY 2021-22. Severance tax revenue is expected to decline alongside declining oil and gas prices in FY 2022-23 and FY 2023-24. Severance tax revenue is more volatile than other revenue sources due to the boom-bust nature of the oil and gas sector and Colorado's tax structure. The forecast for the major components of severance tax revenue is shown in Table 11.

Table 11
Severance Tax Revenue Forecast by Source
Dollars in Millions

	Preliminary FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	CAAGR*
Oil and Gas	$0.6	$100.7	$99.2	$94.3	450.1%
Percent Change	-99.5%	17687.7%	-1.5%	-5.0%	
Coal	$1.9	$2.2	$2.5	$2.8	13.5%
Percent Change	-27.4%	17.4%	10.7%	12.3%	
Molybdenum and Metallics	$2.2	$2.3	$2.2	$2.1	-1.7%
Percent Change	-5.7%	1.5%	-4.5%	-2.0%	
Total Severance Tax Revenue	**$4.7**	**$105.2**	**$103.9**	**$99.2**	176.3%
Percent Change	-96.0%	2138.3%	-1.3%	-4.5%	
Interest Earnings	$10.0	$8.6	$9.1	$8.9	-3.8%
Percent Change	-32.8%	-13.4%	5.2%	-2.3%	
Total Severance Tax Fund Revenue	**$14.7**	**$113.9**	**$113.0**	**$108.1**	94.5%
Percent Change	-88.8%	675.6%	-0.8%	-4.3%	

**CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.*

Severance tax collections from **oil and natural gas** totaled $0.6 million in FY 2020-21 and are forecast to increase in FY 2021-22 to $100.7 million as rising oil and gas prices increase the value of production in the state. In early FY 2020-21, low oil prices constrained the U.S. oil and gas sector and resulted in production cuts. The ad valorem tax credit also put downward pressure on collections as property taxes for 2019 were paid on near-historic production levels. Severance taxes fell to $0 for many oil wells in 2020 because on top of low prices and a slowdown in production activity, producers claimed the ad valorem credit, which allows oil and gas producers to deduct any property taxes paid from their severance tax liability.

After falling precipitously in early 2020, oil prices rose to about $80 per barrel in November 2021. Similarly, natural gas prices have risen to over $5 per million BTU in late-2021, after they fell below $2 per million BTU for much of 2020. Despite the sharp rise in prices, production in Colorado remains subdued. Many wells are shut and only 12 rigs are active in the state, down from 26 during September 2019. Oil prices are forecast at $79.00 per barrel for the remainder of 2021, and $68.43 in 2022. Natural gas prices are forecast at $5.56 per million BTU for the remainder of 2021, and $3.93 in 2022.

While production has not yet bounced back in Colorado, and is expected to remain below 2019 levels throughout the forecast period, higher prices will put upward pressure on severance tax collections as taxes are paid on the value of oil and gas produced. Additionally, **HB 21-1312** will increase oil and gas collections beginning in FY 2021-22, as it restricted the value of the netback deduction for producers.

After declining by 27.4 percent in FY 2020-21, **coal severance tax** revenue is expected to increase in FY 2021-22 by 17.4 percent to $2.2 million. **HB 21-1312** also phased out certain tax credits for coal production in the state, which will contribute to collections growth through FY 2023-24 when the credits are fully phased out. Based on current expectations, coal severance taxes are expected to increase further to $2.5 million in FY 2022-23 and $2.8 million in FY 2023-24. In years beyond the forecast period, collections are expected to resume their previous decline as electricity generation continues to transition away from coal to renewable sources and natural gas.

Metal and molybdenum mines are expected to pay $2.3 million in severance taxes on the value of minerals produced in FY 2021-22 and $2.2 million in FY 2022-23. In 2021, prices for molybdenum have increased nearly 100 percent, and are expected to remain elevated in the near future, increasing the value of production in the state.

Finally, **interest earnings** on severance tax revenue are expected to total $8.6 million in FY 2021-22 and $9.1 million in FY 2022-23.

Limited gaming revenue includes taxes, fees, and interest earnings collected in the Limited Gaming Fund and the State Historical Fund. The state limited gaming tax is a graduated tax assessed on casino adjusted gross proceeds, the amount of wagers collected less the amount paid to players in winnings. Casinos on tribal lands in southwestern Colorado are not subject to the state tax.

Most gaming revenue is subject to TABOR. Revenue attributable to gaming expansions enacted under Amendment 50 and Amendment 77, is TABOR-exempt. After the adoption of Amendment 77 at the November 2020 general election, voters in Black Hawk, Central City, and Cripple Creek subsequently passed ordinances that removed bet limits and allowed city councils to permit more games. Expanded gaming in each community began May 1, 2021.

Limited gaming revenue subject to TABOR declined by 35.4 percent to $69.1 million in FY 2019-20 before rebounding by 47.2 percent to $101.8 million in FY 2020-21. Boosted by expanded gaming activity from Amendment 77 and pent-up demand following the pandemic-induced downturn, revenue is expected to grow by 38.3 percent in FY 2021-22, slow to 0.4 percent in FY 2022-23, and then grow by 1.4 percent in FY 2023-24. In March 2020, Colorado casinos were closed by executive order and were allowed to reopen with limited capacity and limited game offerings in June. Most casinos remitted little tax revenue during the last quarter of FY 2019-20. Gaming revenue gradually improved over the latter half of calendar year 2020 and into 2021. As restrictions were removed, revenue surged over the spring months and continued to grow over the second and third quarters of 2021. Revenue for FY 2021-22 is expected to grow at a strong pace as the industry recovers from the health and economic crises, and the new bet limits and games take effect. Additionally, a large expansion of the Monarch Casino and Resort recently opened in anticipation of Amendment 77 that will further boost revenue.

House Bill 20-1400, passed by the legislature during the 2020 session, changed the formula used to calculate revenue subject to TABOR. The new formula was created to keep distributions to limited and extended revenue beneficiaries similar to the breakdowns between the two prior to the significant dip in tax revenue. These formulas supersede current statutory distribution formulas until the fiscal year after gaming tax revenues return to pre-pandemic levels. The forecast predicts that revenue will exceed FY 2018-19 levels in FY 2021-22.

Sports betting was legalized in the state after the passage of Proposition DD during the November 2019 election. Betting launched on May 1, 2020, growing rapidly through the latter half of 2020 and into 2021. Revenue collected from sports betting activity includes licensing fees, set at between $1,200 and $2,000 per operator, and a master license charged biannually, an operations fee, and tax revenue, which is set at 10 percent of casinos' net sports betting proceeds. As voter approved revenue, sports betting tax revenue is not subject to the TABOR limit; however, fee revenues are subject to TABOR. License fees, the sports betting operations fee, and other miscellaneous fees subject to TABOR collected during FY 2020-21 totaled $2.4 million, with sports betting operations fees comprising about 88 percent of this revenue. Sports betting revenue subject to TABOR continues grew by nearly 23 percent through the first four months of FY 2021-22, reaching $2.1 million. Sports betting revenue subject to TABOR is included in the Other Cash Funds forecast.

In FY 2020-21, sports betting taxes exempt from TABOR totaled $8.1 million. Betting activity continues to grow and in FY 2021-22, revenue was up nearly 2.5 times through October year-to-date. Through October, sports betting tax revenue totaled about $3.5 million.

Preliminary figures from the Office of the State Controller indicate that **marijuana tax revenue** totaled $424.5 million in FY 20202-21, a 22.2 percent increase from the prior fiscal year. Marijuana tax revenues will decline in FY 2021-22 by 5.6 percent to $400.7 million. Despite this decline, revenue in FY 2021-22 will remain about 15 percent higher than FY 2019-20 levels. Revenue is forecast to grow throughout the remainder of the forecast period, reaching $449.0 million in FY 2023-24. The majority of the revenue from the marijuana industry is voter-approved revenue exempt from TABOR; however, the 2.9 percent state sales tax is subject to the state's revenue limit. Tax revenue from marijuana sales is shown in Table 12.

The special sales tax is the largest source of marijuana revenue and is imposed at a rate of 15 percent of the retail price of marijuana. Preliminary figures show the special sales tax generated $288.2 million in FY 2020-21. Revenue from the special sales tax is expected to decline to $266.3 million in FY 2021-22, a 7.6 percent decrease from the prior year. Expectations for FY 2021-22 were revised down from the September forecast based on weaker than expected collections in 2021. Revenue is expected to grow through the rest of the forecast period, reaching $278.3 million in FY 2022-23 and $296.4 million by FY 2023-24. The state distributes 10 percent of the special sales tax to local governments and retains the rest in the Marijuana Tax Cash Fund, the General Fund, and the State Public School Fund.

Table 12
Tax Revenue from the Marijuana Industry
Dollars in Millions

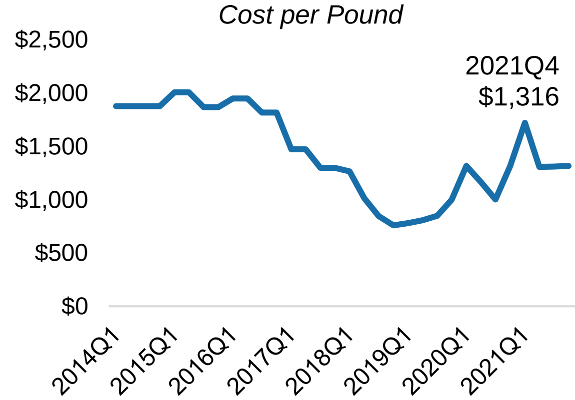
	Preliminary FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	CAAGR*
Proposition AA Taxes					
Special Sales Tax	$288.2	$266.3	$278.3	$296.4	0.9%
State Share of Sales Tax	$259.4	$239.7	$250.5	$266.7	
Local Share of Sales Tax	$28.8	$26.6	$27.8	$29.6	
15% Excise Tax	$120.8	$119.3	$129.8	$137.0	4.3%
Total Proposition AA Taxes	**$409.0**	**$385.6**	**$408.0**	**$433.4**	1.8%
Percent Change	22.5%	-5.7%	5.8%	6.2%	
2.9 Sales Tax (Subject to TABOR)					
2.9% Sales Tax on Medical Marijuana	$13.8	$13.5	$13.7	$13.8	0.1%
2.9% Sales Tax on Retail Marijuana	$1.6	$1.4	$1.5	$1.6	0.9%
TABOR Interest	$0.1	$0.1	$0.1	$0.1	
Total 2.9% Sales Tax	**$15.5**	**$15.1**	**$15.3**	**$15.6**	0.1%
Percent Change	16.2%	-2.9%	1.8%	1.6%	
Total Marijuana Tax Revenue	**$424.5**	**$400.7**	**$423.4**	**$449.0**	**1.9%**
Percent Change	22.2%	-5.6%	5.7%	6.0%	

**CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.*

The excise tax is the second-largest source of marijuana revenue and is dedicated to the BEST Fund for school construction. However, for FY 2020-21 only, HB 20-1418 requires the first $40 million in excise tax revenue go to the BEST Fund, with the remainder going to the State Public School Fund. In FY 2020-21, the excise tax generated $120.8 million, a 36.5 percent increase from the prior year. After strong growth in FY 2020-21, marijuana excise tax revenue will decline slightly on slowing demand in FY 2021-22, before growing through the remainder of the forecast period. Revenue from marijuana excise taxes is expected to total $119.3 million in FY 2021-22, $129.8 million in FY 2022-23, and $137.0 million in FY 2023-24.

The excise tax is based on the calculated or actual wholesale price of marijuana when it is transferred from the cultivator to the retailer. There is considerable uncertainty about the calculated price due to a lack of available information. The wholesale price bottomed out at $759 per pound of marijuana flower in the fourth quarter of 2018, but has risen to $1,316 per pound in the fourth quarter of 2021 as shown in Figure 7. After facing upward pressure in 2020 due to increased demand and constrained supply, the wholesale price has remained relatively flat for the latter three quarters of 2021. The wholesale price is a significant determinant of excise tax revenue, and it is not clear if the price will remain around $1,300 or shift in the future. The wholesale price remains both an upside and downside risk to the forecast.

Figure 7
Calculated Average Marijuana Wholesale Rate
Cost per Pound



Source: Colorado Department of Revenue.

The 2.9 percent state sales tax rate applies to medical marijuana and marijuana accessories purchased at a retail marijuana store. Preliminary figures show medical marijuana sales tax revenue generated $13.8 million in FY 2020-21, and is expected to decline modestly in FY 2021-22, generating $13.5 million, before rising again in FY 2022-23 and FY 2023-24. Retail marijuana dispensaries remitted the state sales tax on marijuana accessories totaling $1.6 million in FY 2020-21, and this amount is expected to decline by 2.9 percent in FY 2022-23 before rising through the remainder of the forecast period. Revenue from the 2.9 percent sales tax is deposited in the Marijuana Tax Cash Fund and is subject to TABOR.

Federal Mineral Lease (FML) revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of mineral production on federal land and royalty rates between the federal government and mining companies. Since FML revenue is not deposited into the General Fund and is exempt from TABOR, the forecast is presented separately from other sources of state revenue.

As shown in Table 13, FML revenue totaled $82.7 million in FY 2020-21, a 31.8 percent increase from FY 2019-20. In FY 2021-22, FML revenue is forecast to increase 19.6 percent to $98.9 million. Producers are expected to increase production in the near future due to higher natural gas prices and increased expectations for demand. Natural gas prices fell in 2020 to below $2 per million BTU, but have increased to over $5 per million BTU in late-2021. Declining natural gas prices in 2023 are expected to result in declining FML revenues in FY 2022-23.

Table 13
Federal Mineral Lease Revenue Distribution
Dollars in Millions

	Preliminary FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24
Total FML Revenue	**$82.7**	**$98.9**	**$91.3**	**$94.0**
Bonus Payments (portion of total revenue)	**$2.5**	**$3.0**	**$2.7**	**$2.8**
Local Government Permanent Fund	$1.2	$1.5	$1.4	$1.4
Higher Education FML Revenue Fund	$1.2	$1.5	$1.4	$1.4
Other (non-bonus) **FML Revenue**	**$80.2**	**$96.0**	**$88.6**	**$91.2**
State Public School Fund	$38.8	$46.3	$42.8	$44.0
Colorado Water Conservation Board	$8.0	$9.6	$8.9	$9.1
DOLA Grants	$16.0	$19.2	$17.7	$18.2
DOLA Direct Distribution	$16.0	$19.2	$17.7	$18.2
School Districts	$1.4	$1.6	$1.5	$1.6
Higher Education FML Revenue Fund	$1.2	$1.5	$1.4	$1.4

DOLA = Department of Local Affairs.

Note: The table shows the actual and projected revenue distributions to the various FML recipients. It does not reflect transfers of FML revenue from the recipients and funds to other funds, such as the General Fund, that have occurred.

The **Unemployment Insurance (UI) Trust Fund** ended FY 2020-21 with a deficit of $1.0 billion, as the high levels of benefits paid during the pandemic drained the fund without sufficient revenue to offset losses. The fund is expected to return to solvency in FY 2023-24. Forecasts for UI revenue, benefit payments, and year-end balances are shown in Table 14. Revenue to the UI Trust Fund is not subject to TABOR and is therefore excluded from Table 9. Revenue to the Employment

Support Fund, which receives a portion of the UI premium surcharge, is subject to TABOR and is included in the revenue estimates for other cash funds in Table 9.

Table 14
Unemployment Insurance Trust Fund
Revenues, Benefits Paid, and Fund Balance
Dollars in Millions

	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	CAAGR*
Beginning Balance	$412.2	($1,014.2)	($916.0)	($370.0)	
Plus Income Received					
UI Premium	$600.2	$736.5	$979.6	$1,252.9	27.80%
Solvency Surcharge	$0.0	$0.0	$124.8	$267.0	
Interest	$0.7	$0.0	$0.0	$0.0	
Total Revenues	**$600.9**	**$736.5**	**$1,104.4**	**$1,519.9**	36.25%
Percent Change	7.6%	22.6%	49.9%	37.6%	
Less Benefits Paid	($2,027.3)	($638.4)	($558.4)	($471.0)	-38.53%
Percent Change	59.8%	-68.5%	-12.5%	-15.7%	
Accounting Adjustment	$0.0	$0.0	$0.0		
Ending Balance	**($1,014.2)**	**($916.0)**	**($370.0)**	**$678.9**	
Solvency Ratio					
Fund Balance as a Percent of Total Annual Private Wages	-0.72%	-0.62%	-0.24%	0.42%	

Totals may not sum due to rounding.
**CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.*

UI benefits paid remain elevated after seeing an unprecedented increase during the COVID-19-related rapid economic contraction. Benefits paid reached $1.3 billion in FY 2019-20, an increase of 247.1 percent, with nearly $1 billion in the last quarter alone. Benefits paid increased further in FY 2020-21, to $2.0 billion. As a consequence, the fund was nearly depleted on June 30, 2020, triggering a move to the second highest premium rate schedule beginning January 1, 2021, and became insolvent on August 18, 2020.

When the balance of the UI Trust Fund falls below zero, the federal government requires that another revenue source be found to continue funding the UI program. Colorado began borrowing from the Federal Unemployment Account (FUA) to fund benefit payments in August 2020. Loans were extended interest free until September 6, 2021 and at a rate of 2.28 percent since then. As of December 13, 2021, Colorado has just over $1.0 billion in federal loans outstanding. Colorado is one of nine states with outstanding FUA loans, which range from Connecticut's $521.0 million to California's $19.4 billion. The state will be required to make the next interest payment on outstanding loans by September 30, 2022. By law, employer contributions to the trust fund cannot be used for these payments.

The amount of UI benefits paid is expected to decline in FY 2021-22, to $638.4 million, and to fall further in FY 2022-23 and FY 2023-24, to $558.4 million and $471.0 million, respectively. The negative fund balances beginning in FY 2020-21 are expected to result in a shift to the highest rate schedule beginning January 1, 2022. This forecast incorporates the adjustments to fund revenues enacted with Senate Bill 20-207. Namely, the solvency surcharge is suspended for 2021 and 2022, and the chargeable wage base is held constant at $13,600 for 2021. Beginning in 2022, the chargeable wage base will increase incrementally, to $17,000 in 2022 and to $20,400 in 2023. The solvency surcharge will be turned on beginning January 1, 2023. Fund revenues are expected to increase through the forecast period, surpassing benefits paid in FY 2021-22. The forecast fund balances do not account for the required federal borrowing to maintain the fund balance at $0 or above.

K-12 Enrollment Forecast

This section of the forecast presents projections for kindergarten through twelfth grade (K-12) enrollment in Colorado's public schools. Projections are presented in full-time equivalent (FTE) terms, and are an important factor in determining funding levels for Colorado's 178 school districts. Table 15 summarizes current and projected enrollment for the 2022-23 through 2023-24 school years by forecast region. Figure 9 on page 48 show enrollment growth projections by forecast school district for the 2022-23 school year.

- **FY 2021-22.** The enrollment count for the current school year totaled 843,264 student FTE across Colorado's public schools, down 2,692 FTE, or 0.3 percent, from the previous school year. This decline is likely due to the ongoing uncertainty and educational impacts of the COVID-19 pandemic, slower birth rates after the Great Recession, smaller cohorts, and high housing prices in Colorado relative to other states.

- **FY 2022-23 and FY 2023-24.** Statewide K-12 enrollment is projected to be relatively flat in the next school year, increasing by 445 student FTE, or 0.1 percent. Enrollment in the 2023-24 school year is projected to be relatively flat, declining by 422 student FTE, or 0.1 percent from the 2022-23 school year. This essentially flat forecast assumes that Colorado will continue to see declining enrollment through the forecast period, offset by some students returning to traditional public schools as the pandemic-related impacts dissipate.

Table 15
K-12 Public School Enrollment
Full-Time Equivalent (FTE) Students

Region	Actual 2021-22	Percent Change	Estimated 2022-23	Percent Change	Estimated 2023-24	Percent Change	Average Growth*
Colorado Springs	122,564	0.1%	125,456	2.4%	125,937	0.4%	1.36%
Eastern Plains	25,083	-5.2%	25,432	1.4%	25,688	1.0%	1.19%
Metro Denver	476,452	-0.7%	472,635	-0.8%	470,747	-0.4%	-0.60%
Mountain	24,578	1.1%	24,657	0.3%	24,685	0.1%	0.22%
Northern	91,802	2.4%	92,702	1.0%	93,576	0.9%	0.96%
Pueblo	31,994	-0.6%	31,889	-0.3%	31,694	-0.6%	-0.47%
San Luis Valley	7,039	-1.3%	7,103	0.9%	7,156	0.7%	0.82%
Southwest Mountain	13,627	-6.7%	13,566	-0.4%	13,540	-0.2%	-0.32%
Western	50,128	1.4%	50,270	0.3%	50,264	0.0%	0.14%
Statewide Total	**843,264**	**-0.3%**	**843,709**	**0.1%**	**843,287**	**-0.1%**	**0.00%**

Source: Colorado Department of Education and Legislative Council Staff.
**Compound average annual growth rate between 2021-22 and 2023-24.*

Forecast Comparison

Relative to the Legislative Council Staff forecast published last December, actual enrollment in the current 2021-22 school year was 22,596 FTE, or 2.6 percent, lower than expected. The prior year forecast assumed that enrollment would increase from the steep decline in the 2020-21 school year due to the COVID-19 pandemic; however, a bounce back in enrollment did not materialize as enrollment continued to decline in the 2021-22 school year. Ongoing COVID-19 health concerns, lagging vaccine availability for children, and the parental desire for greater stability in students' education likely contributed to students not returning to their pre-pandemic education and instead continuing to seek instruction elsewhere.

Compared to actual enrollment during the 2020-21 school year, total brick and mortar enrollment declined by 1,446 FTE, online enrollment declined by 2,052 FTE, and Charter School Institute (CSI) enrollment grew by 806 FTE in the 2021-22 school year. Kindergarten enrollment increased by 3,556 FTE, or 6.2 percent compared to the prior year.

Risks to the Forecast

There is significant upside risk to this forecast, primarily due to ongoing uncertainty around the COVID-19 pandemic and its impact on student enrollment decisions. Parents sought alternatives to brick and mortar education in the 2020-21 school year; those changes appear to be continuing in the current year. Given that students did not return as expected, this forecast tempers expectations for growth during the forecast period, as it is uncertain whether students will continue to be homeschooled or enrolled in online, CSI, or private alternatives, or return to brick and mortar public schools. However, enrollment could bounce back at stronger than expected rates in the forecast period.

Additionally, birth rates in Colorado have generally declined in recent years and net-in migration has moderated, resulting in smaller cohorts moving through the system. High housing costs are resulting in young families moving in search of affordable housing. Regional shifts in enrollment are likely to continue as families seek affordable housing within and outside of Colorado.

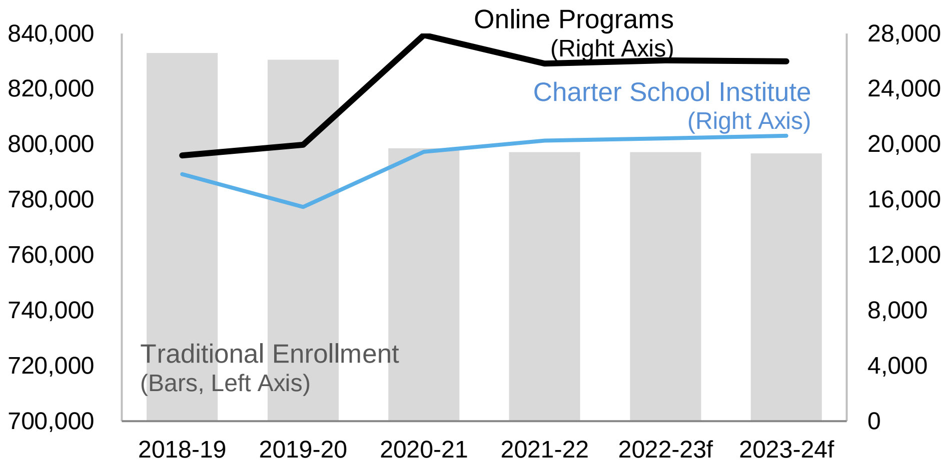
Current Enrollment Trends

Colorado's public school enrollment had been steadily slowing prior to 2020-21, when enrollment significantly declined due to the COVID-19 pandemic. The forecast expects that enrollment will remain essentially flat through the forecast period, slightly increasing in FY 2022-23 and slightly declining in FY 2023-24. It is not expected to return to pre-pandemic levels during the forecast period. Figure 8 below shows recent and forecasted traditional, CSI, and online enrollment.

- **Kindergarten.** Total kindergarten enrollment increased by 6.2 percent in the 2021-22 school year. Strong growth likely reflects some students who delayed enrollment in kindergarten in the 2020-21 school year and instead enrolled in the current 2021-22 school year, often referred to as "redshirt" kindergartners. There are regional differences in where strong growth occurred, with the mountain, northern, and eastern plains regions seeing growth in their kindergarten classes that exceeded the decline in the 2020-21 school year. The longer-term trends of declining birth rates put downward pressure on enrollment in the current year, and is expected to continue do so through the forecast period, with kindergarten enrollment expected to decline by 0.7 percent in 2022-23 and 2023-24.

- **Grades 1-12.** Total enrollment in grades 1 through 12 fell by 0.8 percent (6,248 FTE) this year, with brick and mortar enrollment declining by 0.7 percent, online declining by 4.0 percent and CSI growing by about 3.9 percent. Expected increases from students returning to traditional brick and mortar enrollment did not materialize, or were offset by additional declines. Larger student cohorts are also graduating, replaced by smaller cohorts. Enrollment in grades 1 through 12 is expected to stay flat throughout the forecast period, with declines offset by some students slowly returning to their pre-pandemic school or education format.

Figure 8
Online, CSI, and Traditional Enrollment



Source: Colorado Department of Education and Legislative Council Staff.

- **Online.** Following a nearly 40 percent increase in the 2020-21 school year due to the pandemic, enrollment in multi-district online programs declined by 7.4 percent in the 2021-22 school year, a decrease of 2,052 students. This reflects some students returning to traditional education, or transitioning to private or other education options. Online enrollment is expected to remain well above pre-COVID levels throughout the forecast period.

Online enrollment includes students enrolled in multi-district online schools. It does not include students enrolled in remote learning through their brick and mortar school or in single-district online schools.

- **CSI.** Enrollment in CSI charter schools increased 4.1 percent (805 FTE) in the current 2021-22 school year, due to a mix of increase in enrollment or expansion of current CSI schools, and a slight decline in CSI kindergarten enrollment. CSI enrollment is expected to grow by 0.8 percent in the 2022-23 school year, due to the expanded enrollment at some schools and the opening of a new school in 2022-23. A second new CSI school is a multi-district online school, thus, students expected to enroll in that school are included in the online count for the Poudre School District.

Long-Term Enrollment Trends

Longer-term trends impacting K-12 enrollment in the state are expected to continue to influence enrollment throughout the forecast period. Some of these trends include:

- **Lower birth rates.** A decline in the number of births during the Great Recession constrain enrollment growth in Colorado. Birth rates in Colorado fell each year between 2008 and 2013 and 2017 and 2019 according to the State Demography Office, resulting in smaller cohorts entering into the K-12 school system. Births increased in 2014 to 2016, but have not resulted in larger kindergarten classes.

- **Slower in-migration.** In-migration to Colorado has slowed in recent years, with both domestic and international in-migration decreasing in the last couple years. People moving into Colorado have been younger and childless, while the slowdown in foreign migrants with higher fertility rates results in fewer children in the state.

- **Housing affordability.** Rising housing costs are influencing the distribution of enrollment across the state. The pandemic has in part contributed to stronger appreciation in housing prices in many regions in the state. In particular, high housing costs in the metro Denver area are causing families with school age children to relocate to the exurbs or more affordable metro areas and in some cases to leave the state altogether. In the mountain region, high housing costs are causing families to move into more affordable areas outside resort communities. These shifts contribute to previously more affordable regions also experiencing growth in housing costs.

Enrollment by Region

The following briefly summarizes enrollment trends for school districts in the nine forecast regions of the state.

- **Metro Denver region.** Total enrollment declined by 0.7 percent in the current school year, with declines in urban and suburban school districts, and growth for some exurban districts. Some of the decline was offset by a larger kindergarten class and growth in online enrollment in the 2021-22 school year. The continued decline is likely due to high housing prices making it challenging for families to afford urban and many suburban areas, some students staying in the alternative education models, and ongoing COVID-19 concerns. Total enrollment is expected to decline by 0.8 percent in the 2022-23 school year and 0.4 percent in 2023-24, as housing costs continue to rise and large cohorts graduate, with some students returning to brick and mortar schools as the impact of the pandemic wanes.

- **Northern region.** Total enrollment increased by 2.4 percent this year, the largest increase among the state's nine regions, following a decrease of 1.8 percent during the 2020-21 school year. Most districts saw the return of students who were pulled out of public schools last year, although at a more modest pace than anticipated, leaving elevated uncertainty about continued impacts of the pandemic. Growth in enrollment has been supported by housing developments and a bounce back in oil and gas prices since early 2020. The area is expected to continue to grow as housing in the region remains relatively more affordable when compared to the Denver Metro area, although there is concern for housing affordability in some districts.

- **Colorado Springs region.** Total enrollment increased by 0.1 percent this year, after declining by 0.7 percent during the 2020-21 school year. Most districts expected a stronger return of students pulled out of public schools last year, and cite ongoing elevated uncertainty due to pandemic-related impacts on public school enrollment, with many students remaining in alternative education options, such as home schooling. The regional economy has experienced strong employment growth and offered relatively affordable housing in recent years, attracting families to the area, although rapid home price appreciation may be eroding housing affordability in some districts, particularly for younger families. Total enrollment in the region is expected to grow further next year and to flatten in the out-year, as enrollment stabilizes.

- **Pueblo region.** In 2021-22, overall enrollment fell for the second-consecutive year, reflecting declines in both traditional and online students. For some communities, online schooling options have been increasingly popular among families with more transient employment situations. The region continues to be challenged by factors that impacted enrollment prior to the pandemic, including an aging population and low birth rates. Enrollment is expected to fall through the forecast period.

- **Eastern Plains region.** Overall, total enrollment fell in 2021-22 by 5.2 percent, the second-consecutive year of decline, although the impact varied by district. Over the forecast period, traditional enrollment is expected to grow in the Eastern Plains region, boosted by growth in communities along I-76 in Morgan County and growth east of Castle Rock in Elbert County. Over the longer term, brick and mortar student enrollment will be supported by continued growth for districts adjacent to the metro Denver and northern regions, and online enrollment is expected to remain stable. However, many districts will continue to be challenged by declining rural populations, low birth rates, housing, and lack of job opportunities.

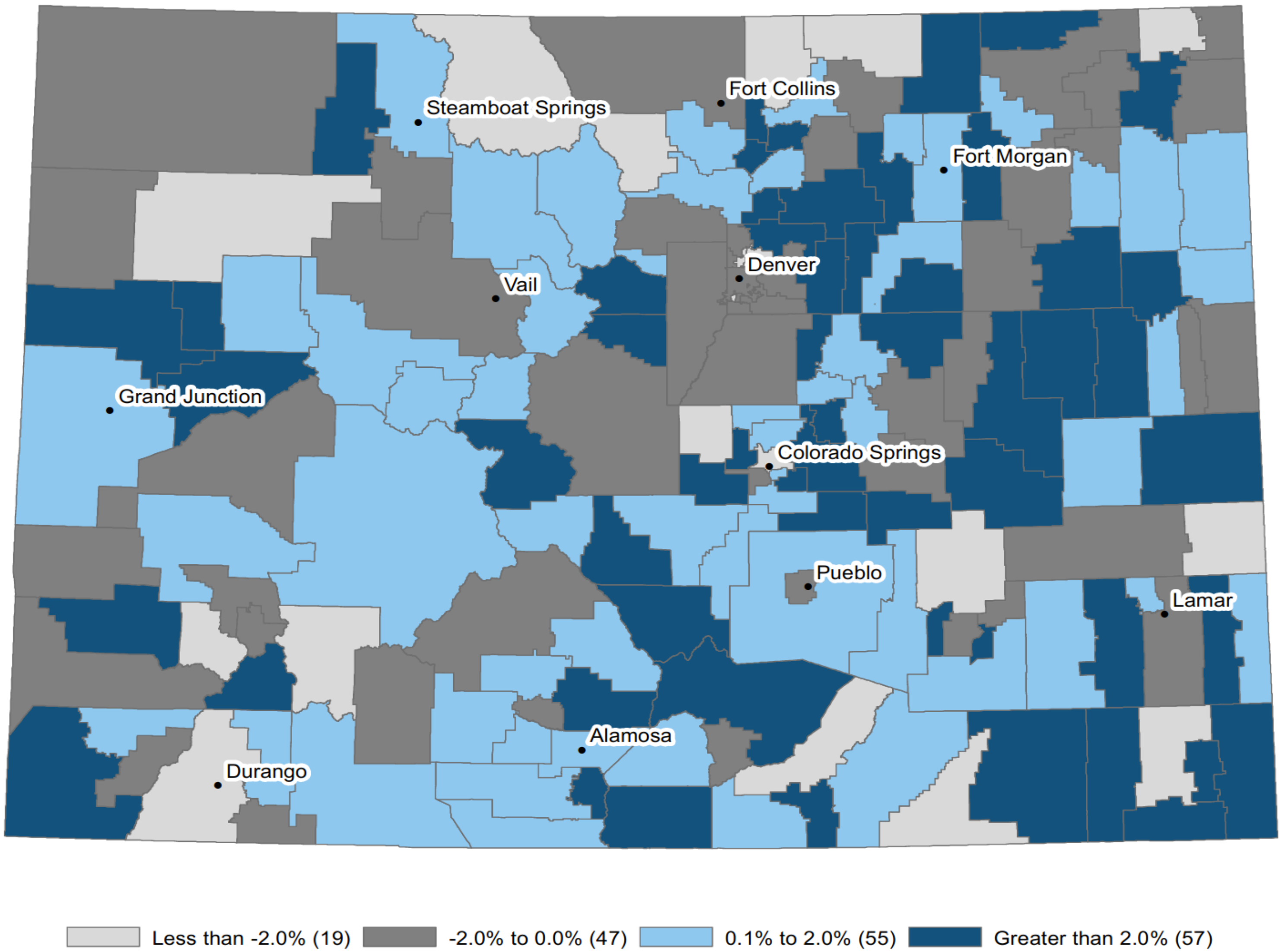
- **San Luis Valley region.** Following incremental growth in enrollment for several years prior to the pandemic, enrollment fell significantly during the pandemic. In the current 2021-22 school year, enrollment declined by another 1.3 percent. With a small online cohort, the region's enrollment has been mostly impacted by fewer brick and mortar students. As a rural region, many districts are challenged by low birth rates, lack of job opportunities for families, and other demographic pressures. However, enrollment is expected to grow over the forecast period, led by growth in Alamosa and accompanied by a rebound from the pandemic.

- **Mountain region.** Total enrollment increased by 1.1 percent in the current school year, including a 12 percent increase in kindergartners exceeding 2019-20 levels. The increased enrollment is attributable to in migration of families despite high housing costs, students returning from alternative education last year, and some redshirt kindergartners enrolling in the current year. Enrollment is expected to increase by 0.3 percent in 2022-23 and 0.1 percent in 2023-24. Increasing housing costs are expecting to constrain growth and shift enrollment growth from resort towns to communities outside the resort areas, and kindergarten classes are expected to decline towards historical levels.

- **Western region.** Total enrollment increased by 1.4 percent in the current school year. The region has seen in increase in in-migration, with lower housing costs attracting young families, while other areas have seen high housing costs that constrain enrollment. Recent economic challenges in some districts has led to a decline in enrollment. Enrollment is expected to increase by 0.3 percent in the 2022-23 school year and remain flat in the 2023-24 school year.

- **Southwest Mountain region.** Total enrollment declined by 6.7 percent this year, after bucking regional trends and increasing by 7.6 percent during the 2020-21 school year, due to a sizeable reversal of the increase in online enrollment last year. The increase in online enrollment was attributable to Durango's multidistrict online school, which increased by almost 1,400 students. This year, online enrollment has receded while brick-and-mortar enrollment increased by 1.6 percent. Overall, enrollment is expected to decline modestly due to employment pressures and a lack of affordable housing in the region.

Figure 9
Forecast Percent Change in Enrollment by School District
FY 2021-22 to FY 2022-23



Source: Legislative Council Staff December 2021 forecast.

Assessed Value Projections

This section provides projections of assessed values for residential and nonresidential property in Colorado through 2024. Property values and assessment rates determine assessed values, which are an important determinant of property taxes. Property taxes are the largest source of local government tax revenue in Colorado and are collected by counties, cities, and special districts.

Local property tax revenue is also the first source of funding for local public school districts. Assessed property values within a school district are an important determinant of the amount of state aid provided to each school district. Districts receive state equalization payments in an amount equal to the difference between school finance formula funding and their local share. More information on school finance can be found starting on page 17.

2021 Assessed Values

Every two years, county assessors determine new values for most classes of property as part of the reassessment process. Preliminary data from the Division of Property Taxation (DPT) in the Department of Local Affairs indicate that statewide taxable assessed values reached $142.3 billion in 2021, an increase of 4.4 percent from 2020. This change reflects the 2021 property reassessment, which captures changes in residential, commercial, industrial, agricultural, and vacant land values between June 30, 2018, and June 30, 2020, as well as new residential and nonresidential construction and new assessments for natural resources, personal property, and state assessed utilities. Values for residential property increased by 11.3 percent, more than offsetting a 1.6 percent decline in nonresidential values.

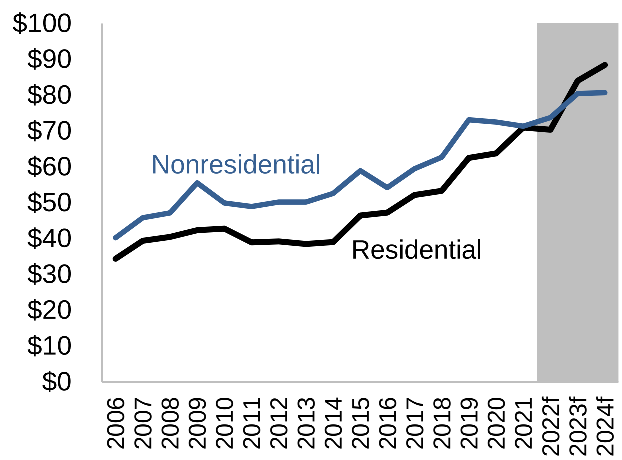
Residential values were in line with December 2020 forecast expectations, falling short of the forecast by $2.9 million, or 0.004 percent. Nonresidential values, however, exceeded December 2020 forecast expectations by $5.4 billion, or 8.2 percent, as commercial values suffered less of a loss than expected. Total 2021 taxable assessed values were $5.4 billion, or 3.9 percent, above the December 2020 forecast.

Assessed Value Forecast

The forecast for residential and nonresidential assessed values is presented in Figure 10 and Table 16. Assessed values are expected to increase 1.3 percent in property tax year 2022, an intervening year when most property classes are not reassessed. Assessed values are expected to increase 14.1 percent in the 2023 reassessment year, and an additional 2.9 percent in 2024, another intervening year.

Expectations incorporate temporary reductions in the assessment rates for 2022 and 2023 for certain property classes and subclasses

Figure 10
Statewide Assessed Values
Billions of Dollars



Source: Colorado Department of Local Affairs, Division of Property Taxation. f = Legislative Council Staff forecast.

pursuant to Senate Bill 21-293. Adjustments for the bill are described in more detail below. Inclusion of these adjustments reduces the growth rate for 2022, and increases the growth rate for 2024, relative to what would be expected otherwise.

Table 16
Residential and Nonresidential Assessed Values
Millions of Dollars

	Residential		Nonresidential		Total	
Year	Assessed Value	Percent Change	Assessed Value	Percent Change	Assessed Value	Percent Change
2007	$39,331	14.5%	$45,816	14.0%	$85,147	14.2%
2008	$40,410	2.7%	$47,140	2.9%	$87,550	2.8%
2009	$42,298	4.7%	$55,487	17.7%	$97,785	11.7%
2010	$42,727	1.0%	$49,917	-10.0%	$92,644	-5.3%
2011	$38,874	-9.0%	$48,962	-1.9%	$87,835	-5.2%
2012	$39,198	0.8%	$50,211	2.6%	$89,409	1.8%
2013	$38,456	-1.9%	$50,153	-0.1%	$88,609	-0.9%
2014	$38,997	1.4%	$52,578	4.8%	$91,575	3.3%
2015	$46,378	18.9%	$58,899	12.0%	$105,277	15.0%
2016	$47,261	1.9%	$54,157	-8.1%	$101,419	-3.7%
2017	$52,162	10.4%	$59,468	9.8%	$111,630	10.1%
2018	$53,279	2.1%	$62,636	5.3%	$115,915	3.8%
2019	$62,486	17.3%	$73,086	16.7%	$135,572	17.0%
2020	$63,751	2.0%	$72,480	-0.8%	$136,231	0.5%
2021	$70,985	11.3%	$71,295	-1.6%	$142,279	4.4%
2022f	$70,305	-1.0%	$73,761	3.5%	$144,067	1.3%
2023f	$83,987	19.5%	$80,440	9.1%	$164,427	14.1%
2024f	$88,426	5.3%	$80,696	0.3%	$169,122	2.9%

Source: Colorado Department of Local Affairs, Division of Property Taxation. f = Legislative Council Staff forecast.

After slowing during the 2021 reassessment cycle, which captures appreciation between June 30, 2018, and June 30, 2020, **residential** values are expected to reaccelerate during the 2023 reassessment cycle, which captures appreciation between June 30, 2020, and June 30, 2022. This is consistent with home price increases during the pandemic in Colorado and nationally, owing to supply constraints, increasing costs for building materials and labor, low interest rates, and elevated household savings. The expected decrease in residential values for the 2022 intervening year, and the faster-than-usual increase for the 2024 intervening year, result from changes to the residential assessment rate in Senate Bill 21-293.

Nonresidential values are expected to rebound from pandemic lows. Oil and gas values are expected to drive a 3.5 percent increase in 2022. Valuations for oil and gas property are based on prior year production, so the increase for 2022 values reflects the increase in production observed between 2020 and 2021. Commercial property valuations will drive a rebound in 2023. For 2024, oil and gas valuations will contribute to a modest increase in nonresidential assessed values.

Residential and Nonresidential Assessment Rates

Amendment B. In the November 2020 election, voters approved Amendment B, which repealed the Gallagher Amendment from the state constitution. As a result, the General Assembly is no longer required to set the residential assessment rate (RAR) to maintain the ratio between residential and nonresidential assessed values. Based on preliminary 2021 data from DPT, this forecast estimates that the RAR would have decreased from 7.15 percent to 6.08 percent for the 2021-2022 reassessment cycle if the Gallagher Amendment were still in place. However, the actual assessment rate would have been set by the General Assembly during the 2021 legislative session, and may have differed from this estimate. Over time, the downstream impacts of Amendment B on policy decisions and market valuations will become less clear due to subsequent policy changes, including Senate Bill 21-293 and economic decisions made by property taxpayers. As a result, Legislative Council Staff will be unable to estimate how the assessment rate would have changed for the 2023-2024 reassessment cycle and later reassessment cycles if the Gallagher Amendment remained in place.

Senate Bill 21-293. Senate Bill 21-293, adopted during the 2021 legislative session, temporarily reduces assessment rates for certain classes and subclasses of property for the 2022 and 2023 property tax years only. Specifically:

- the assessment rate for multifamily residential property is reduced to 6.80 percent;
- the assessment rate for all other residential property is reduced to 6.95 percent;
- the assessment rate for agricultural property is reduced to 26.40 percent; and
- the assessment rate for property used to generate renewable energy is reduced to 26.40 percent.

For 2022 and 2023, the assessment rate for other types of nonresidential property remains unchanged. Most classes of nonresidential property are assessed at 29.00 percent, while oil and gas and producing mines are assessed at 87.50 percent.

For 2024 and subsequent years, assessment rates return to 2021 levels: 7.15 percent for residential property, 29.00 percent for most classes of nonresidential property, and 87.50 percent for oil and gas and producing mines.

To accommodate the bill, this forecast relies on the 2020 shares of residential property that are multifamily property, and the 2020 shares of nonresidential property that are agricultural or renewable energy generating property, as reported by DPT. To the extent that that these shares increase or decrease during the forecast period, assessed values will be lower or higher than forecast.

Regional Impacts and Variations

Assessed values in each region of the state are determined by the unique mix of properties and economic forces specific to that region. Table 17 shows preliminary 2021 assessed value by region and the expected change throughout the forecast period, while Table 18 on page 53 includes discussion of specific regional trends. The maps in Figures 12 on page 56 show preliminary year-over-year growth in assessed values by region and school district for the 2021 reassessment year, and the maps in Figure 13 on page 57 show forecasted year-over-year growth by region and school district for the 2023 reassessment year. The table and maps include total taxable assessed values, meaning all assessed values for properties except those that are exempt from taxation, like schools or government buildings. Total values include incremental values that are not taxed due to local use of tax increment financing. Legislative Council Staff make adjustments to exclude those values when estimating the local share of total program funding for school finance.

Table 17
2021 Assessed Values and Forecast Changes
Billions of Dollars

Region	Assessed Value 2021p	Forecast Changes Year-Over-Year 2022	2023	2024	3-Year Annual Average
Colorado Springs	$10,344	-0.4%	16.8%	3.4%	6.3%
Eastern Plains	$3,417	0.7%	7.8%	4.9%	4.4%
Metro Denver	$80,182	0.0%	14.4%	3.5%	5.8%
Mountain	$14,621	-0.5%	14.6%	3.4%	5.7%
Northern	$17,538	6.4%	15.8%	-0.1%	7.2%
Pueblo	$3,358	1.4%	10.8%	3.8%	5.3%
San Luis Valley	$759	-1.1%	6.4%	3.7%	2.9%
Southwest Mountain	$2,871	0.8%	6.5%	1.2%	2.8%
Western	$9,189	7.5%	11.6%	1.0%	6.6%
Statewide Total	**$142,279**	**1.3%**	**14.1%**	**2.9%**	**5.9%**

Source: Colorado Department of Local Affairs, Division of Property Taxation and Legislative Council Staff.
p = Preliminary data.

2021 reassessment year. Regions with higher shares of residential property and lower shares of oil and gas property saw the most significant increase in valuations. The greatest year-over-year increases were in the Colorado Springs region (up 19.0 percent), the Pueblo-Southern Mountains region (up 10.3 percent), the Mountain region (up 7.1 percent), and the Metro Denver region (up 6.7 percent). Two regions with greater oil and gas extraction presence experienced declines in assessed values: the Northern region (down 11.1 percent), and the Southwest Mountain region (down 4.1 percent).

2022 intervening year. Only regions with significant oil and gas presence will experience much change in assessed values. Values in the Western region and the Northern region are expected to increase by 7.5 percent and 6.4 percent, respectively. Heavily residential and agricultural districts are expected to see modest declines owing to the implementation of Senate Bill 21-293.

2023 reassessment year. All regions are expected to experience significant growth. Regions with greater shares of residential and oil and gas property are expected to lead the increase, particularly the Colorado Springs, Northern, Mountain, and Denver Metro regions. Regions with greater shares of agricultural and state assessed property will experience slower growth, including the San Luis Valley, Southwest Mountain, and Eastern Plains regions.

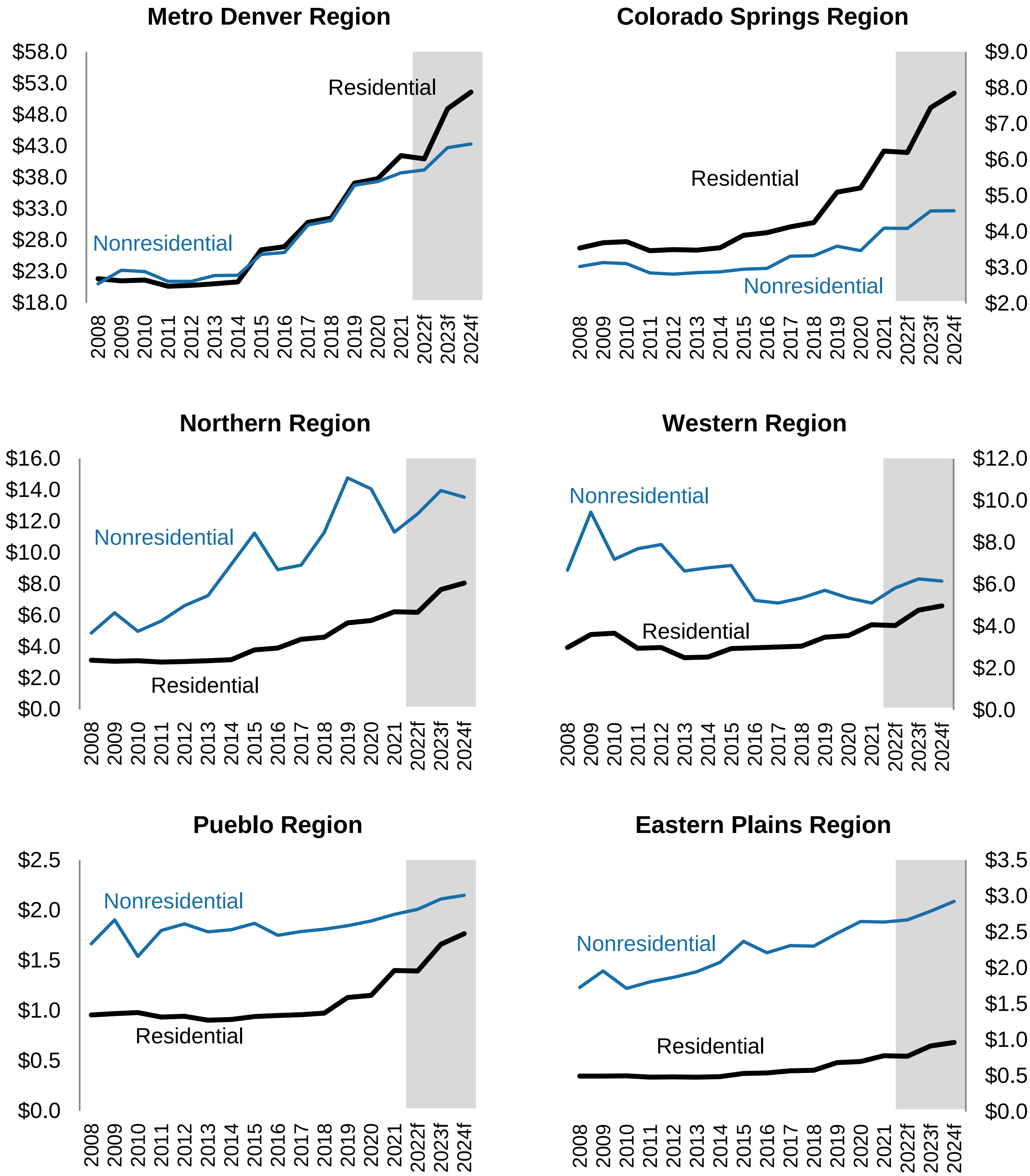
2024 intervening year. Most regions will experience modest-to-moderate growth as the temporary reductions in residential, agricultural, and renewable energy assessment rates expire.

Through the forecast period, assessed values may be affected by the implementation of **House Bill 21-1061**. That bill clarifies that a land parcel is a residential parcel only if it contains a residential improvement, or a related improvement that is essential to the use of a residential improvement on a contiguous parcel. At the state level, the impact of the bill is expected to be modest. However, if the bill causes residential parcels to be reclassified as vacant land in areas where vacant land values are high, assessed values are expected to increase. This is most likely to occur in areas where vacant land makes up much of the property tax base, such as the Mountain, Western, Southwest Mountain, and San Luis Valley regions.

Table 18
Regional Trends in Assessed Values

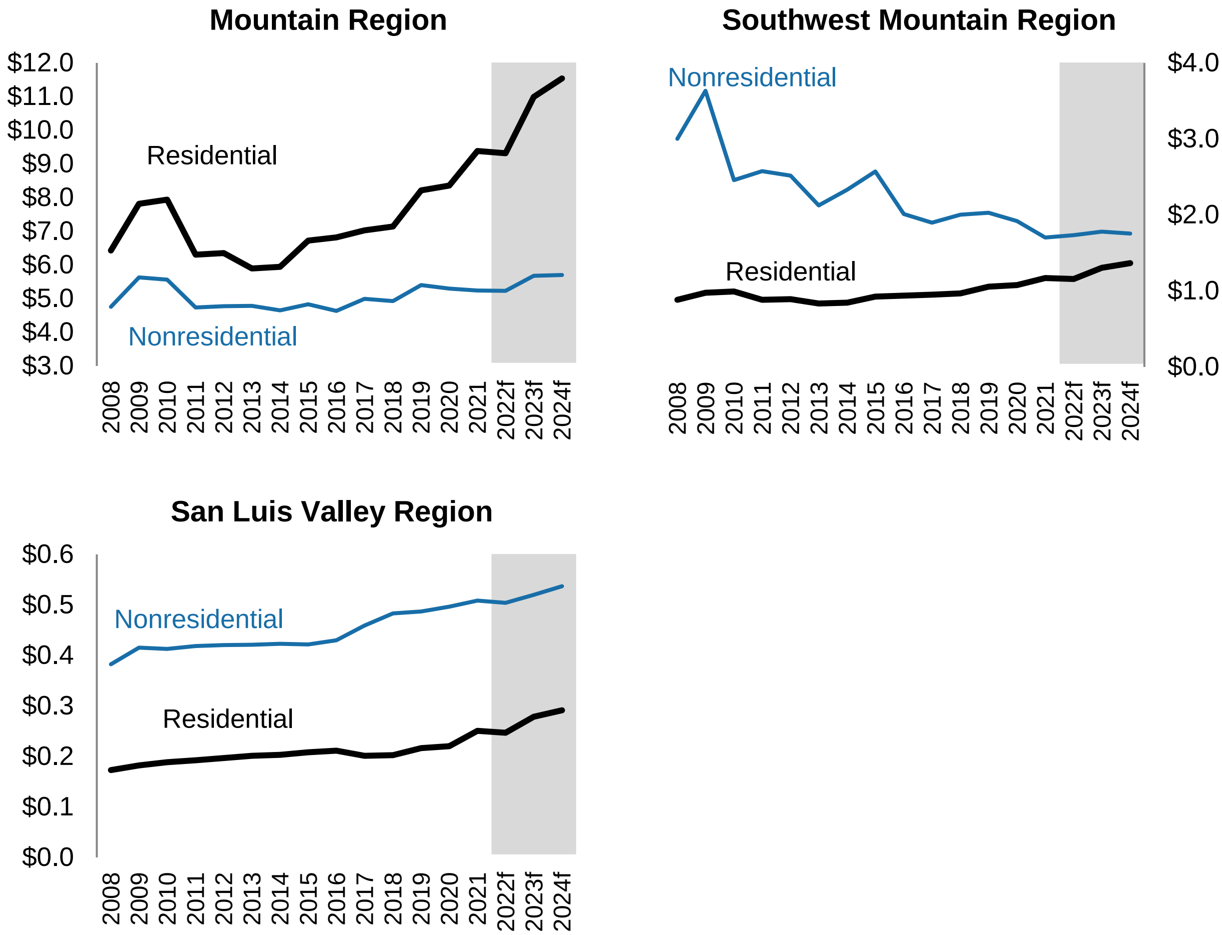
Region	Residential Trends	Nonresidential Trends
Metro Denver	• Reacceleration in home prices, with 2023 reassessment cycle expected to resemble 2019 reassessment cycle. • Faster appreciation in northern, eastern, and southern suburban and exurban areas.	• Commercial valuations reaccelerating from pandemic sluggishness, with strength in central Denver and the suburbs. • Increase in oil and gas values in Adams County due to higher energy prices.
Colorado Springs	• Continued home price appreciation as homebuyers seek more affordable areas. • Reassessment consistent with growth in previous years.	• Slowing appreciation in retail, office, and industrial buildings than relative to 2021 reassessment cycle. • Stable values for vacant and agricultural property, primarily in eastern El Paso County.
Northern	• Strong home price appreciation in both Larimer and Weld counties. • Recent acceleration in new residential construction.	• Increased oil and gas values in Weld County resulting from higher energy prices. • Strong appreciation in Larimer County vacant land prices, especially in mountainous areas.
Western	• Strong home price appreciation regionwide, particularly in Montrose, Ouray, and San Miguel counties.	• Increase in oil and gas values in Garfield and Mesa counties due to higher energy prices. • Strong appreciation in vacant land prices in mountainous areas.
Pueblo	• Home price appreciation in Pueblo, Cañon City, and Florence as demand shifts south from the Colorado Springs region.	• Appreciation in retail, office, and industrial buildings for 2023 reassessment cycle. • Appreciation in state assessed and agricultural land values.
Eastern Plains	• Faster home price appreciation than previously observed, with prices rising throughout the region. • Fastest appreciation on the fringes of Front Range metro areas.	• Stable value for state-assessed and agricultural property, with faster growth for areas with new or expanding wind farms. • Commercial values increasing modestly to moderately in towns.
Mountain	• Accelerating home price appreciation expected in both resort and non-resort areas.	• Accelerating appreciation for commercial and vacant land values. • Continued declining mine values in Clear Creek County.
Southwest Mountains	• Strengthening home price appreciation between the 2021 and 2023 reassessment cycles.	• Increase in oil and gas values due to higher energy prices offset by continued decline in production. • Strong appreciation in vacant land prices in mountainous areas.
San Luis Valley	• Slowing price appreciation from 2021 reassessment cycle, but still substantial. • Faster growth in western areas.	• Stable value for agricultural property and vacant land. • Commercial values increasing modestly to moderately in towns.

Figure 11
Assessed Values by Region
Billions of Dollars



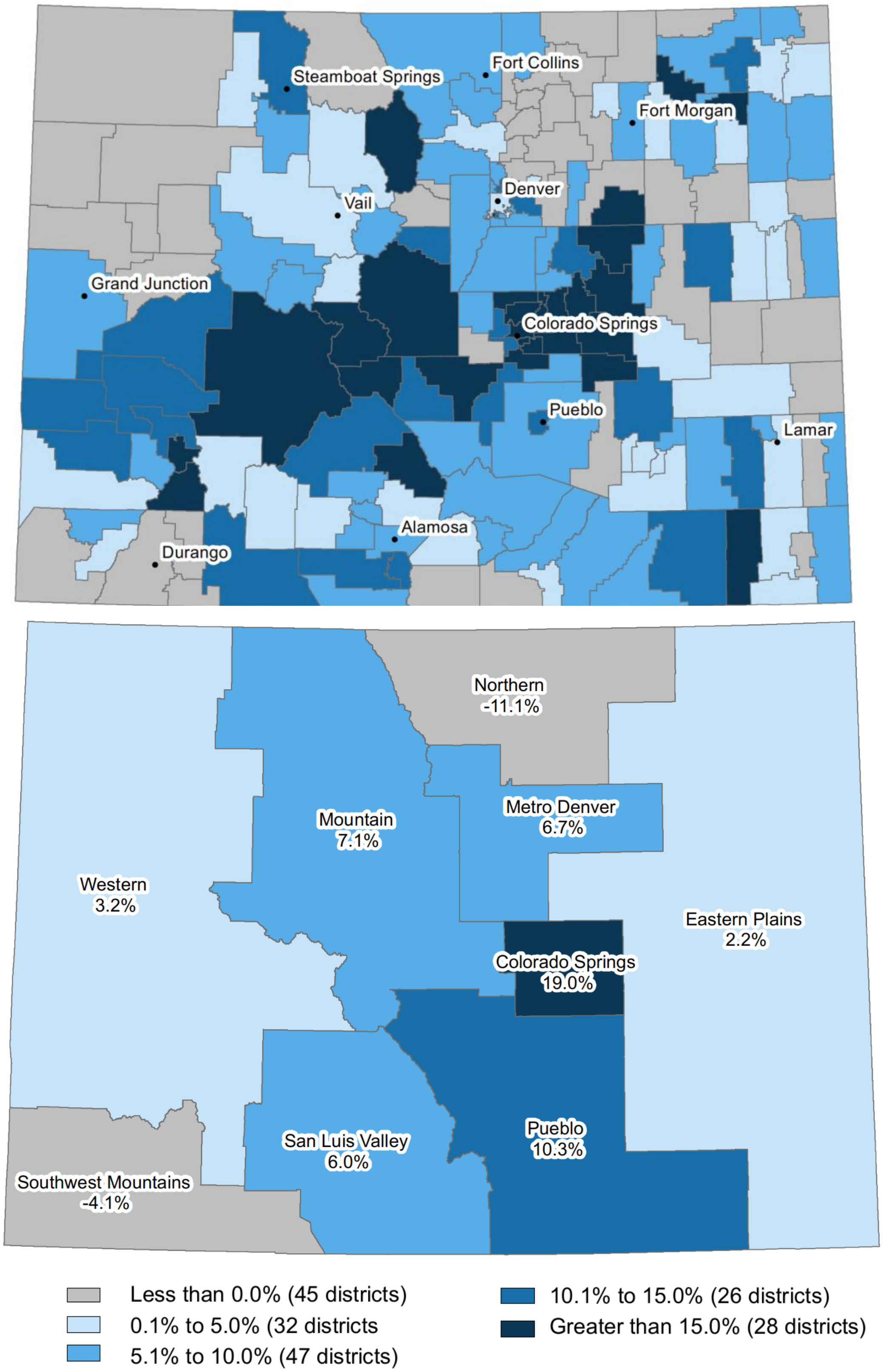
Source: Department of Local Affairs, Division of Property Taxation.
Legislative Council Staff forecast in 2022 through 2024.

Figure 11 (Cont.)
Assessed Values by Region
Billions of Dollars



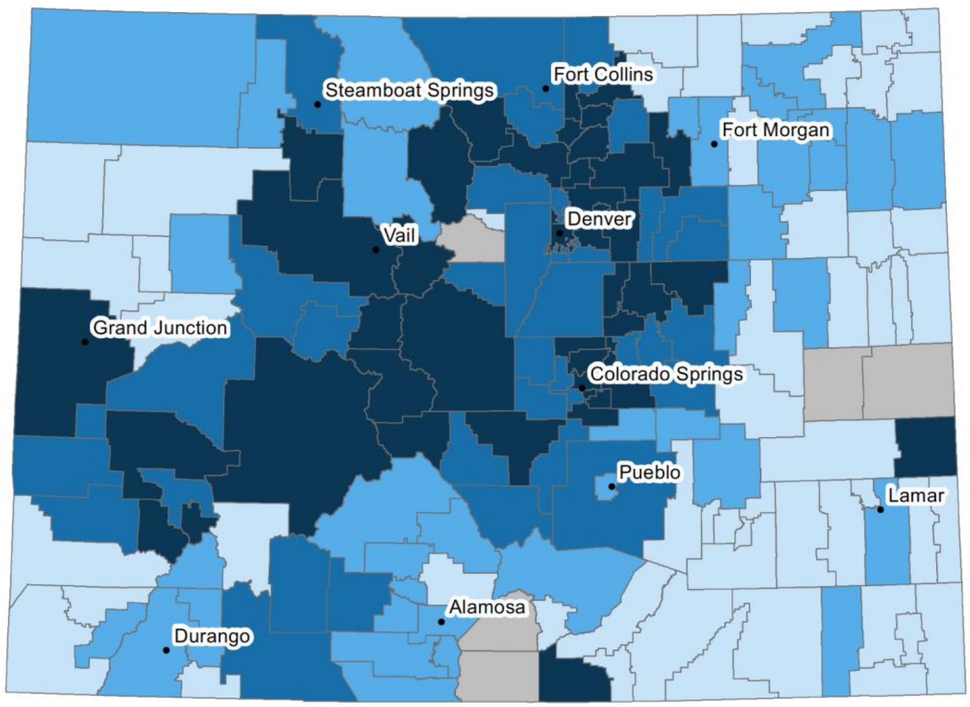
Source: Department of Local Affairs, Division of Property Taxation.
Legislative Council Staff forecast in 2022 through 2024.

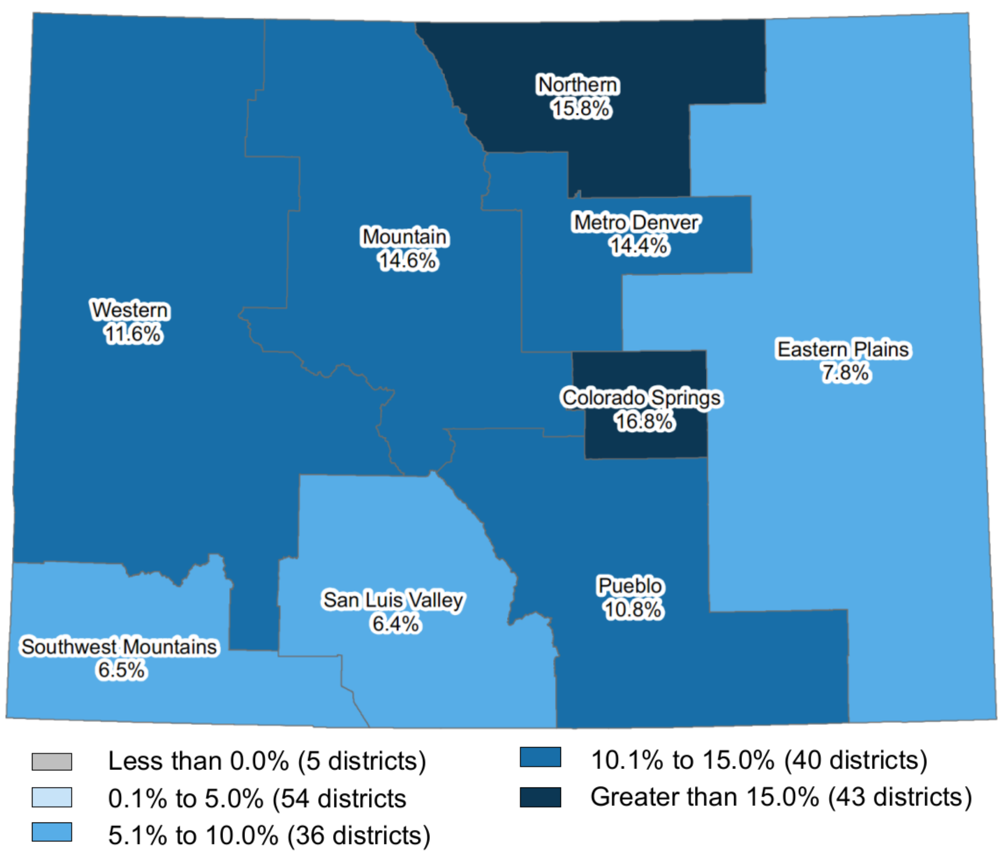
Figure 12
Preliminary Percent Change in Total Assessed Valuation by School District and Region
2021 Assessment Year (Budget Year 2021-22)



Source: Legislative Council Staff December 2021 forecast.

Figure 13
Forecast Percent Change in total Assessed Valuation by School District and Region
2023 Assessment Year (Budget Year 2023-24)





Source: Legislative Council Staff December 2021 forecast.

Adult Prison Population and Parole Caseload Projections

This section presents projections of the state's adult prison population and parole caseload for FY 2021-22 through FY 2023-24. It includes a discussion of the historical and current trends affecting these populations, projection adjustments made since the December 2020 forecast, and relevant recent legislation. It concludes with an analysis of risks to the forecast.

Key Findings

Significant population decrease continued. After declining by 12.6 percent in FY 2019-20, the Department of Corrections (DOC) jurisdictional population ("prison population") fell again in FY 2020-21 to 15,434 offenders, a decline of 2,007 offenders, or 11.5 percent. The trajectory of the prison population deviated from the December 2020 forecast, which projected a smaller decrease of 9.6 percent over the fiscal year, for a June 30, 2021, population of 15,767.

The prison population has begun to rise slowly over the first five months of FY 2021-22. Between June 30 and November 30, the prison population rose by 241 offenders, or 1.6 percent.

Parole decreases steadily. The June 30, 2021, in-state parole population was 9,198, a decrease of 1,117, or 10.8 percent, from the previous year. In comparison, the December 2020 forecast anticipated a decline of 4.9 percent, to 9,812 offenders.

Prison population. The number of offenders committed to the custody of the Department of Corrections (DOC), including those in state prisons, private prisons, community corrections facilities, county jails, and other locations.

Parole caseload. Offenders who have been released from prison but remain under DOC supervision. Depending on the context, this term may refer only to parolees located in Colorado.

New court commitment. Admission to DOC custody of an offender who has been convicted of a felony and sentenced to a period of incarceration.

Release. Departure of an offender from prison to parole or via discharge from DOC supervision.

Revocation. Return to DOC custody of an offender who has violated terms of parole.

In addition to legislative changes affecting sentencing and parole, the key driver of the substantial prison and parole population changes over the past two fiscal years are the ongoing ramifications of the COVID-19 pandemic, which drove changes throughout the criminal justice system, including in policing behavior, court activity, DOC admissions, releases to parole, parole supervision, and parole and probation revocations. These impacts are discussed further below.

Forecast summary. As shown in Table 19 on page 65 (prison population) and Table 20 on page 67 (parole caseload), the outcomes described below are anticipated over the forecast period.

- **Overall population.** The prison population is expected to increase to 16,286 inmates as of June 30, 2022, an increase of 5.5 percent during FY 2021-22, or an increase of 3.9 percent relative to the most recent population count on November 30. The forecast assumes that the effect of the COVID-19 pandemic and mitigation efforts in suppressing admissions will continue to wane, while legislative changes will have a longer-term impact. Additional uncertainty remains as yet-unknown structural changes in policing or prison and parole administration may persist in the aftermath of the pandemic. The forecast assumes that admissions, which began increasing in early 2021, will continue to increase as court activity recovers to pre-pandemic levels. Additionally, releases to parole, which have continued to decline through November 2021, will begin to increase along with admissions. By June 30, 2023, the prison population is expected to increase by 5.4 percent to reach 17,162 inmates. The prison population forecast for FY 2021-22 has been revised downward relative to the December 2020 forecast, primarily as a result of continued disruptions to the criminal justice system due to the COVID-19 pandemic. The prison population forecast has been revised up for the subsequent fiscal year, reflecting recent reversals in pandemic-related trends.

- **Male population.** After declining by 10.5 percent in FY 2020-21, the male prison population is expected to increase by 5.1 percent between June 2021 and June 2022, increasing by 732 inmates to 14,950. It is expected to increase further in FY 2022-23, by 4.8 percent, to 15,668 inmates in June 2023. Trends driving changes in the male population are similar to those for the overall state inmate population.

- **Female population.** After declining by 21.8 percent in FY 2020-21, the female population is expected to increase by 9.9 percent, from 1,216 inmates in June 2021 to 1,336 in June 2022, and to increase by 11.8 percent to 1,494 inmates in June 2023. After reaching 10.1 percent in June 2019, the share of women in the state's prison population has declined, to 7.9 percent in June 2021, and is expected to average 8.6 percent over the forecast period.

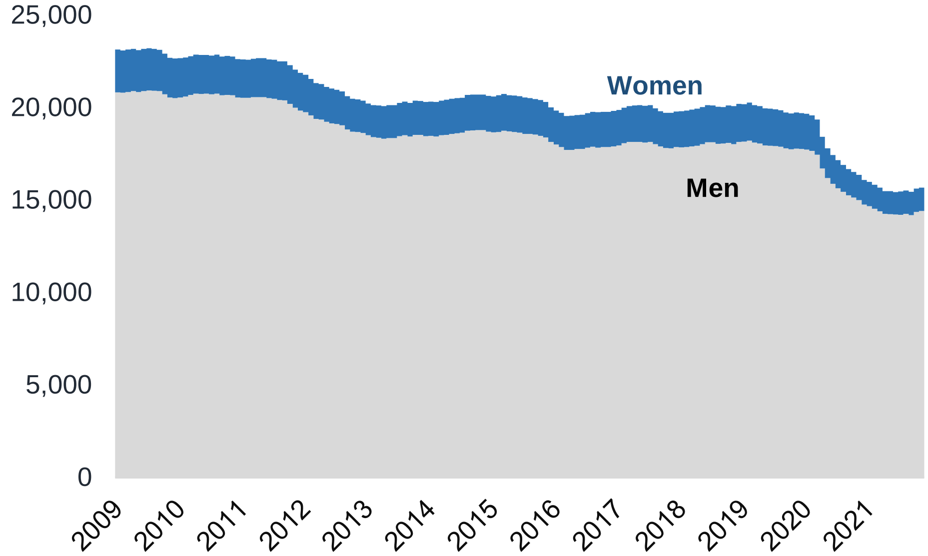
- **Parole caseload.** After declining by 10.8 percent to 9,198 in FY 2020-21, in-state parole caseload is expected to decline further, to 8,216 parolees in June 2022 and 7,524 parolees in June 2023. The parole population will continue to fall as the number of releases recovers but remains subdued.

Prison Population Forecast

Recent trends. Social distancing and safety measures to prevent mass COVID-19 outbreaks inside DOC facilities sharply reduced the prison population from early 2020 to mid-2021. After the population fell by less than 1 percent in FY 2018-19, FY 2019-20 and FY 2020-21 saw declines of 12.6 percent and 11.5 percent, respectively. Between February 2020, just before the first cases of COVID-19 were identified in Colorado, and June 2021, the prison population declined by 4,152 inmates, or 21.2 percent, from 19,586 to 15,434 inmates. The decline reduced the population across both state-operated and private facilities, with the DOC using the south campus of the Centennial Correctional Facility for quarantine purposes. As a result, the vacancy rate for state-operated prisons increased, from 1.1 percent in February 2020 to 15.8 percent in June 2021, even with an 8.6 percent decline in prison capacity over that period. Since June 30, the prison population has begun to rise, by 241 offenders or 1.6 percent through November 30.

Admissions. An offender who is admitted to a DOC facility is generally recorded as having been admitted for one of three reasons. Most admissions are attributable to *new court commitments*—felony criminal cases in which a defendant is convicted and sentenced to a period of incarceration. The two other principal types of admissions are for readmissions of parolees, either because the parolee *committed a new crime* while on parole or because the parolee incurred a *technical parole violation*—a violation of parole conditions that was not prosecuted as a new crime.

Figure 14
Prison Population by Sex
June 2009 to November 2021

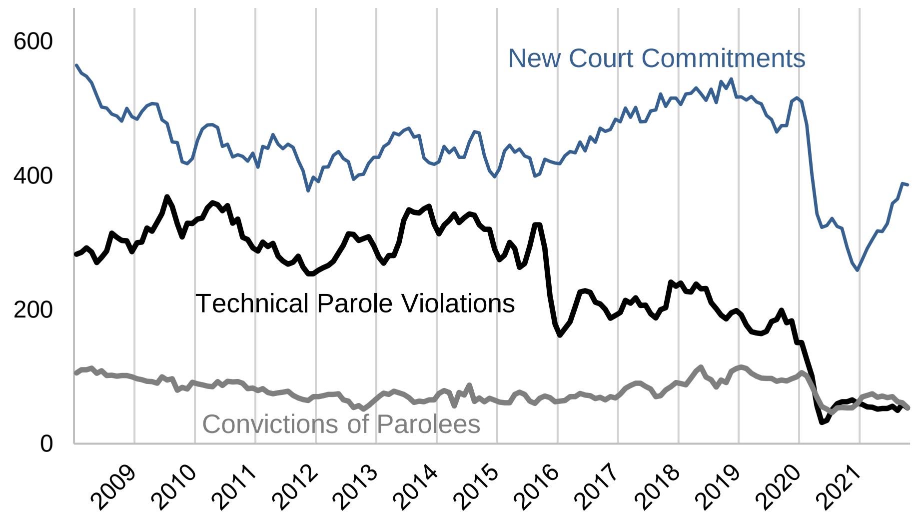


Source: Colorado Department of Corrections.

Trends in prison admissions are presented in Figure 15. Admissions increased 10.5 percent in 2017 and 5.2 percent in 2018, before falling by 7.2 percent in 2019 and a further 37.5 percent in 2020. Year-to-date through November 2021, admissions are up by 19.8 percent, but still down 6.6 percent compared to the same period in 2020. Monthly average admissions fell from 781 in 2019 to 488 in 2020, and are still down in 2021, averaging 463 through November. The decline in new court commitments accounts for about two-thirds of the decline in admissions in 2020, while **decreased readmissions for technical violations** accounted for almost one-quarter. New court commitments are leading the increase in 2021, with technical parole violations and admissions of parolees for new crimes still down since January 2021. New court commitments represent the majority of all prison admissions, and inmates admitted by new court commitments will remain in prison for a longer duration than those revoked from parole.

The **decline in court commitments** reflects reduced court capacity, jury trial moratoria, and other changes in court operations due to the COVID-19 pandemic and related public health measures. On March 16, 2020, the chief justice ordered the suspension of jury trials throughout the state and limited courts to emergency operations. While the prohibition on non-emergency operations was lifted in early May 2020, with the end of the statewide stay-at-home order, proceedings were shifted online and otherwise curtailed due to safety protocols. The statewide moratorium on jury trials continued through early August 2020. With the surge in COVID-19 cases in the winter of 2020 and more recently in the fall of 2021, some judicial districts re-suspended jury trials. While many proceedings can proceed online unhindered, safety protocols continue to impact the duration of jury trials.

Figure 15
State Prison Admissions by Source*
Three-Month Moving Average



Source: Colorado Department of Corrections.
**Omits admissions for returns from prior releases to probation, court order discharge or appeal bond, interstate compact, and youthful offender system terminations. The omitted categories produced a combined average of seven admissions per month over the sample period.*

These changes have slowed the pace of court proceedings and reduced felony case filings in state district courts, which were down 18.2 percent on average in 2020 compared with 2019 monthly filings, compared with average annual increases of 7.9 percent and 6.4 percent in 2017 and 2018, and a decline of only 2.1 percent in 2019. Case filings started to recover in early 2021, and are down 0.5 percent on average through September, compared to the same period in 2020, while monthly case filings are reaching or exceeding pre-pandemic levels. The duration of felony cases filed during the pandemic has increased, with cases since the start of the pandemic and resolved within 12 months lasting about 20 days longer than similar cases filed before the pandemic. The makeup of sentences has also shifted during the pandemic, with a reduction in the share of sentences to DOC and an increase in the share of sentences that are deferred or reinstated probation. Monthly new court commitments to DOC, which lag felony case filings, were down 30.2 percent on average in 2020 compared with 2019 new court commitments, and were down 13.4 percent through September 2021 compared to the same period in 2020.

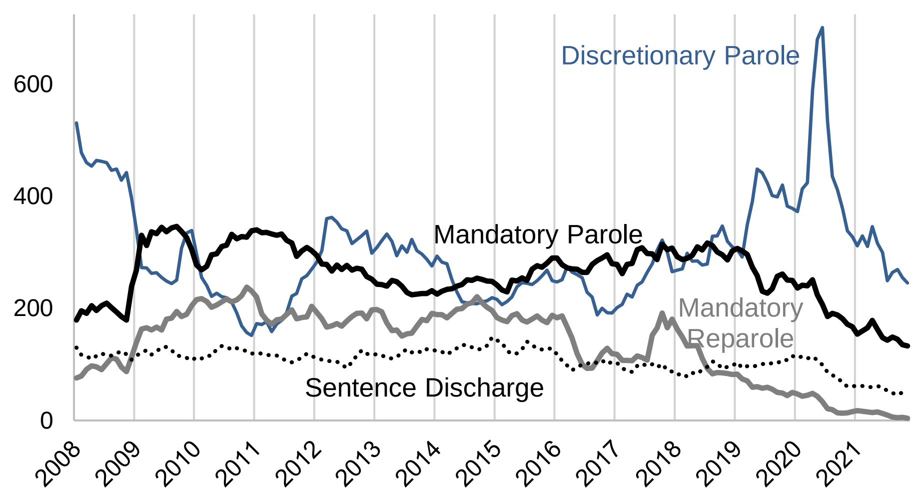
Legislative changes have also placed downward pressure on admissions. In addition to **Senate Bill 19-143**, which tightened criteria for revocation to prison for a technical parole violation, **House Bill 20-1019** reclassified some types of absences or attempted absences from non-prison supervision, such as supervised parole or a direct sentence to community corrections, from a felony to a misdemeanor depending on the prior conviction. In addition, **House Bill 19-1263** reclassified several existing drug felonies as drug misdemeanors for offenses committed on or after March 1, 2020. Felony case filings for escape and drug offenses in state district courts declined by 40 percent and 69 percent, respectively, through the first nine months of 2021 compared to the same period in 2019. Details of legislative changes are discussed further below.

Releases. Inmates may be released from incarceration in three primary ways: discretionary parole, mandatory parole or reparole, and sentence discharge. *Discretionary parole* releases occur when the State Board of Parole (Parole Board) chooses to release an offender who would otherwise remain incarcerated. For offenders who were admitted to DOC upon conviction for a crime, discretionary release may occur following the offender's parole eligibility date but before the offender's mandatory release date. The board, in its discretion, may also rerelease offenders who were readmitted to DOC following a violation of their terms of parole (technical parole violations).

Mandatory parole releases indicate that the offender was not granted early parole and instead was allowed to leave a DOC facility only after having reached their mandatory release date. In previous years, *mandatory reparole* releases occurred after a readmitted offender completed the term for which he or she was revoked to a DOC facility; however, mandatory reparoles have fallen nearly to zero following implementation of Senate Bill 19-143, which limited the circumstances under which the Parole Board may revoke an offender's parole and removed the option of mandatory reparole for those offenders. Instead, revoked offenders are required to serve out the duration of their sentence in a DOC facility before receiving a *sentence discharge*, unless they are granted discretionary reparole first.

Figure 16 presents state prison releases in each category. Although discretionary releases had trended upward between 2017 and early 2019, the implementation of Senate Bill 19-143 in mid-2019 contributed to accelerating releases of low- and medium-risk parole-eligible inmates to parole. The increase in discretionary parole releases was accompanied by an attendant drop-off in mandatory releases during the immediate succeeding months.

Figure 16
State Prison Releases by Source*
Three-Month Moving Average



Source: Colorado Department of Corrections.
**Omits releases to probation, court-ordered discharges, releases on appeal bonds and inmate deaths. The omitted categories produced a combined average of 18 releases per month over the sample period.*

The COVID-19 pandemic accelerated release trends as the DOC and the Parole Board sought to allow for more social distancing in outbreak-prone prison living environments. A series of executive orders issued following initial outbreaks resulted in a surge of discretionary releases, particularly in April and May 2020. Releases in the month of April 2020 totaled 1,369, of which 937 were discretionary. In May, total releases were 975, with 678 discretionary releases. Releases returned to more normal levels in June 2020, and have declined since then, reflecting fast-tracked releases at the start of the pandemic, declining admissions while court operations were closed or constrained, and other policy changes, like HB 19-1263, that substantially reduced admissions and, eventually, releases.

Between January and November 2021, an average of 501 offenders were released from prison each month, a decrease of 36.8 percent from the 2020 monthly average of 793 offenders. The decrease reflects a smaller population of parole-eligible offenders following accelerated releases in 2020, fewer admissions of newly convicted offenders, and fewer readmissions of parolees. Releases are expected to remain subdued for longer than admissions. While releases will rise over the remainder of the forecast period, they are not expected to return to pre-pandemic levels following implementation of HB 19-1263. Fewer projected releases are a major contributor to this forecast's downward revision to parole caseload expectations.

Prison population forecast. A confluence of pandemic-related factors drove the DOC jurisdictional inmate population to its lowest level—15,434 inmates—in June 2021. This forecast anticipates that the inmate population will increase as court operations normalize. Rising felony case filings for certain crimes are expected to drive population increases from present low levels. However, policy changes affecting drug and escape sentences have reduced admissions on account of those offenses, and those trends are expected to persist. While admissions will increase through the forecast period, the inmate population is not expected to return to pre-pandemic levels through FY 2023-24.

The DOC population will increase 5.5 percent during FY 2021-22 and total 16,286 offenders in June 2022. The pace of growth will slow only modestly, as the population is expected to grow by a further 5.4 percent during FY 2022-23 to total 17,162 offenders in June 2023, and 3.8 percent during FY 2023-24 to total 17,808 offenders in June 2024. The female population has fallen faster than the male population since the beginning of the pandemic. While the female population is expected to rebound more quickly than the male population, women are expected to make up a smaller share of incarcerated persons than before the pandemic at all points during the forecast period.

Executive response to COVID-19:

Governor Polis initially issued Executive Order D 2020 016 on March 25, 2020, allowing the DOC to:

- *limit prison intake and instead keep offenders in pre-transfer facilities, usually jails;*
- *award earned time credits to inmates to speed releases;*
- *move inmates to intensive supervision outside of prison;*
- *expand the state's pre-existing special needs parole program to expedite parole hearings for COVID-19 related medical considerations; and*
- *utilize 650 beds at the south campus of Centennial Correctional Facility to house inmates as needed due to the COVID-19 outbreak.*

Executive Order D 2020 043, issued on April 23, 2020, allowed DOC to develop criteria for transferring inmates to intensive supervision programs and allowed community corrections programs to award earned time credits.

Most provisions of the executive orders expired on May 22, 2020. The inmate intake provisions were extended, and expired on June 4, 2021. Special needs parole expansion and pandemic use of Centennial South were codified into law in SB 21-146.

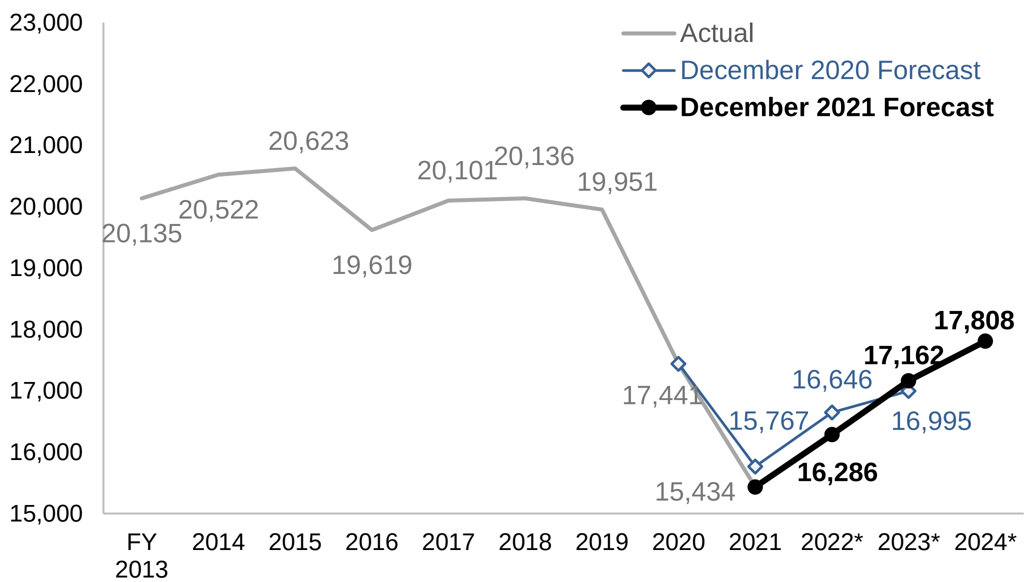
Table 19
Adult Prison Population by Sex
As of June 30 each Fiscal Year

Fiscal Year	Males	Percent Change	Females	Percent Change	Total	Percent Change
FY 2010-11	20,512	-1.2%	2,098	0.2%	22,610	-1.1%
FY 2011-12	19,152	-6.6%	1,885	-10.2%	21,037	-7.0%
FY 2012-13	18,355	-4.2%	1,780	-5.6%	20,135	-4.3%
FY 2013-14	18,619	1.4%	1,903	6.9%	20,522	1.9%
FY 2014-15	18,655	0.2%	1,968	3.4%	20,623	0.5%
FY 2015-16	17,768	-4.8%	1,851	-5.9%	19,619	-4.9%
FY 2016-17	18,108	1.9%	1,993	7.7%	20,101	2.5%
FY 2017-18	18,125	0.1%	2,011	0.9%	20,136	0.2%
FY 2018-19	17,935	-1.0%	2,016	0.2%	19,951	-0.9%
FY 2019-20	15,886	-11.4%	1,555	-22.9%	17,441	-12.6%
FY 2020-21	14,218	-10.5%	1,216	-21.8%	15,434	-11.5%
FY 2021-22*	14,950	5.1%	1,336	9.9%	16,286	5.5%
FY 2022-23*	15,668	4.8%	1,494	11.8%	17,162	5.4%
FY 2023-24*	16,224	3.5%	1,583	6.0%	17,808	3.8%

*Source: Colorado Department of Corrections. *Legislative Council Staff projections.*

Adjustments to the forecast for total population. Figure 17 illustrates the inmate population forecasts published in December 2020 and December 2021. The June 2020 population was 333 inmates fewer than anticipated in the December 2020 forecast. This forecast makes a similar downward revision to the expected June 2022 population, reducing that forecast by 360 inmates, and a modest upward revision to the June 2023 population forecast.

Figure 17
Adult Inmate Population as of June 30



*Source: Colorado Department of Corrections and Legislative Council Staff. Actual values shown for FY 2012-13 through FY 2020-21. *Current forecast period.*

Parole Forecast

Colorado's parole population encompasses offenders who have been released from prison but have not yet been discharged from DOC supervision. These offenders may live with family or friends in the community, be housed in community corrections facilities, or be detained in county jails for violating parole terms. Offenders who reside in Colorado are generally supervised by the DOC's Division of Adult Parole. With authorization, offenders may be supervised by parole officers in another state, and some offenders from other states are supervised in Colorado. Offenders who stop reporting to their parole officers, or who illegally leave the state without authorization, are counted as absconders.

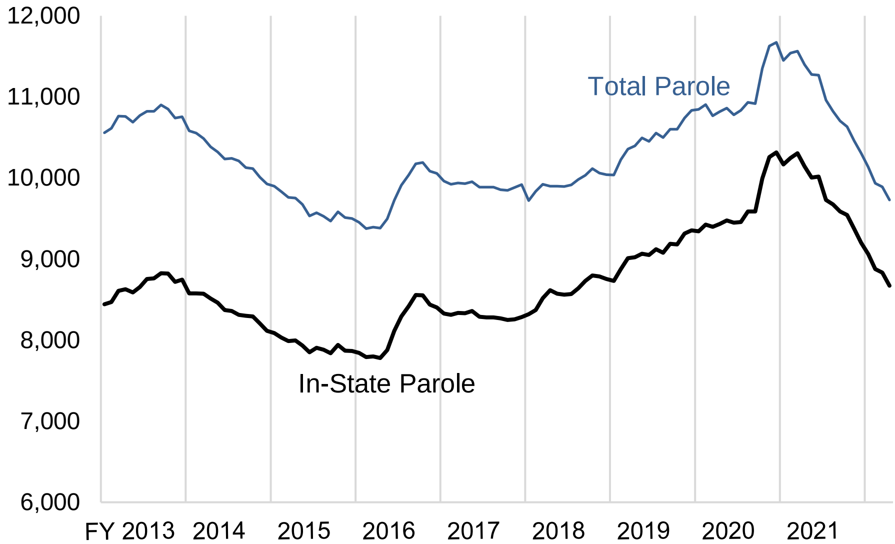
Offenders may be released to parole on or after their parole eligibility date at the discretion of the Parole Board (discretionary parole). Offenders who are not granted discretionary parole are released at their mandatory release date (mandatory parole). An offender's parole period is dictated by statute according to the offender's initial sentence. Offenders who violate parole terms may be revoked to DOC following a Parole Board revocation hearing, though the circumstances under which revocations are allowed have been narrowed following the enactment of Senate Bill 19-143. Parolees who are convicted for new crimes may again be sentenced to DOC custody and returned to prison to begin a new sentence.

For these reasons, the prison and parole populations are intertwined. This forecast uses the assumptions already identified for the prison population as determinants of parole caseload. For example, an inmate who is granted parole is assumed to add to the parole population, and a parolee who is revoked to DOC is assumed to subtract from the parole population.

Pre-pandemic trends. Over 2018 and 2019, the parole population steadily increased due to policy changes that accelerated releases to parole and limited the circumstances under which a parolee can be returned to prison. These included the creation of a file review system to replace parole application hearings for certain inmates; limiting parole revocations; and broadening the circumstances under which DOC could request that certain application hearings be conducted. Excluding absconders, the total parole population increased 5.4 percent in FY 2018-19 and 4.3 percent over the first nine months of FY 2019-20, before the initial COVID-19 outbreak in Colorado.

COVID-19 impacts. Pursuant to the executive orders as well as its preexisting authority, the Parole Board expedited releases in response to the pandemic outbreak. Releases surged from an average of 817 offenders per month between July 2019 and March 2020 to 1,369 offenders in April 2020 and 975 offenders in May 2020. These releases brought the parole population to an all-time high of 10,315 in-state parolees and 11,672 total parolees, excluding absconders, in June 2020. Over the year and a half since, the parole population has fallen as discharges from parole have outpaced new releases. With fewer parole-eligible offenders deemed sufficiently low risk for release, monthly releases have fallen to an average of 501 per month between January and November 2021, reaching a 19-year low of 388 releases in October. Figure 18 shows the parole population's steep decline.

Figure 18
Colorado Parole Caseload



Source: Colorado Department of Corrections. Omits absconders.

Parole caseload forecast. This forecast anticipates a continued, but moderating decline in parole caseload from its current level. Table 20 presents the parole population forecast, which is discussed below.

Table 20
Parole Population
As of June 30 each Fiscal Year

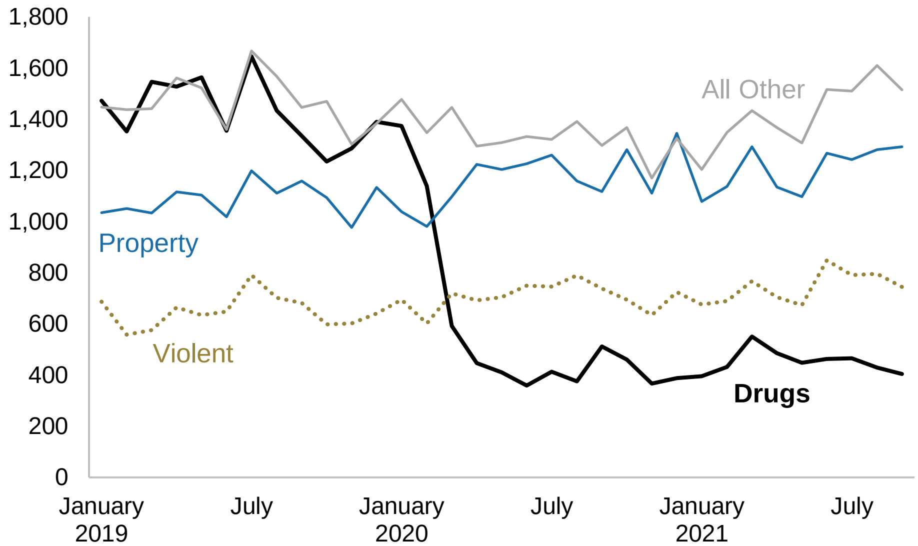
Fiscal Year	In-State Parole	Percent Change	Out-of-State Parole	Percent Change	Total	Percent Change
FY 2010-11	8,181	-4.1%	1,922	-8.5%	10,103	-5.0%
FY 2011-12	8,445	3.2%	2,066	7.5%	10,511	4.0%
FY 2012-13	8,746	3.6%	2,008	-2.8%	10,754	2.3%
FY 2013-14	8,116	-7.2%	1,808	-10.0%	9,924	-7.7%
FY 2014-15	7,865	-3.1%	1,636	-9.5%	9,501	-4.3%
FY 2015-16	8,402	6.8%	1,656	1.2%	10,058	5.9%
FY 2016-17	8,286	-1.4%	1,633	-1.4%	9,919	-1.4%
FY 2017-18	8,752	5.6%	1,290	-21.0%	10,042	1.2%
FY 2018-19	9,352	6.9%	1,480	14.7%	10,832	7.9%
FY 2019-20	10,315	10.3%	1,357	-8.3%	11,672	7.8%
FY 2020-21	9,198	-10.8%	1,106	-18.5%	10,304	-11.7%
FY 2021-22*	8,216	-10.7%	982	-11.2%	9,197	-10.7%
FY 2022-23*	7,524	-8.4%	873	-11.1%	8,397	-8.7%
FY 2023-24*	7,399	-1.7%	833	-4.6%	8,232	-2.0%

*Source: Colorado Department of Corrections. *Legislative Council Staff projections.*

Over the forecast period, the parole population is expected to decrease as a result of **House Bill 19-1263**. For offenses committed on and after March 1, 2020, the bill reclassified most felony drug possession charges as misdemeanors, which do not carry the possibility of a prison sentence. The bill's effective date made its effects difficult to distinguish from the consequences of the pandemic. However, as shown in Figure 19, felony case filings for drug charges were 69 percent lower in the first nine months of 2021 than in 2019. For comparison, felony case filings for all other types of crimes increased by 5 percent over the same period.

Even before HB 19-1263, defendants convicted of level 4 drug felonies for drug possession were often not sentenced to incarceration. For those that were, length of stay in DOC averaged between four and five months. However, these defendants spent about 10 months, on average, on parole. Therefore, the impact of reduced commitments for drug offenses under HB 19-1263 is expected to impact the parole population by more than twice as much as the prison population, since offenders who are not incarcerated as a result of the bill would have spent more than twice as long on parole as in prison.

Figure 19
State District Court Felony Case Filings by Crime Type



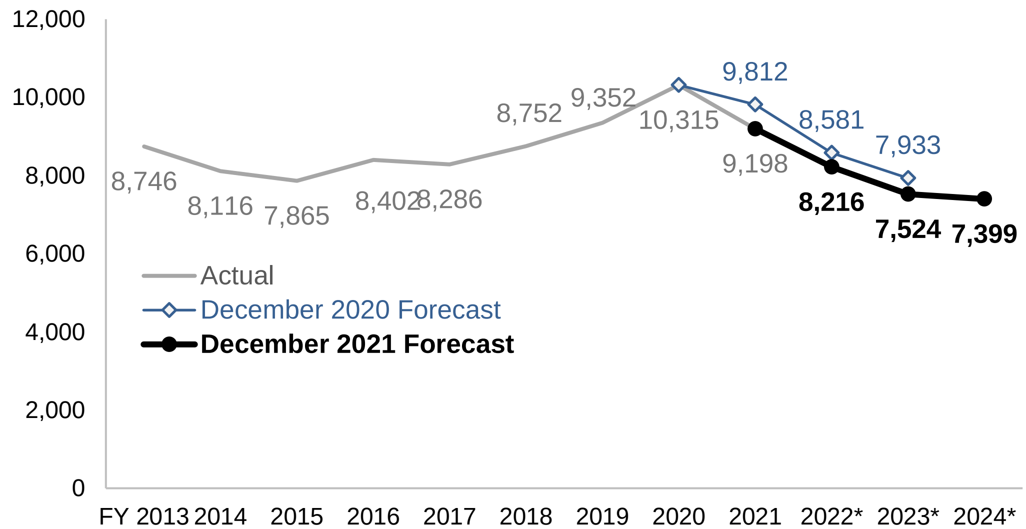
Source: Judicial Branch, State Court Administrator's Office.
Aggregation by Legislative Council Staff. Monthly data through September 2021.

House Bill 20-1019 and Senate Bill 21-146 are each expected to place upward pressure on the parole population. Under HB 20-1019, parolees who leave or fail to return to their home or facility location when on intensive supervision or in a community corrections facility can no longer be charged with felony escape and returned to prison on a new felony conviction. The forecast assumes that there will be fewer readmissions of parolees for new crimes annually as a result of this provision. SB 21-146 broadens the conditions under which an offender may be released on special needs parole, and is expected to increase modestly the number of inmates released onto parole.

Finally, the population of **absconders**, who are omitted from parole caseload for the purposes of this forecast, increased significantly at the outset of the pandemic and has fallen only slightly in the months since. DOC counted an average of 1,392 absconders each month between January and November 2021, nearly double the absconding population in 2019. Efforts by DOC to curtail the absconding population have not, to this point, produced a significant decline in the number of unsupervised parolees, and this forecast now assumes that the absconding population will remain elevated through the forecast period, limiting growth in parole caseload.

Adjustments to the parole caseload forecast. Figure 20 illustrates the in-state parole caseload forecasts published in December 2020 and December 2021. The June 2021 parole population fell short of last year's expectations by 614 parolees, or 6.3 percent. While the December 2020 forecast anticipated a decrease in parole caseload during FY 2020-21, it expected the decrease to be partially offset at the end of the year by returns of absconders to the supervised parole population. However, the number of absconders remained relatively stable during that period, resulting in a smaller supervised population than forecast. Consistent with changing expectations for the absconding population, expectations for the parole population have been revised downward modestly for June 2022 and June 2023. The forecast anticipates flattening parole caseload during FY 2023-24, when releases are expected to begin to outpace parole discharges.

Figure 20
Adult In-State Parole Population as of June 30



Source: Colorado Department of Corrections and Legislative Council Staff.
*Actual values shown for FY 2012-13 through FY 2020-21. *Current forecast period.*

Factors Affecting the Adult Prison Population and Parole Caseload

It can be difficult to isolate the factors that directly impact the adult prison population and parole caseload. The following paragraphs describe how external factors, including demographic and economic trends, changes within the criminal justice system, new legislation, and internal factors including departmental and Parole Board administration, can influence the growth or decline of the inmate population and parole caseload volume.

Colorado's population. All other things being equal, a larger state population may result in a greater number of criminal offenses, arrests, criminal felony filings, and prison commitments. Colorado's population is projected to grow about 3.5 percent through the forecast period, which may put mild upward pressure on the inmate population.

Economic factors. Prison admissions exhibited essentially no correlation with economic conditions during the Great Recession and the subsequent recovery. Accordingly, this forecast assumes no correlation between economic conditions and the prison population.

Criminal justice system. The actions of the state courts affect inmate population growth. In particular, commitment of offenders to prison is the most significant determinant of the inmate population. The mix of crimes sentenced also affects the prison population because more serious crimes entail longer durations of stay in correctional facilities.

Parole policy and Parole Board administration. Statute defers the authority to grant discretionary inmate releases to the appointed members of the Parole Board. Subject to statutory requirements, the board is autonomous, and any change in its pattern of releases would have a significant effect on the state prison population and parole caseload.

Departmental administration. The DOC's Division of Prisons oversees the state's prisons and, within constraints imposed by an offender's sex and custody level, has discretion to place inmates in appropriate facilities. Because the Parole Board has appeared more willing to grant parole to inmates who have completed certain treatment and reentry programs, navigation of inmates to the facilities in which those programs are offered may have an effect on the rate at which inmates are granted parole when there is not an ongoing public health crisis.

The DOC's Division of Adult Parole oversees the state's parole officers. Division leaders must decide in which cases to pursue revocation when an offender violates the conditions of parole. Under Senate Bill 19-143, the division is able to pursue revocation only in specifically identified circumstances.

Community corrections. In addition to housing convicted offenders who are serving diversionary sentences in lieu of being sentenced to DOC, community corrections facilities are used to house DOC jurisdictional inmates in residential transitions programs. Admission of an offender to a community corrections facility occurs at the discretion of the local board that oversees that facility. These boards' willingness or unwillingness to accept offenders from DOC may be a determinant of an offender's possibility of release to parole.

Legislation. Legislation enacted by the General Assembly may influence the state prison population and parole caseload. During the 2019, 2020, and 2021 legislative sessions, the General Assembly enacted bills that may impact the state prison population and/or parole caseload in the future. These are described below.

- **House Bill 19-1263** reclassifies several existing drug felonies as drug misdemeanors, reduces the fine penalties and jail terms for drug misdemeanors, and makes several other changes to sentencing for drug offenses. The bill is expected to substantially reduce felony filings for drug offenses, and to reduce the prison and parole population. Impacts on the prison population will be less significant than the impact on felony filings, because offenders previously convicted for low-level drug felonies often did not receive prison sentences, and because those who were sentenced to DOC remained incarcerated for an average of four to five months. Impacts on parole caseload will be more significant than the impact on the prison population, because offenders previously sentenced for these crimes generally spent more time on parole than in prison.

- **House Bill 20-1019** creates a new crime of an unauthorized absence for an inmate on an intensive supervision program, in a community corrections program, or participating in a work release program. These categories of offenders are removed from the offenses of escape and attempted escape, which carry a charge of a class 2 or 3 felony for escape or a class 4 or 6 felony for attempted escape. Unauthorized absence carries a reduced charge in most cases, to a class 3 misdemeanor, which does not require prison time, or in some cases a class 3 or 6 felony. The bill also allows for a wider range of circumstances under which inmates may be awarded earned time. These provisions of the bill are expected to reduce the prison population and increase the parole population.

- **Senate Bill 21-146** modifies the eligibility criteria for parole for senior and special needs inmates and requires the DOC and the Parole Board to develop policies and procedures to improve the special needs parole process. To the extent that the bill results in increased releases of inmates to special needs parole, these provisions of the bill are expected to minimally reduce the prison population and increase the parole population.

- **Senate Bill 21-271** reclassifies the offense level for several felony offenses. The bill is expected to have offsetting impacts on the prison population so that the overall impact is expected to be minimal.

Risks to the Forecast

The outlooks for the prison population and parole caseload have become clearer in the past year. Data have borne out some assumptions from last year's forecast, while refuting others. However, risks to the forecast remain elevated as the state's criminal justice system remains in a time of transition. Structural changes have begun to emerge in the wake of the pandemic, but there is still uncertainty about whether and for how long these changes will persist.

The most significant risk to the forecast is the possibility of additional interventions in court and prison operations in response to pandemic-related public health risks. Initial interventions during early 2020 produced a massive increase in releases, with the prison population rapidly falling and parole caseload quickly rising, while the slowdown in court operations stunted prison admissions over the following year and a half. Similar interventions in response to spikes in COVID-19 infection rates or to COVID-19 variants could reset DOC populations, similar to the way in which they were reset in the spring of 2020.

It is difficult to differentiate between the lasting effects of permanent policy changes and the temporary effects of the pandemic on the trajectory of the prison population. For example, key provisions of both House Bill 19-1263, concerning drug offenses, and House Bill 20-1019, concerning prison population management, first applied in March 2020, when the state locked down and the Governor issued executive orders related to the management of the correctional system during the disaster emergency. This forecast attempts to separate temporary and permanent effects, but the possibility of conflating pandemic effects with policy effects raises the possibility of forecast error. In particular, falling parole caseloads appear to reflect changes to the prosecution and sentencing of drug offenses and a persistently high absconder population, but parole caseloads could rise more quickly than anticipated if declines are in fact attributable to a transitory, pandemic-induced drop in releases.

Finally, among all projections published in this document, the correctional population forecasts are unique in that the values they estimate do not move reliably in response to economic or demographic conditions. Instead, these forecasts are based on expectations for behavior by would-be offenders, prosecutors, juries and judges, inmates, Parole Board members, and DOC administrators. The forecast does not anticipate changes in current patterns of behavior beyond those that can be extrapolated from currently available data. The possibility of consequential behavioral change in the management of a rapidly evolving policy area compounds forecast risks.

Youth Corrections Population Projections

This section presents the forecast for the population of juvenile offenders administered by the Division of Youth Services (DYS) in the Department of Human Services (CDHS). The three major populations administered by the DYS are juveniles committed to custody, previously committed juveniles serving a period of parole, and juveniles in DYS detention.

Summary

The DYS-administered commitment and parole populations are expected to continue to decline through FY 2023-24. The detention population is expected to rise from its current low during FY 2021-22 and FY 2022-23, before declining again in FY 2023-24. Expectations for all three populations have been revised to reflect more significant declines than those anticipated previously. The following outcomes are anticipated over the forecast period:

- The DYS **commitment population** will decrease over the forecast period from an average daily population of 341 youths in FY 2020-21 to 229 youths in FY 2023-24.

- The average daily **parole population** will correspondingly fall from 163 youths in FY 2020-21 to 86 youths in FY 2023-24.

- The DYS **detention population** will increase from an average daily population of 146 youths in FY 2020-21 to 187 youths in FY 2023-24.

Juvenile Offender Sentencing Options

Juvenile offenders not prosecuted as adults are managed through the juvenile courts. If a court determines that a juvenile committed a crime, the individual is adjudicated as a juvenile offender. Upon being adjudicated, the court may sentence a juvenile to any one or a combination of the following sentences described below.

Commitment. Depending on age and offense history, a juvenile may be committed to the custody of the DYS for a determinate period between one to seven years for committing an offense that would be a felony or misdemeanor if committed by an adult. The commitment population is housed at long-term commitment facilities.

Detention. The court may sentence a juvenile to a detention facility if the juvenile is found guilty of an offense that would constitute a class 3, 4, 5, or 6 felony or a misdemeanor if committed by an adult. Detention sentences may not exceed 45 days, and most youths remain in detention for less than a month. The detention population is housed at short-term detention facilities.

County jail or community corrections. Individuals between 18 and 21 who are adjudicated as juvenile offenders prior to turning 18 may be sentenced to county jail for up to six months or to a community corrections facility or program for up to one year.

Probation or alternative legal custody. The court may order that a juvenile be placed under judicial district supervision and report to a probation officer. Conditions of probation may include participation in public service, behavior programs, restorative justice, or restitution. The court may also place the juvenile in the custody of a county department of social services, a foster care home, a hospital, or a child care center.

Influences on the Juvenile Offender Population

Court sentencing practices. Total juvenile delinquency filings increased consistently during the 1990s, peaking in 1998. Since then, filings have fallen, but had stabilized since FY 2016-17, prior to the COVID-19 pandemic. The decrease in case filings correlated with the rising availability of pre-trial diversion programs. In addition to changes in the number of cases adjudicated, changes to statute and sentencing practice have led to the rise of alternative sentencing options, which have correspondingly reduced the population of detained and committed youths.

Legislative action. Policies affecting sentencing alternatives for juveniles affect the size of the detention and commitment populations. These include the creation of diversionary programs as alternatives to incarceration, mandated caps on sentence placements, and changes to parole terms. During the 2021 legislative session, two bills passed that may affect the juvenile detention, commitment, and parole populations through the current forecast period; these are described below.

- **Senate Bill 21-071** reduces the detention bed cap from 327 to 215 beds. The bill is expected to prevent any increase in the juvenile detention population back to pre-COVID-19 levels.

- **Senate Bill 21-066** makes a number of changes to juvenile diversion programs, including new data collection and reporting requirements, and requires district attorneys to use a risk-screening tool to determine program eligibility; however, the bill is expected to have minimal impact on DYS populations.

COVID-19 pandemic and Executive Order D 2020-034. The COVID-19 pandemic and efforts to contain it impacted the size of the detention, commitment, and parole populations of juvenile offenders. On April 11, 2020, Governor Polis issued Executive Order D 2020-034, which:

- suspended seclusion policies at juvenile facilities to allow for compliance with CDC guidelines for isolation and quarantine to contain COVID-19 infections;

- suspended the Juvenile Parole Board's authority to grant, deny, or defer parole for any juvenile committed to CDHS, except for aggravated or violent juvenile offenders, and directed CDHS to assess each offender for risk to public safety and to release to parole those deemed fit; and

- suspended CDHS's obligation to provide detention of or to accept committed juveniles into custody in order to comply with CDC guidelines and to prevent introducing new juveniles who may have COVID-19 into the detained and committed populations.

The executive order was extended by subsequent executive orders, and its provisions remained in effect until June 2021.

In accordance with executive orders, DYS reduced the number of committed and detained youth in order to comply with social distancing requirements. In addition, policing behavior shifted toward fewer arrests of juvenile offenders, while court operations and commitments have slowed.

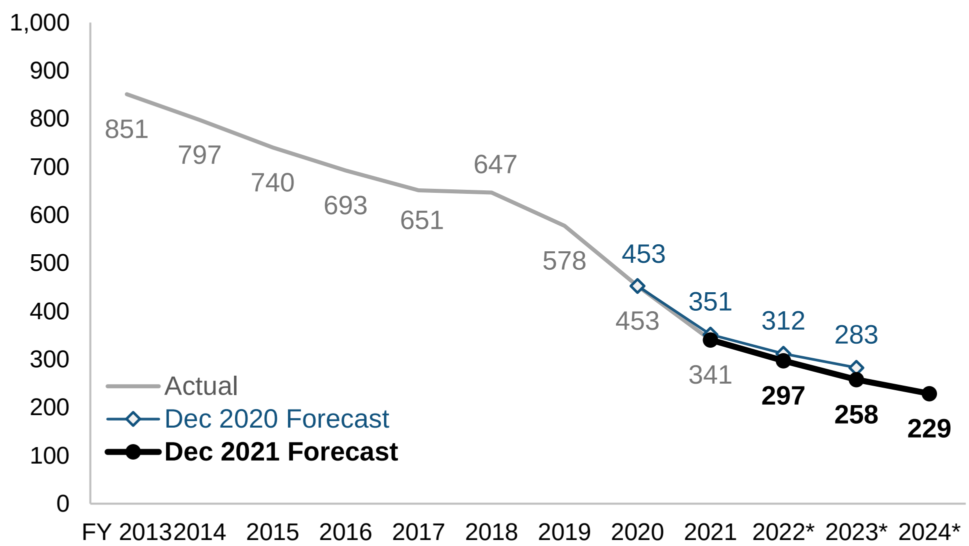
Division of Youth Services Sentencing Placements and Population Forecast

Commitment. The commitment population consists of juveniles adjudicated for a crime and committed to DYS custody. In FY 2020-21, the average daily commitment population was 341 youths, representing a 24.8 percent decline from the prior year. Between FY 2021-22 and FY 2023-24, the commitment population is expected to drop from 297 youths to 229 youths, a further significant decrease that reflects the continued impact of the pandemic and efforts to contain it, as well as the long-term rise of diversion programs and alternative sentencing and a decrease in commitments to the DYS.

In FY 2020-21, the average daily commitment population fell short of the December 2020 forecast by 10 youths. The most important determinant of the population decrease was the continued reduction in the number of youths newly committed to the DYS as a result of continued impacts of the pandemic. At the end of the year, DYS terminated its contract with the private operator that had previously operated the Ridge View Youth Services Center—a state-owned, privately-operated commitment facility in Watkins—and closed that facility.

Expectations for the commitment population have been revised downward. The forecasts for FY 2021-22 and FY 2023-24 have been reduced as shown in Figure 21.

Figure 21
Comparison of DYS Average Daily Commitment Population Forecasts

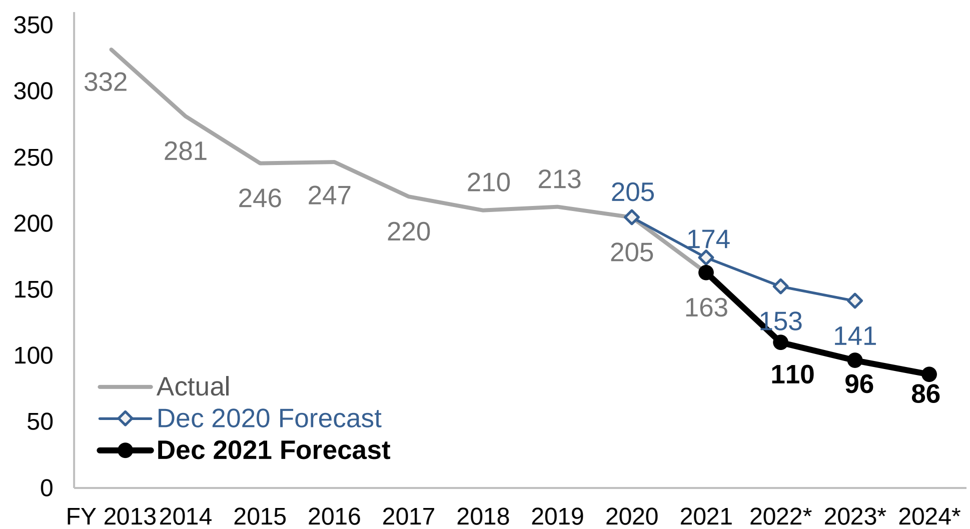


Source: Colorado Department of Human Services Division of Youth Services and Legislative Council Staff.
**Forecast.*

Parole. Juveniles who have served their commitment sentence are usually granted release to community parole if approved by the Juvenile Parole Board, although the board's authority was temporarily suspended by executive order for most youths at the onset of the pandemic through mid-2021. All youths serve a parole period of at least six months, though the board may extend the parole period up to 21 months for certain offenders.

The juvenile parole population averaged 163 youths in FY 2020-21, a decline of 20.4 percent from FY 2019-20. The average parole population was 11 youths fewer than anticipated in last year's forecast, as shown in Figure 22. The parole population was elevated from April through September 2020 for a monthly average of 221 youths as DYS implemented the executive order, and has mostly declined since then. The parole population is expected to average 110 parolees over FY 2021-22, and to fall further to average 96 parolees during FY 2021-22 and 86 parolees during FY 2022-23 as the number of releases from commitment facilities continues to drop off. Expectations throughout the forecast period have been revised downward relative to last year's forecast.

Figure 22
Comparison of DYS Average Daily Parole Population Forecasts

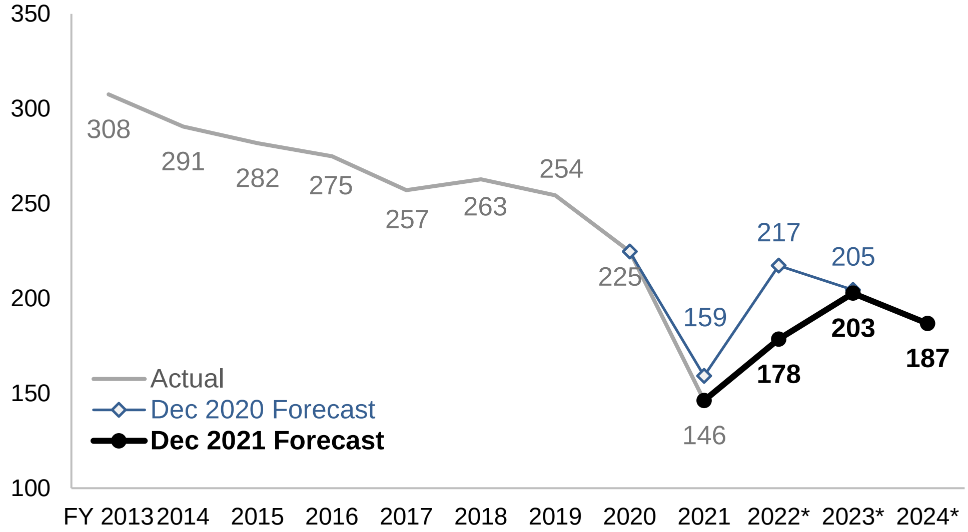


Source: Colorado Department of Human Services Division of Youth Services and Legislative Council Staff.
**Forecast*

Detention. The DYS manages eight secure facilities housing detained youth. Under Senate Bill 21-071, the detention population cap is 215 youths, though the detention population remains well below the statutory cap following implementation of executive orders and social distancing requirements. Relative to the commitment and parole populations, the detention population is more volatile because of the short sentences served by detained youth.

Figure 23 presents expectations for the youth detention population. The detention population averaged 146 youths in FY 2020-21, a 34.9 percent decline from FY 2019-20, and fell short of the December 2020 forecast by 13 youths. The population is expected to increase to 178 youths in FY 2021-22 and 203 youths in FY 2022-23, before declining moderately to 187 youths in FY 2023-24. Expectations for the detention population have been revised downward from those published last year.

Figure 23
Comparison of DYS Average Daily Detention Population Forecasts



Source: Colorado Department of Human Services Division of Youth Services and Legislative Council Staff.
**Forecast.*

Risks to the Forecast

The most significant risk to the forecast continues to be ongoing ramifications of the pandemic-related shifts in the policing and management of the youth offender population. Even as the juvenile justice system approaches pre-COVID normalcy, the extent to which pandemic-related shifts will persist and continue to impact the juvenile commitment, detention, and parole populations remains unclear. This forecast does not anticipate a return to pre-COVID levels of juvenile commitment; however, if more youths are admitted than expected, the commitment and parole populations will be higher than forecast.

Law enforcement and the courts may possibly change their approach to commitment or detention of juveniles as a result of their observations of how youths perform under alternative sentencing or supervision as a result of the pandemic. This forecast assumes that the commitment and parole populations will return to their long-run downward trends, intensified by pandemic-related distortions. Attitudinal changes that may increase or decrease the future numbers of youths placed in DYS custody are not accounted for here.

Economic Outlook

While the U.S. and Colorado economies continue to expand, growth remains constrained by the COVID-19 pandemic. The elevated case counts from the Delta variant and the risks of the emergent Omicron variants continue to weight on in-person service industry employment and disrupt supply chains. To date, the pandemic recession has been characterized by unprecedented levels of federal fiscal stimulus and "K-shaped" economic impacts, where many low-income households and small businesses experienced disproportionate adverse impacts and most high-income households and businesses were relatively unscathed. Looking forward, the pandemic is expected to continue to shape economic activity, contributing to labor shortages and supply chain disruptions, which will constrain job growth and economic activity and put upward pressure on inflation.

Elevated employee attrition through retirements and resignations is expected to continue as the pandemic forces job reconsiderations among many in the labor force. Businesses will have to adapt to these challenges, adjust to smaller staffs, diversified supply chains, and shifting further toward automation, among other strategies. While this forecast assumes that labor shortages will be ongoing throughout the forecast period, supply chain disruptions are expected to be transitory, likely easing in the second half of 2022. However, the timing of supply chain normalization remains uncertain.

As inflationary pressures mount, the Federal Reserve is expected to increase interest rates beginning in 2022. In Colorado, housing affordability will challenge many households in the years ahead, and is expected to continue to shape net migration into and within the state as many families seek more affordable options. Risks to the forecast remain elevated on pandemic-related uncertainty and evolving monetary and fiscal policy landscapes. Tables 21 and 22 on pages 101 and 102 present histories and expectations for key indicators for the U.S. and Colorado economies, respectively.

Gross Domestic Product

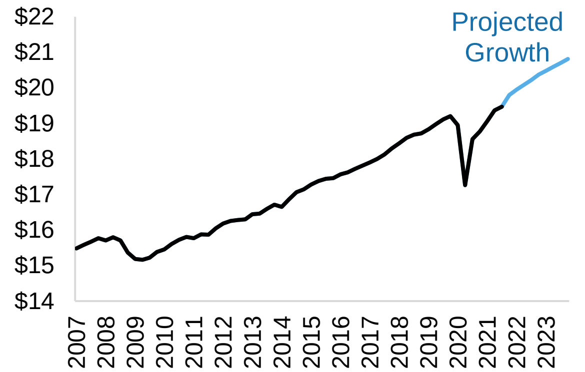
The most commonly cited indicator of total economic activity in the U.S. is real gross domestic product (GDP), an estimate of the inflation-adjusted value of all final goods and services produced in the United States. Following the unprecedented 31.2 percent decline in economic activity in the second quarter of 2020, economic activity rebounded by 33.8 percent in the third quarter, according to data from the U.S. Bureau of Economic Analysis. Real GDP declined by an average of 3.4 percent in 2020 as the severe contraction during the first half of the year pulled annual levels of economic activity below those experienced in 2019. In 2021, GDP grew by 6.3 percent in the first quarter, 6.6 percent in the second quarter, and 2.1 percent in the third quarter (Figure 24).

- Real U.S. GDP is expected to grow 5.7 percent in 2021 and to rise an additional 3.8 percent in 2022, before returning to slower trend levels of activity, growing by 2.4 percent, in 2023.

Consumption spending props up GDP growth. Consumer spending, as measured by personal consumption expenditures, accounts for more than two-thirds of total economic activity. It accounted for a majority of the decline in GDP in the second quarter of 2020, and has largely fueled the recovery so far. After growing by 11.4 percent and 12.0 percent in the first and second quarters of 2021, consumer spending slowed significantly in the third quarter, growing only 1.7 percent. Consumer spending is expected to pick up again in the fourth quarter, however, with additional holiday related spending.

As of the second quarter of 2021, personal consumption expenditures exceeded pre-recession levels by 3.6 percent. Consumer spending on goods and services continued to show divergent patterns, with spending on goods exceeding pre-recession levels by 15.4 percent, but spending on services still lagging its pre-recession levels by 1.6 percent. Consumption of services is expected to remain subdued amid a resurgence of COVID-19 cases and a return of stricter public health guidelines, while consumption of goods is expected to remain above trend.

Figure 24
U.S. Real Gross Domestic Product
Trillions of Dollars



Source: U.S. Bureau of Economic Analysis and Legislative Council Staff December 2021 forecast. Data reflect seasonally adjusted annual rates.

Business investment lackluster in 2021. Business investment rebounded sharply following the pandemic shutdowns in the second quarter of 2020, growing by 82.1 percent and 24.7 percent in the third and fourth quarters of 2020, respectively, to exceed pre-recession levels. However, the first half of 2021 has seen business investment soften, declining 2.3 percent and 3.9 percent in the first and second quarters, respectively. Business investment picked up in the third quarter of 2021, increasing by 11.6 percent, reflecting strong investment into intellectual property products and a slower drawdown of business inventories. Softness in 2021 in part represents a shift toward more employees working from home and less need for investment in office space. Further, private inventories contracted in 2021, as sales exceed current production capacities on elevated demand for goods and pandemic-related supply chain disruptions.

Export activity improves, net exports decline. Net exports continued to be a drag on economic activity in 2021 as increased imports more than offset exports to foreign consumers. Year-to-date exports of U.S. goods and services to foreign consumers have increased but remained well below pre-pandemic levels. Imports of foreign goods have risen for five consecutive quarters, and now exceed pre-recession levels. Ongoing impacts of the COVID-19 pandemic on economies across the globe are expected to mute demand for U.S. goods until economic activity begins to normalize. Exports and imports of services remain down 20.6 percent and 9.0 percent, respectively, below pre-pandemic levels, reflecting dampened international tourist and travel activity.

Waning federal stimulus drags on growth. Government spending rose precipitously in the first quarter of 2021 with the March passage of the American Rescue Plan Act of 2021. This act included direct payments to households, extended unemployment benefits, individual tax relief and financial assistance, business assistance, public health spending, and aid to state and local governments amounting to approximately $1.9 trillion. The impact of federal stimulus waned in the second quarter of 2021 with the expiration in May of the Paycheck Protection Program providing loans to small businesses. After increasing by 11.3 percent in the first quarter, federal government spending declined by 5.3 percent and 4.9 percent in the second and third quarters, respectively. A sizable increase in state and local government spending of 4.7 percent helped to offset a portion of this decline in federal spending in the third quarter.

The recent passage of the federal infrastructure bill will increase government spending over normal levels by $550 billion over the next five years. The bill is expected to increase economic activity with additional investments into various infrastructure projects, including roads, bridges, transit and rail, broadband, and a number of other areas.

Colorado's economic growth in perspective. Prior to the pandemic-induced recession, Colorado enjoyed more than a decade of strong economic growth, outpacing most other states in the nation across economic indicators, including employment, personal income, and GDP growth. Coming off these strong levels of growth, the state is likely to slip from the list of the top five to ten states toward a nationwide average. Slower near-term growth is expected because the state is growing from a higher relative base of economic activity. Additionally, the state has a larger concentration of leisure and hospitality activity than the nation as a whole—the industry most adversely impacted by the pandemic. Finally, after a decade of double-digit growth in home prices and strong growth in rents, high housing costs across many regions of the state will pose headwinds to employment growth in many less affordable regions of the state.

Labor Markets

The labor market continues a fitful recovery, with recent nationwide data suggesting the continued fragility of the recovery in virus-sensitive sectors dependent on in-person work, including leisure and hospitality as well as retail trade. Indicators suggest continued supply and demand mismatches, with businesses in many sectors reporting difficulty finding workers as the jobs recovery continues to impact geographic regions, industries, and demographic groups unevenly. Retirements and resignations have contributed to labor shortages as workers have left the labor force or reduced hours for myriad reasons such as health concerns, job dissatisfaction, and child or other dependent care responsibilities. At the current rate, employment levels are not expected to reach pre-pandemic levels until late in 2022, and will not reach pre-COVID trend levels of growth until 2023.

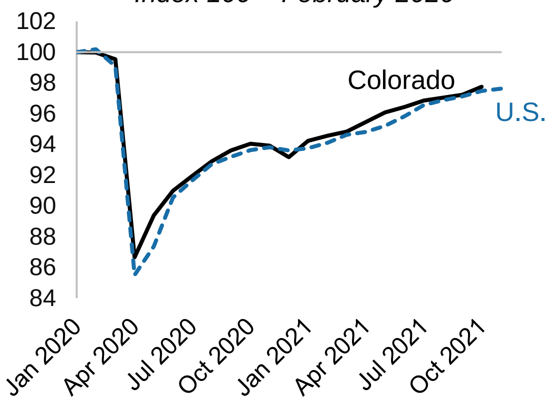
- U.S. nonfarm employment is expected to increase by 2.7 percent in 2021 and 3.1 percent in 2022. The U.S. unemployment rate is expected to decline from 8.1 percent in 2020 to 5.4 percent in 2021 and to near pre-pandemic rates, averaging 3.9 percent in 2022.

- In Colorado, nonfarm employment is expected to slightly outpace national trends by growing 2.8 percent and 3.4 percent in 2021 and 2022, respectively. The Colorado unemployment rate is expected to decline from a high of 7.3 percent in 2020 to 5.9 percent in 2021 and to 4.1 percent in 2022.

Explaining labor shortages and the jobs gap. While economic activity (as measured by GDP) has resumed pre-pandemic levels, nonfarm employment levels remain well below the pre-pandemic peak (Figure 25, top left). Based on the most recent data, U.S. and Colorado nonfarm employment remained 2.6 percent (3.9 million jobs) and 2.2 percent (62,700 jobs), respectively, below February 2020 levels. Several factors unique to the pandemic recession explain this persistent gap. Employment growth has consistently lagged growth in economic activity following a recession, though typically, this is due to persistent weaknesses in the economy. In the current recovery, workers are retiring at a faster pace, rethinking primary and secondary jobs (Figure 25, bottom left), and remaining at home to care for dependents. Many of these factors are driven by the impacts of the pandemic, including elevated health concerns. They also reflect psychological factors, as the pandemic caused many to reevaluate their work-life balance. Finally, elevated asset prices for homes and equity markets have provided a boon to many retirement-age individuals. Coupled with pandemic-related health concerns, retirement-age individuals are choosing to stay out of the labor force at higher rates (Figure 25, bottom right). All of these factors are muting labor force participation and the number of hours worked, and have contributed to labor shortages across most industries, with a tumultuous pace of job turnovers and job openings left unfilled (Figure 25, top right).

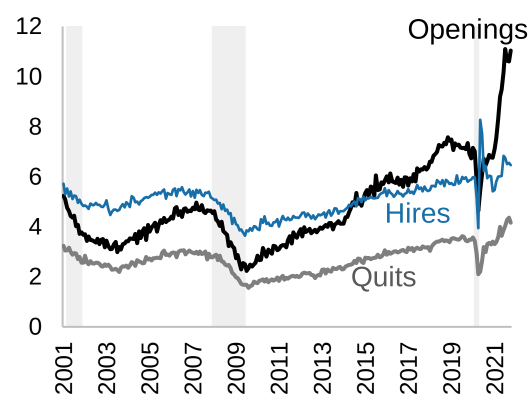
Figure 25
Selected U.S. and Colorado Labor Market Indicators

Nonfarm Employment Change from Pre-Pandemic Levels
Index 100 = February 2020



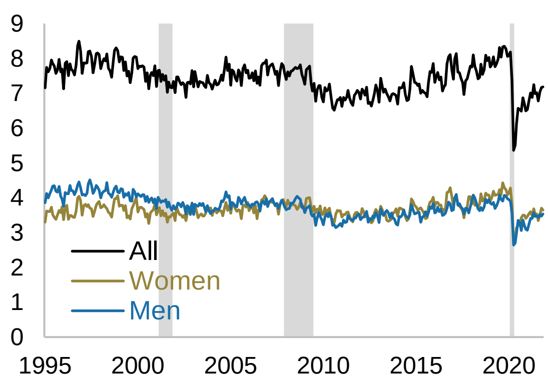
Source: Bureau of Labor Statistics. Data are seasonally adjusted and through October 2021 for Colorado, November 2021 for the U.S.

U.S. Job Turnover
Millions of Jobs



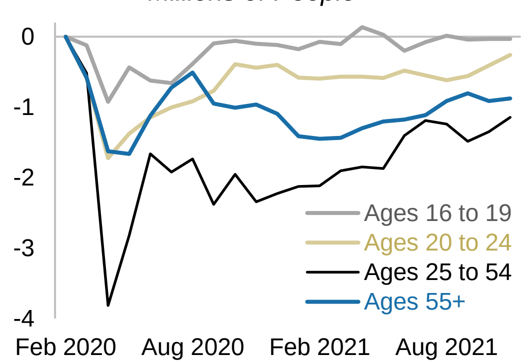
Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS). Data are seasonally adjusted and through October 2021.

Multiple Jobholders in the U.S.
Millions of People



Source: Bureau of Labor Statistics, Current Population Survey. Data are not seasonally adjusted and are through November 2021.

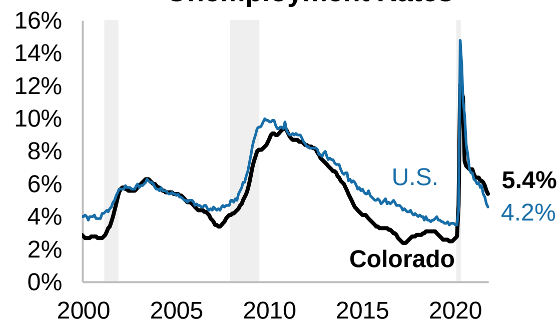
U.S. Labor Force by Age Change from Pre-Pandemic Levels
Millions of People



Source: U.S. Bureau of Labor Statistics with Legislative Council Staff calculations. Data are seasonally adjusted and through November 2021.

The nation has recovered 82.5 percent of the jobs lost during the pandemic. After seeming to build momentum in October with job gains of 546,000, the national employment recovery stumbled in November 2021 with gains of only 210,000 jobs, the smallest gain of any month so far in 2021. The year-to-date average monthly job growth is 555,300 (Figure 25, left). Hiring in sectors requiring in-person contact lagged, with retail trade losing 20,000 jobs and leisure and hospitality gaining only 23,000 compared to 170,000 the previous month. Unemployment in the sector is down by 1.3 million, or 7.9 percent, since February 2020. Professional and business services showed continued strength, as did transportation and warehousing, adding 90,000 and 50,000 jobs, respectively, in November. U.S. employment is down by 3.6 million jobs, or 2.6 percent, from its pre-pandemic level. With 18.5 million jobs recovered since the April 2020 trough of 22.4 million lost between February and April 2020, the national job recovery rate is 82.5 percent. Weaker-than-expected hiring activity in November was countered by strength in other indicators, with the unemployment rate falling by 0.4 percent, to 4.2 percent (Figure 26). The labor force participation rate also improved, edging up by 0.2 percent, to 61.8 percent, still 1.5 percentage points below its pre-pandemic level.

Figure 26
Unemployment Rates



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. U.S. data are through November 2021. Colorado data are through October 2021.

Supplemental data from questions added to the Bureau of Labor Statistics' household survey in May 2020 provide further information about lingering impacts of the pandemic on U.S. workers. In November 2021, 11.3 percent of the employed population teleworked because of the pandemic, down from 35.4 percent in May 2020. Also in November 2021, 3.6 million people reported that they were unable to work because their employer closed or lost business due to the pandemic in the previous four weeks, down from 49.8 million in May 2020. Among those not in the labor force in November, 1.2 million were prevented from looking for work due to the pandemic, down from 9.7 million in May 2020.

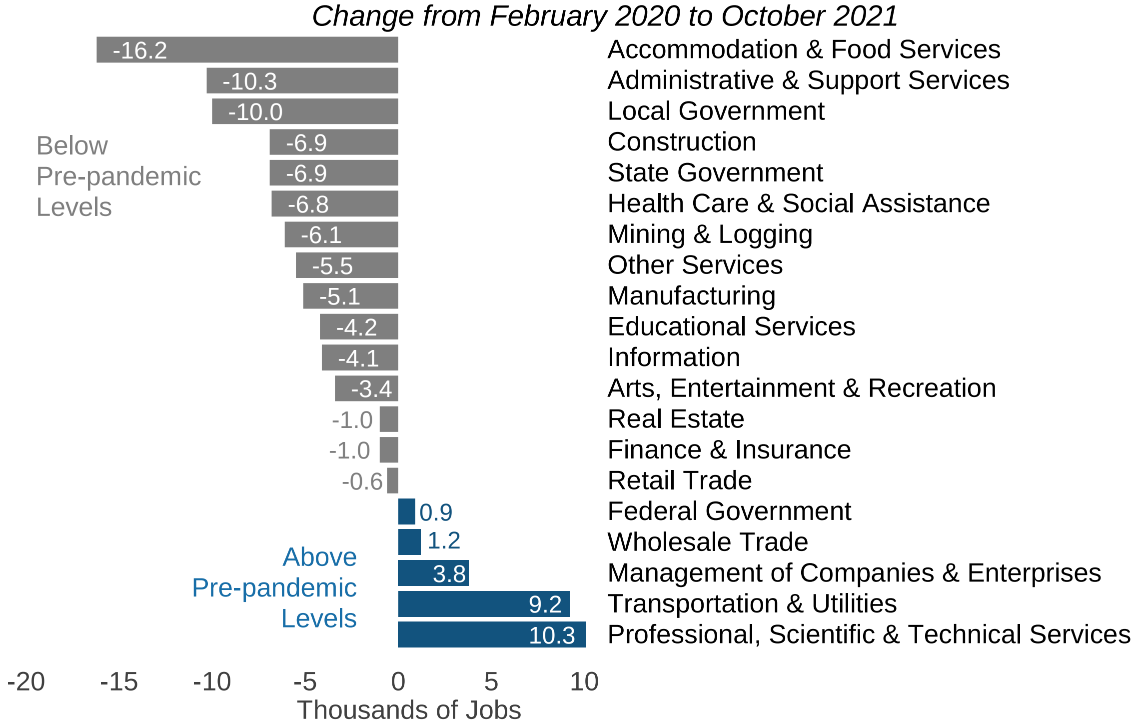
Colorado is in the middle of the pack for job growth and unemployment across states. Colorado's unemployment rate in October was 5.4 percent, down from September's 5.6 percent, reflecting increases in the labor force (up by 3,400) as well as job gains (Figure 26). At 68.2 percent, Colorado's labor force participation rate is the 4th highest among the 50 states and just 0.5 percentage points below the February 2020 rate, which helps relieve labor supply constraints while paradoxically elevating the unemployment rate. Among the states with the lowest unemployment rates, Colorado ranks 34th among the 50 states, equal to Louisiana, Rhode Island, and Texas. The lowest rate belongs to Nebraska (1.9 percent), while the highest rate belongs to both Nevada and California (7.3 percent).

Colorado's labor market recovery has been slow but relatively steady in 2021, with the economy adding 10,600 nonfarm jobs in October, up from more meager gains of 5,000 and 9,700 in August and September, respectively. Employment in Colorado is still down by 62,700 jobs, or 2.2 percent, since the pandemic began, for a job recovery rate of 83.3 percent. October job gains were led by leisure and hospitality, up by 6,800 jobs, including 5,100 jobs in accommodation and food services and 1,700 jobs in arts, entertainment, and recreation. The sector accounts for over 63 percent of jobs gained in Colorado in 2021. Other sectors with notable gains included trade, transportation, and utilities, up 2,100 jobs, and professional and business services, up 1,900 jobs. The biggest jobs loser in October was other services, down 2,000 jobs.

The jobs recovery varies across the state and across industries. Mountain resort counties have seen a notable turnaround in labor market indicators, and, with the exception of Pitkin County, are no longer among the hardest-hit as they were early in the pandemic. Counties in the Pueblo and southern mountain region are still experiencing relatively high rates of unemployment. In October 2021, the state's highest unemployment rates were in Pueblo (6.8 percent), Huerfano (6.1 percent), Las Animas (5.5 percent), Fremont (5.5 percent), and Pitkin (5.4 percent) counties. Counties with the state's lowest unemployment rates are Baca (1.7 percent), Cheyenne (1.8 percent) and Kiowa (1.8 percent) counties in the eastern plains region.

As shown in Figure 27, the accommodation and food services sector remains down the most number of jobs since the pandemic, about 16,200 jobs, in spite of significant gains. Private industry sectors that have more jobs than the before the pandemic include professional, scientific, and technical services (up 10,300 jobs), transportation, warehousing, and utilities (up 9,200 jobs), management of companies and enterprises (up 3,800 jobs), and wholesale trade (up 1,200 jobs). The mining and logging sector has continued to shed jobs, as have information (which includes movie theaters), finance and insurance, and state government. Local government and construction remain relatively slow to recover, with job recovery rates of 17 percent and 37 percent, respectively.

Figure 27
Change from Pre-pandemic Levels in Colorado Employment by Industry
Change from February 2020 to October 2021

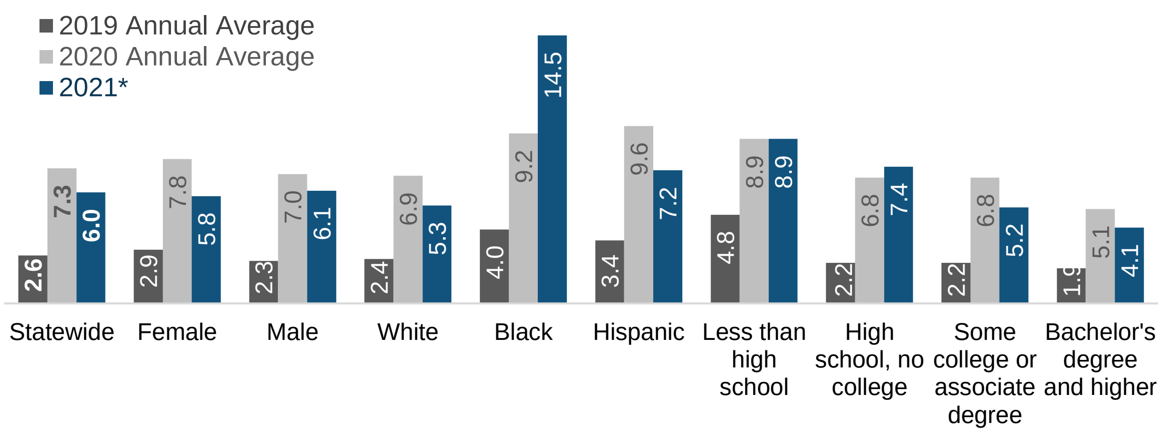


Source: U.S. Bureau of Labor Statistics with Legislative Council Staff calculations. Data are seasonally adjusted.

Expected employment data revisions. Nonfarm employment estimates are subject to change with monthly revisions and annual rebenchmark estimates that will be released in March 2022. Estimates published by the Colorado Department of Labor and Employment suggest downward revisions for mining and logging, trade, transportation, and utilities, and government sectors, and upward revisions for all other sectors.

Demographic disparities exacerbated during the pandemic. As shown in Figure 28, Colorado's recession and recovery, like that of the nation as a whole, has also been uneven across demographic groups. Pre-pandemic disparities across demographic groups have grown over the course of the past two years. The adverse employment impacts suggest that women, people of color, and those without a high school diploma face higher unemployment rates than other demographics. Available national data published by the Bureau of Labor Statistics suggest that the pandemic recession and recovery had the greatest adverse impacts on women of color without a high school degree.

Figure 28
Colorado Unemployment Rates by Demographic Group



Source: U.S. Bureau of Labor Statistics and Colorado Department of Labor and Employment. Unemployment rates by gender, race, and ethnicity for individuals 16 and over. Unemployment rates by educational attainment for individuals 25 and over.
**2021 twelve-month average, November 2020 to October 2021. Twelve-month moving averages are calculated differently than the official estimates of unemployment and should not be compared directly.*

Personal Income

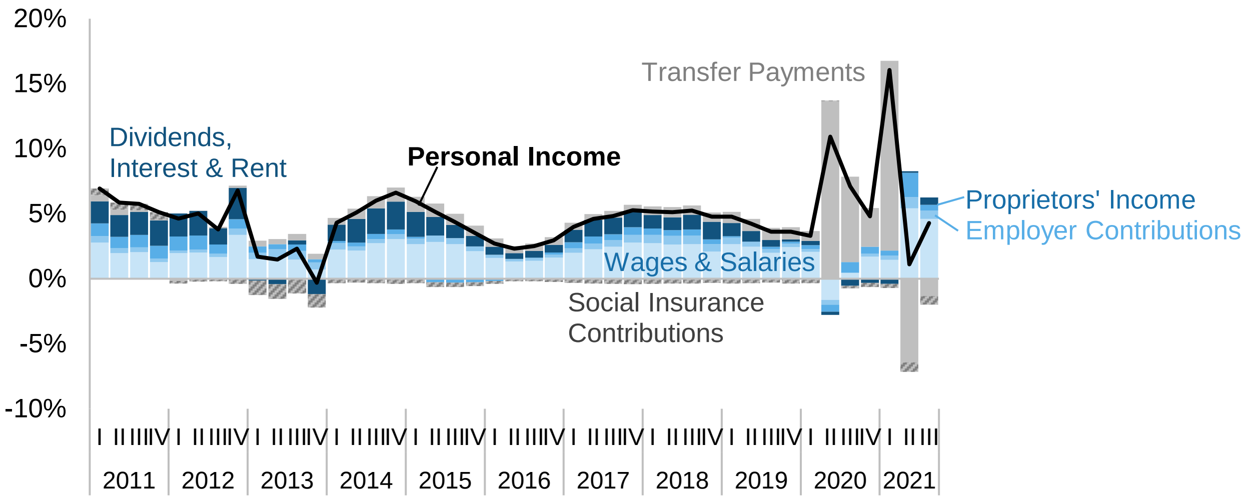
Personal income serves as an aggregate measure of most sources of household and some business income. The federal policy response to the pandemic resulted in a record-breaking boost to personal income in 2020 and at the start of 2021. As the stimulus has expired, the pace of growth in incomes has slowed, but strength in the key wage and salary component provides optimism for stability and growth in household incomes heading into 2022.

- Government transfer payments anchored personal income through the spring and summer, leading to projected 2021 increases of 7.1 percent nationally and 6.6 percent in Colorado. The drop-off in federal support will slow growth considerably in 2022, when total personal income will grow at rates of 0.4 percent nationally and 0.8 percent in Colorado. Household incomes will reaccelerate in 2023, growing 4.3 percent and 5.1 percent nationally and in Colorado, respectively.

- Wage and salary income recovered vigorously from pandemic lows, growing 9.0. percent nationally and 7.8 percent in Colorado in 2021. Wage and salary growth is expected to continue to outpace inflation, adding 6.7 percent in 2022 and 5.6 percent in 2023 at the national level, and 5.7 percent in 2022 and 5.2 percent in 2023 at the state level.

Wage and salary incomes are rising as the economy heads into 2022. U.S. personal incomes increased at a rate of 6.9 percent through the third quarter of 2021 compared with the first three quarters of 2020 (Figure 29). Incomes were bolstered by transfer payments, which increased 8.9 percent over the same time period and enabled otherwise cash-strapped households to contribute to economic activity at a time when unemployment rates remained high and many businesses were struggling. During the summer and fall of 2021, a resurgence in wage and salary contributions more than made up for waning transfer payments. Wages and salaries grew at impressive quarter-over-quarter rates of 2.0 percent in the second quarter and 2.4 percent in the third quarter, reflecting strong hiring and competition among employers for workers. While the pace of wage income growth is expected to slow, wage-led personal income growth is an encouraging sign as the economy heads into 2022, when households are scheduled to receive less backing in the form of federal stimulus.

Figure 29
U.S. Personal Income and Its Contributions
Contributions to Percent Change, Year-over-Year

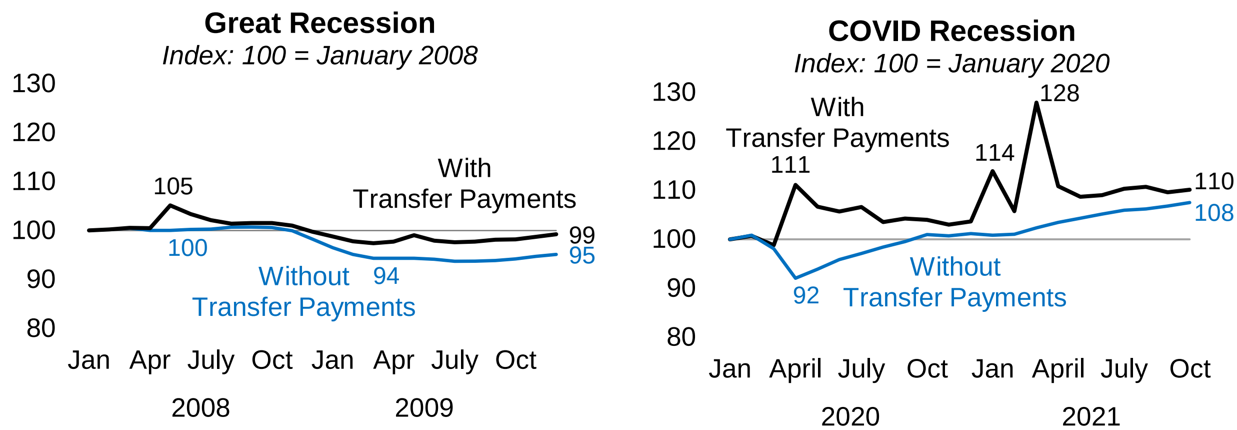


Source: U.S. Bureau of Economic Analysis. Data shown at seasonally adjusted annualized rates.

Incomes continue to recover even as federal support has diminished. Over the first year following the pandemic-induced recession, household incomes were kept afloat on the strength of extraordinary federal stimulus. Transfer payments, which include government support for household incomes, surged with three rounds of direct payments to households and expanded and extended unemployment insurance benefits. Figure 30 shows that households would have experienced significant declines in income during 2020 if not for supportive federal interventions, and the extent to which those interventions dwarfed the ones implemented in the first two years following the Great Recession.

Nearly all federal mechanisms to boost personal income expired on or before September 6, 2021, save for outstanding elements of ARPA that will affect 2021 federal income tax returns. Personal incomes have continued their recovery despite the expiration of federal support. As shown in the right panel of Figure 30, most of the growth in personal income is now attributable to sources other than transfer payments. Further, while incomes on the whole have increased only slightly since the spring, sources other than transfer payments – especially employee compensation and proprietors' income – have increased steadily over the same period.

Figure 30
Personal Income, With and Without Transfer Payments, Following Recessions



Source: U.S. Bureau of Economic Analysis. Data are indexed and shown at seasonally adjusted annual rates.

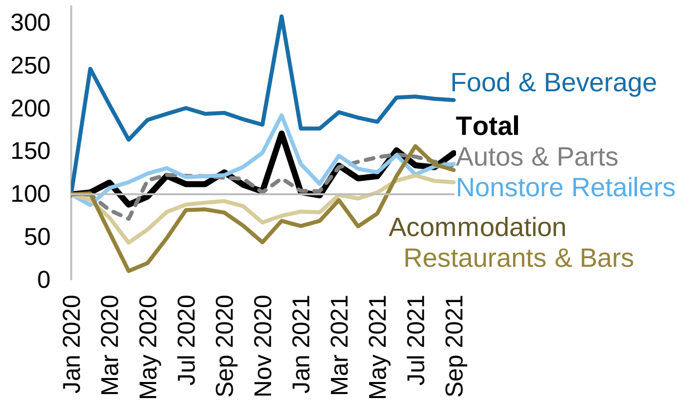
Consumer Activity

The main driver of the U.S. economy, consumer spending, saw a steep decline with the onset of the pandemic. In the subsequent recovery, goods consumption rebounded quickly while consumers were hesitant or unable to resume many in-person services. As a result, service sector spending has lagged pre-recession peaks through the third quarter of 2021. Encouragingly, consumer spending on services in the third quarter approached pre-pandemic levels as the health care and food services and accommodations sectors continued to improve. While the impact on spending resulting from supply shortages and delayed production for many durable goods eased somewhat in October, sales in November fell once again for key categories such as motor vehicles, electronics, and for department stores. Additionally, inflationary concerns have weighed heavily on consumer sentiment and supply disruptions are expected to persist well into 2022. While lower consumer sentiment has yet to impact consumer activity, it poses a downside risk to the forecast.

Robust Colorado retail sales in 2021, leisure and hospitality continues to strengthen. Colorado retail sales were up 17.7 percent year-over-year in September and up 17.2 percent year-to-date (Figure 31). In September, not-seasonally-adjusted retail sales in Colorado were nearly 50 percent above pre-pandemic levels recorded in January 2020. More current data from Opportunity Insights indicate consumer spending activity on retail goods has grown strongly heading into the holiday season. Like the nation, spending in Colorado dipped in the third quarter as supply disruptions, waning stimulus, and the Delta variant dampened purchases. However, since September, seasonally adjusted weekly spending activity has bounced between 15 percent and 31.5 percent above pre-pandemic baseline levels.

Retail trade encompasses industries that primarily sell retail goods as a service. Typically, retail trade comprises about half of the state's retail sales activity. Through September, growth in the state's retail trade industries was led by sales of motor vehicles and parts. Compared with the nine months of 2020, sales in the industry were up by nearly $3.9 billion year-to-date and accounted for about 30 percent of retail trade growth. Strong sales were also recorded in clothing, furniture, sporting goods, and gasoline stations, industries that were among the most adversely impacted during the recession. Through September, each retail trade industry recorded double-digit growth year-to-date, except for food and beverage stores. Sales at food and beverage stores increased just 5.1 percent.

Figure 31
Colorado Retail Sales
Index January 2020 = 100

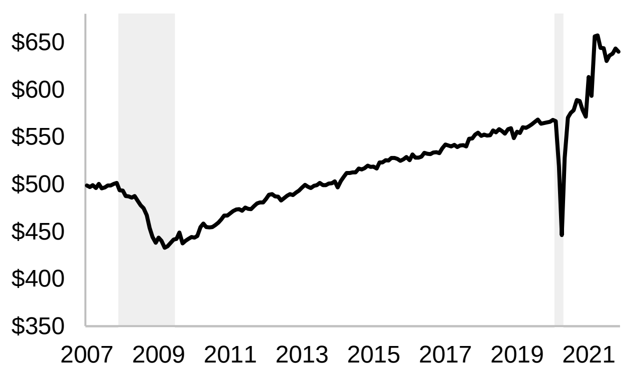


Source: Colorado Department of Revenue. Data are not seasonally adjusted and are through September 2021.

Through September, sales improved significantly for restaurants and hotels as retail sales for both industries jumped well above pre-pandemic levels over the summer. In September, sales for restaurants and bars were about 14 percent above the January 2020 baseline, and sales for hotels were about 28 percent higher. Weekly data tracked by Opportunity Insights indicate spending at Colorado's restaurants and hotels returned to pre-pandemic levels by the first week in June. Sales through the summer were boosted by the state's rebounding travel and tourism activity.

Supply shortage dampens U.S. retail sales in the third quarter. Advance estimates indicate that inflation-adjusted (real) U.S. retail trade and food service sales fell once again in November after rising three-consecutive months following a contraction from April to July. In November, sales were up 10.3 percent year-over-year and 14.5 percent year-to-date (Figure 32). However, sales contracted by 2.1 percent from the second to the third quarter, due largely to a drop in auto sales. Indeed, manufacturers delayed production in response to parts shortages. Consequently, new vehicle sales fell from May to September (Figure 33).

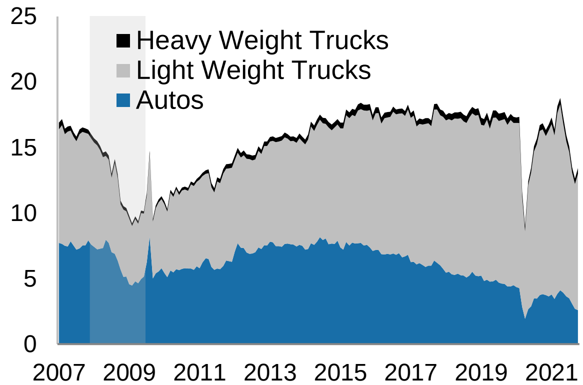
Figure 32
Real U.S. Retail and Food Service Sales
Billions of 2021 Dollars



Source: U.S. Census Bureau. Adjusted for inflation using the CPI-U index for all U.S. urban areas. Seasonally adjusted data through November 2021.

While sales rose in October, they remained down more than 20 percent year-over-year. Supply chain disruptions also impacted spending activity for several other sectors including furniture, electronics, and building materials. Despite container ship backlogs shortening and temporarily easing shortages, the supply chain situation remains tenuous. Strong demand is expected to support spending activity through the fourth quarter and into 2022. However, supply chain disruptions are expected well into 2022, a factor that could once again impact consumer activity and present a risk to the outlook.

Figure 33
U.S. New Vehicle Sales
Thousands of Units



Source: U.S. Bureau of Economic Analysis, Supplemental Estimates. Seasonally-adjusted annual rates through October 2021

Real U.S. consumer spending on services approached pre-pandemic levels in the third quarter. Recent estimates of economic activity in the third quarter indicate that real consumer spending on services rose to 98.4 percent of spending in the fourth quarter of 2019. Services spending is on pace to exceed pre-pandemic levels in the fourth quarter. Spending was supported by the ongoing recovery in consumer spending on health care and leisure and hospitality. While the surge in the Delta variant of COVID-19 and less government assistance impacted the pace of recovery in the third quarter, high frequency data indicate growth will likely accelerated in the fourth quarter.

Data tracked by Opportunity Insights recorded that daily spending on food services and accommodations rose above pre-pandemic baseline levels in the fall after dipping below baseline levels by the end of August. By mid-November, spending on food services and accommodations rose as high as 18.6 percent above baseline, an encouraging sign for the sector. Spending on health care has also improved and daily data indicate consistent spending over baseline by the end of September. The recovery of services has significantly lagged spending on goods. Many services were severely impacted by the pandemic. The health care and leisure and hospitality sectors employ a significant number of the nation's workers, account for a large share of business income, and contribute to state and local tax revenues. Strength in spending in these sectors bode well for the nation's ongoing economic recovery over the forecast period.

Household expectations strong but inflationary concerns weigh on sentiment. According to the New York Fed's Survey of Consumer Expectations, year-ahead household spending expectations continued to trend upward in October, along with expectations of higher incomes. However, the improved median outlook contrasted with worsening expectations for a share of the nation's households. Between April 2021 and October 2021, the share of households expecting a worse situation rose from 16.9 percent to 25.7 percent. One explanation could be rising uncertainty regarding inflation expectations. The survey found households expected higher prices for everything from gas and food to rent and education. Year-ahead inflation expectations also continued to climb while many expressed uncertainty regarding future inflationary outcomes.

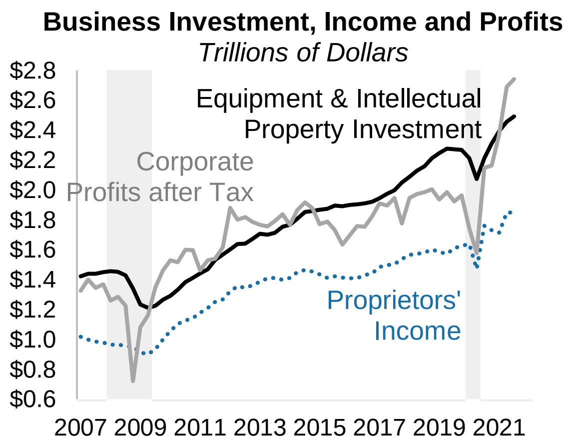
Concern over inflation also impacted consumer sentiment. Despite improved spending activity heading into the holidays, consumer sentiment eroded in the fourth quarter according to the University of Michigan's Consumer Sentiment Index. Consumer sentiment fell significantly during the fall, and in November dropped to levels not posted since 2011. While preliminary data indicate an uptick in sentiment in December, inflation weighs heavily on consumers' views of both current conditions and their expectations. In November, many consumers noted that inflation was eroding their standard of living. Despite negative feelings about inflation, consumers also reported utilizing savings to fund increased holiday spending. Survey results along with other data indicate that inflationary concerns have not impacted consumer activity yet. However, persistent concerns represent a downside risk heading into 2022.

Overall consumer activity in Colorado is expected to improve over the next year despite current headwinds that could impact near-term spending. Recent reports point to a strong holiday season and a strengthening recovery will boost spending heading into 2022. However, consumers will need to adjust to waning federal stimulus. Additionally, pandemic conditions continue to pose a downside risk and source of uncertainty to the outlook. Lastly, persistently low consumer sentiment is also a downside risk that could begin to dampen household expectations and spending behavior in the year ahead.

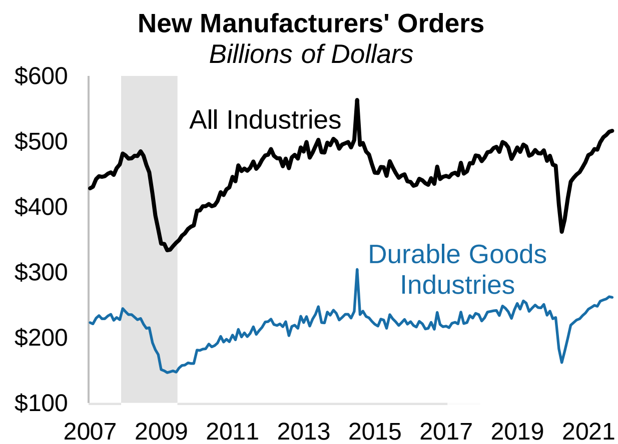
Business Activity

Business incomes surged in 2021, rising well above pre-pandemic levels (Figure 34, left). Recovery from pandemic-induced shutdowns, robust consumer activity in goods-producing industries, and support from the federal fiscal stimulus, including the Paycheck Protection Program, supported strong growth across many industries. Yet, business recovery has been uneven across businesses. Many tourism, travel, and in-person leisure and hospitality industries remain hard hit and slow to recover as the pandemic continues to mute consumer demand in these areas. Looking ahead, business activity is expected to see steady but slow growth among service sectors as vaccine adoption becomes more widespread. Strong growth in goods-producing industries is expected to slow as supply chain issues and labor shortages challenge businesses and put upward pressure on the cost of doing business. The Omicron variant poses a downside risk to both goods and service industries.

Figure 34
Selected U.S. Indicators of Business Activity



Source: U.S. Bureau of Economic Analysis. Data through the third quarter of 2021.



Source: U.S. Census Bureau. Data through September 2021.

Supply chain distributions and labor shortages will slow business growth in 2022. Supply chains will continue to threaten growth for many industries in 2022 as pandemic-related shutdowns stall deliveries and slow manufacturing activity across the globe. Business surveys suggest that all industries are seeing adverse impacts. The timing of when these disruptions will ease remains uncertain, as the pandemic continues to upset manufacturing and transportation of goods.

Domestic manufacturing activity remains strong on elevated demand for goods. New orders for manufactured goods accelerated in 2021 (Figure 34, right), well above pre-pandemic levels. Yet, many manufacturers and businesses have not been able to keep up with demand as inventories have been shrinking quickly, and labor shortages and supply chain disruptions have stalled production activity.

Service sectors continue to suffer the ebbs and flows of the pandemic. Overall, consumers are growing more comfortable in the pandemic environment but the pandemic continues to suppress demand for services. Data from the 2021 third quarter published by Yelp suggest that, overall, 85 percent of the businesses that temporarily closed during the pandemic have reopened. Among nightlife businesses and restaurants, 83 percent of closed businesses have reopened. The rate is even higher for beauty services (90 percent), hotels and travel (86 percent), and active business, such as gyms, (84 percent). Even as vaccination rates rise, in-person services, including arts and entertainment, and restaurants and bars, remain highly susceptible to COVID-19 case counts. The impacts of the pandemic are starting to exhibit a strong cyclical pattern, with warm weather aiding in providing outdoor options and lower case counts that assuage health concerns.

Business dissolutions and new business filings in Colorado. The pandemic has taken a toll on many businesses in Colorado, with data from the Secretary of State's Office indicating that about 39,094 businesses dissolved over the past year, a year-over-year increase of about 9.8 percent. However, some entrepreneurs are finding opportunities within the changing landscape, with the number of new business filings surging by 21.5 percent over the past year.

Monetary Policy and Inflation

Inflationary pressures continue to mount. The U.S. city average consumer price index (CPI-U) is the most commonly cited inflation indicator for the goods and services consumed by U.S. households. For this indicator, Figure 35 shows inflation (year-over-year change) in the headline index (all components) and core (headline minus the most volatile components of food and energy) index. Since the Great Recession, inflationary pressures have been remarkably tame due to structural changes in the economy, including an aging population and shifts toward automation, which have put downward pressure on prices of goods and services. Yet, in recent months, price pressures have spiked. In November, headline inflation rose to 6.9 percent over year-ago levels.

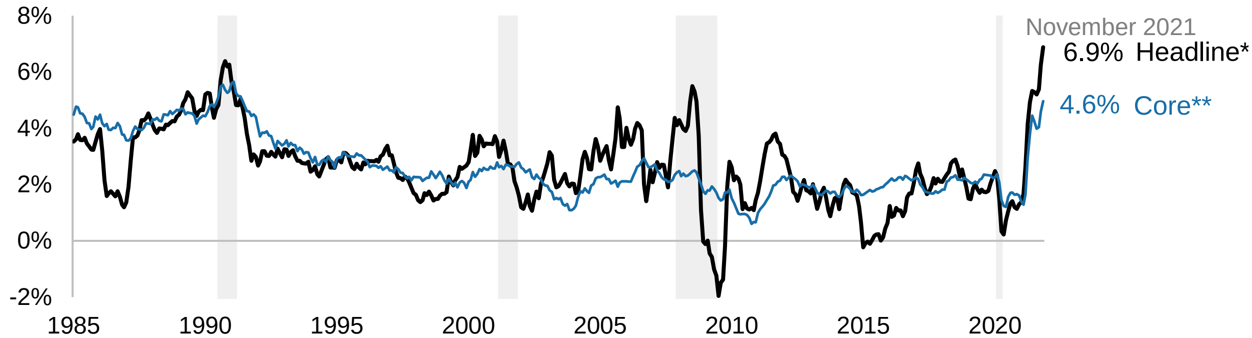
What's driving inflationary pressures? In recent months, inflationary pressures have been driven by three main factors:

- **Higher global demand for goods.** As the economy has recovered from pandemic lows, consumer activity has rebounded—particularly driven by spending on goods as spending on many services remains depressed on health concerns. Unprecedented federal fiscal stimulus and low interest rates have supported consumer activity and borrowing.

- **Supply chain disruptions.** Global supply chains have been challenged by the pandemic-related shutdowns and slowdowns at manufacturing plants and with port closures across the globe. To date, the largest inflationary impacts have been concentrated in the transportation component on vehicle production disruptions and semiconductor chip shortages.

- **Higher energy prices.** Energy prices are the most volatile inflationary component. In 2021, gasoline and other fuel prices rose from historical lows in 2020, driven up by growing global demand for crude oil with supply unable to keep pace. Unusual weather patterns have also spiked natural gas prices (for more information, see the energy section on page 95).

Figure 35
U.S. City Average Consumer Price Index (CPI-U) Inflation
Percent Change in Prices, Year-over-Year



**Headline inflation includes all products and services. **Core inflation excludes food and energy prices.*

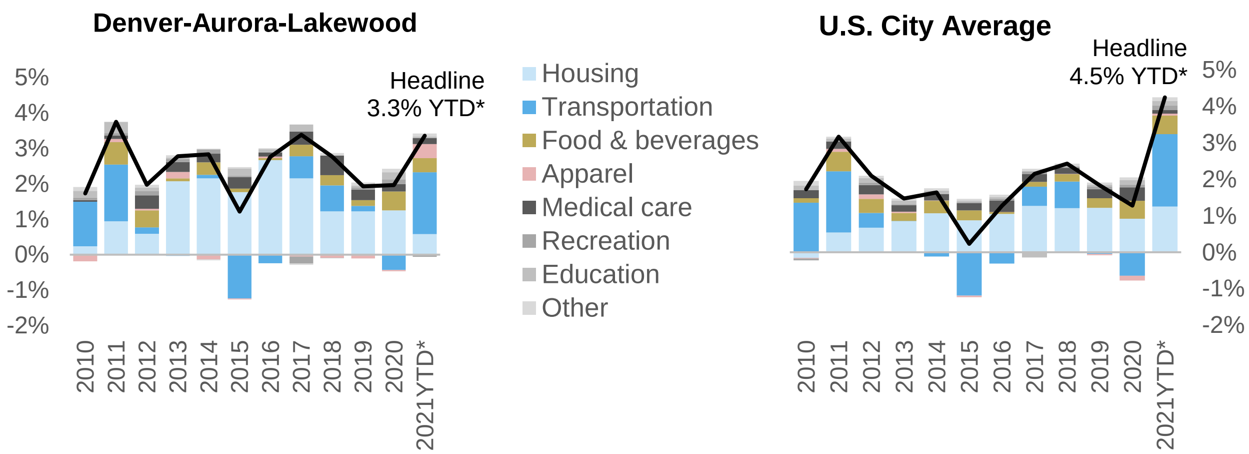
How long will inflationary pressures last? Some price pressures are expected to be transitory. This forecast expects supply chain disruptions to last into at least the first half of 2022, maintaining elevated price pressures in the transportation component on high gasoline and vehicle prices in particular. These pressures are expected to be transitory and eventually give way to price decreases. Supply chain diversification and increased vaccinations worldwide are expected to soften the impact of the pandemic or other disruptions over the longer term, along with increased production and manufacturing activity to satisfy demand for goods. Additionally, many consumers are expected to delay or shift their consumption activity in response to high commodity prices, such as vehicles and trucks. Finally, an anticipated rise in interest rates in 2022 is expected to dampen inflationary pressures through a reduction in demand caused by a higher cost of borrowing.

- Headline inflation for U.S. urban consumers is expected to rise by 4.7 percent in 2021 and 4.1 percent in 2022. Headline inflation in the Denver-Aurora-Lakewood combined statistical area is forecast at 3.7 percent in 2021 and 3.4 percent in 2022.

Risks to the inflation forecast remain to the upside. Importantly, risks to the inflation forecast are skewed to the upside, as the ongoing pandemic and emergence of the Omicron variant risk additional disruptions to production, manufacturing and shipping industries. Additional federal fiscal stimulus from infrastructure spending could prop up demand further, pushing construction costs higher than expected. Finally, businesses may raise prices more than expected for goods and services as a result of wage pressures from labor shortages in many industries.

Colorado inflationary pressures are lower than the national average in 2021. Figure 36 compares annual average inflationary pressures for the Denver-Aurora-Lakewood CPI-U index to that of the U.S. city average over the past decade. Denver-Aurora-Lakewood prices are elevated relative to year-ago levels. Headline inflation reached 6.5 percent in November and averaged 3.3 percent year-to-date through November based on bi-monthly data. In 2021, price pressures in the region have been more subdued than for the U.S. city average. In particular, after a decade of strong growth, inflation in Denver-Aurora-Lakewood's housing component was relatively muted in 2021. Additionally, while the Denver-Aurora-Lakewood transportation component has seen double-digit growth in inflation year-to-date, growth in transportation prices was even stronger for the U.S. city average. Housing and transportation represent the two largest components of the "basket of goods and services" used to calculate these consumer price indexes, respectively representing 44.4 percent and 14.2 percent of all components for Colorado (42.4 percent and 15.2 percent for the U.S. city average index).

Figure 36
Contribution to Inflation by Major Component



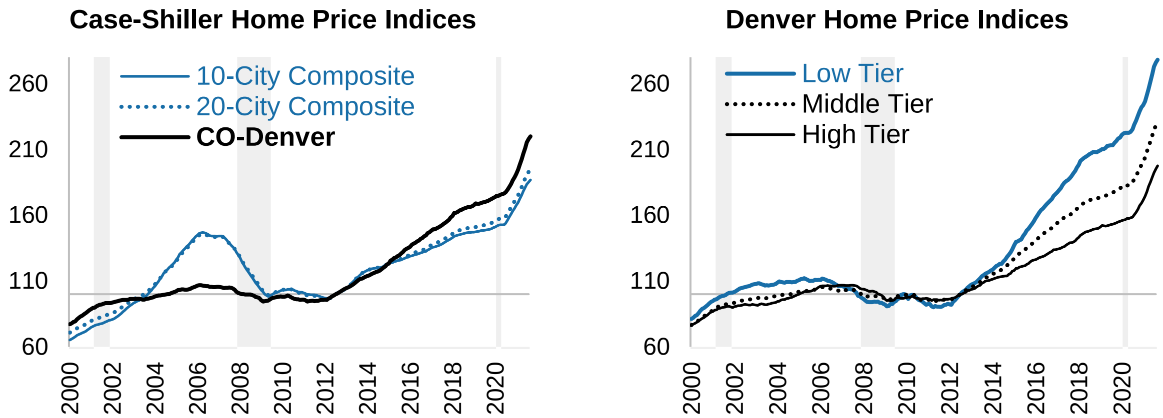
Source: U.S. Bureau of Labor Statistics with Legislative Council Staff calculations.
**Year-to-date through November. Denver-Aurora-Lakewood data are bi-monthly, while the U.S. city average data are monthly.*

Monetary policy tightening expected in 2022. As inflationary pressures have mounted and the transitory impacts of supply-chain disruptions have proven persistent, the members of the Federal Open Market Committee of the Federal Reserve System have signaled that monetary policy tapering and tightening will soon begin. By flexing these monetary policy tools, short- and longer-term interest rates are expected to rise in 2022, thereby raising the cost of borrowing, and tempering demand which, in turn, will help ease inflationary pressures. While these tools will help prevent some price pressures, supply chain disruptions will continue to challenge many industries with high prices.

Real Estate and Construction Activity

Home prices surged nationwide in 2021, leaving buyers with few affordable options. Housing prices around the country increased at a frenzied pace in 2021, a product of high household savings, low interest rates, demographic contributors, pandemic distortions, and demand that has substantially outstripped supply. Many homebuyers accumulated considerable savings during 2020, when opportunities for discretionary spending were choked by public health restrictions. Those savers are competing against each other – and against other, less-well-resourced homeseekers – for a national housing stock that has been further limited by rising construction costs and supply chain disruptions. The impacts of those supply and demand mismatches on the housing market have been severe. The Case-Shiller 20-city composite home price index increased by 20.0 percent over the 12 months ending in July 2021, considerably outpacing even the fastest periods of home price appreciation during the 2000s (Figure 37, left).

Figure 37
Selected Home Price Indicators
Index 100 = July 2012



Source: S&P Dow Jones Indices LLC. Data are seasonally adjusted.

Colorado's home prices are likewise soaring, slightly outpacing national rates of appreciation. In Denver, increases have been fairly consistent across homes priced at different levels (Figure 37, right). While real estate values have surged statewide, the Federal Housing Finance Agency reports the fastest rates of appreciation in Pueblo (up 18.2 percent), Colorado Springs (up 16.7 percent), and Grand Junction (up 15.4 percent), compared with slower rates of growth in Fort Collins (up 10.1 percent) and Greeley (up 11.6 percent), over the year ending in the second quarter of 2021.

Home prices are expected to moderate during the forecast period, as supply chain issues are resolved, homebuilding increases, the savings glut is spent down, and interest rates rise. However, persistently high prices are expected to keep many would-be buyers, especially first-time buyers, from finding affordable options in a wide array of markets across the United States.

In Colorado, single-family homebuilding slowed slightly after booming in 2020. Builders pulled permits to construct 26,900 single-family homes between January and September of 2021, an increase of 12.9 percent compared with the same period in 2020. Multifamily homebuilding continued its ascent, with builders pulling permits to construct nearly 17,200 multifamily units between January and September of 2021, an increase of 86.2 percent from the same period in 2020. Despite supply side headwinds, 2021 is on pace to post the highest number of permit issuances for multifamily units in Colorado since at least 2000.

- Builders have responded to strong price growth and low inventory. The number of residential permits in Colorado is expected to end 2021 with a 22.5 percent increase over the prior year level. The pace of construction will moderate in 2022, contracting by 3.7 percent before stabilizing to grow 3.4 percent in 2023. Constructions levels are expected to rival but remain slightly below the late-1990s, early-2000's construction boom, remaining slightly below 50,000 units in each year of the forecast period.

Nonresidential construction activity faces an uphill climb. Nonresidential construction activity peaked at the start of the pandemic and quickly receded, contracting by 6.5 percent between April 2020 and September 2021. Declines in activity were broad-based, with education, office, lodging, and recreational projects all sustaining large hits that have not yet reversed. Both public and private investors have pulled back, though public investment appears poised to accelerate following adoption of the federal Infrastructure Investment and Jobs Act (IIJA). On the private side, commercial construction has been a relative bright spot, increasing steadily after bottoming out in December 2020.

Investors in nonresidential real estate anticipate a bumpy road ahead. Demand for hotels and other lodging is not expected to return to 2019 levels until beyond the current forecast period. Likewise, the shift toward remote work has dampened the outlook for office space. Low demand is expected to suppress construction activity in these areas, suppressing headline figures despite growth opportunities in other areas, including warehouses and industrial space. However, this forecast upgrades expectations for nonresidential construction relative to those published in September 2021 on an improved public sector investment outlook following passage of the IIJA.

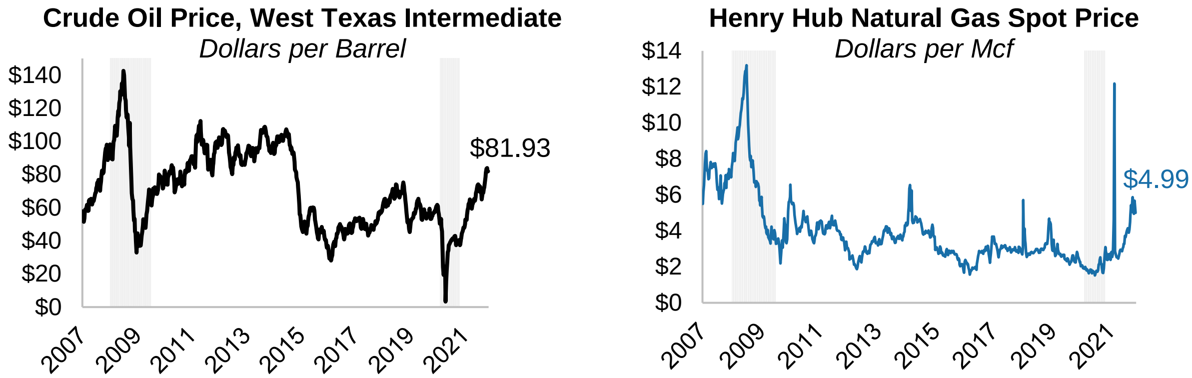
- The value of nonresidential construction starts in Colorado is expected to contract 3.6 percent in 2021, before resuming growth of 5.1 percent in 2022 and 3.1 percent in 2023. High construction costs resulting from labor shortages and supply chain disruptions are expected to prop up the value of activity, while the number of projects is expected to weaken on pandemic-related impacts to commercial real estate.

Energy Markets

Rising economic activity boosts energy prices. The ongoing economic recovery has continued to boost demand in energy markets, with the price of West Texas Intermediate crude oil rising from about $38 per barrel in November 2020 to over $80 per barrel in November 2021 (Figure 38, left). Prices have largely been on the rise since the end of the recession in April 2020, as efforts to increase oil production have not been able to keep up with the rising demand. OPEC and its oil-producing allies (OPEC+), plan to increase oil production by about 400,000 barrels per day each month going forward, despite pressure from the United States to further increase production. The United States, and five other nations, recently announced plans to release oil from their national stockpiles to attempt to decrease oil and gas prices in the near-term.

Natural gas prices spiked in early 2021 as a result of an intense cold snap that simultaneously drove up demand for heating and interrupted supply lines in the United States. Following this spike, Henry Hub natural gas prices began rising again in April 2021, increasing from around $2.62 per million BTU in March to about $5.51 in October. Prices have declined modestly since their peak in October, registering $4.99 in mid-November (Figure 38, right).

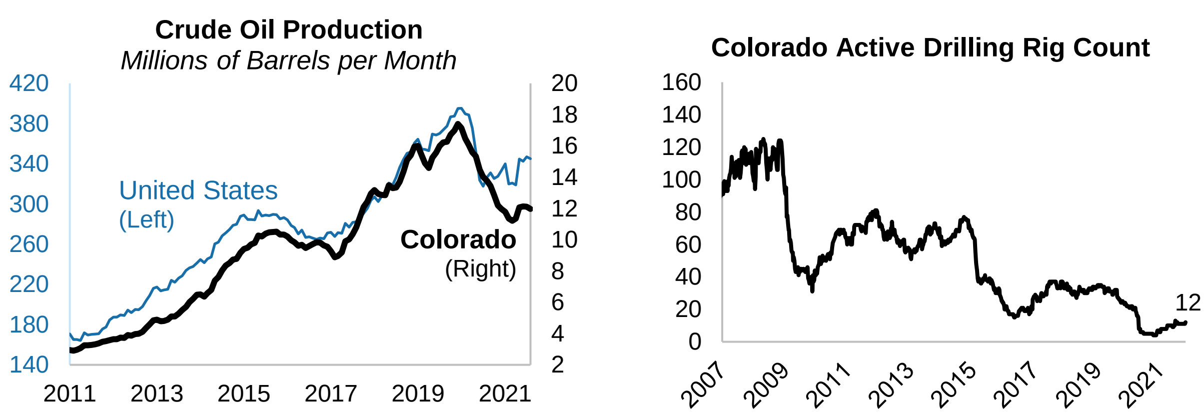
Figure 38
U.S. Energy Prices



Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted. Oil price data are through the week of November 19, 2021; natural gas price data are through the week of November 12, 2021.

Oil and gas production remain below pre-pandemic levels. Oil and gas production in both the U.S. and Colorado began to decline at the outset of the COVID-19-related recession in early 2020 (Figure 39, left). Nationally, oil and gas production leveled off in mid-2020, while production in Colorado continued to decline through early 2021. According to the Energy Information Administration, natural gas production is expected to surpass pre-recession levels in 2021, while oil production is not expected to recover until at least 2023. The oil and gas drilling rig count in Colorado remains about 40 percent of the count in January 2020, although six additional rigs have come online in 2021 (Figure 39, right).

Figure 39
Select Energy Market Indicators



Source: U.S. Energy Information Administration. Data are shown as a three-month moving average and are not seasonally adjusted. Data are through August 2021.

Source: Baker Hughes. Data are not seasonally adjusted. Data are through October 2021.

Global Economy and International Trade

The global economy continues to improve despite setbacks during the third quarter. Despite a better-than-expected performance in 2020, the pandemic increased economic disparities between many advanced and developing countries and resulted in marked setbacks for poverty reduction, education, and economic development.

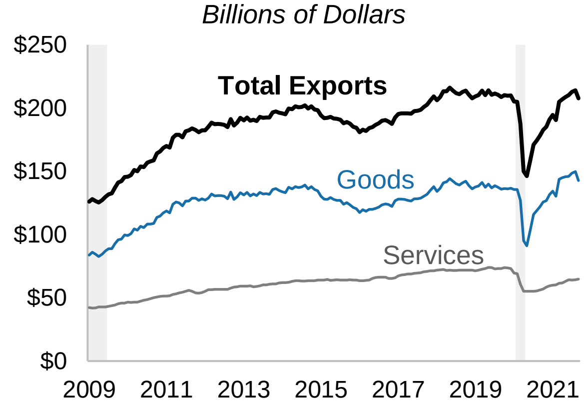
Pandemic-related patterns of economic performance in the U.S. have been realized in many other countries. For instance, labor force participation has significantly decreased in both advanced and developing economies. Further, consumers globally shifted spending away from many services while maintaining demand for goods. Like many areas within the U.S., tourism-based economies were severely affected by the pandemic, and countries that rely on commodity exports faced challenges from supply-chain disruptions. Emerging from the pandemic, countries will likely deal with a similar array of challenges, such as volatile commodity and asset prices, structural shifts in labor markets, and changing consumer behavior. Further, global supply chains have suffered from ongoing disruptions that have impacted consumer and business activity.

In October, the International Monetary Fund (IMF) downgraded their outlook for global economic growth in 2021 by 0.1 percentage points to 5.9 percent, expecting slower growth due to global supply chain disruptions, inflationary pressures, austerity, and pandemic conditions. The outlook reflects weaker growth in both advanced economies and emerging markets. Although the IMF left its 2022 forecast unchanged at 4.9 percent, it expects stronger growth for advanced economies and weaker growth for emerging markets. The IMF continues to view risks to the forecast as weighted to the downside. Downside risks included: additional COVID variants; sustained inflationary pressures; tighter monetary policies; financial market volatility; and cyberattacks and geopolitical tensions. Upside risks included faster-than-anticipated vaccine production and distribution, and higher-than-expected productivity growth spurred by responses to the pandemic.

Global trade volumes rebound in 2021, will increase further in 2022. In October, the IMF once again reduced its estimate of the magnitude of the world-trade-volume contraction for 2020, to 8.2 percent from 9.6 percent in January. The IMF anticipates 2021 trade volume will exceed the pre-recession peak with a 9.7 percent increase from 2020 levels. Global trade volumes are expected to improve further in 2022, growing by another 6.7 percent. However, the IMF downgraded its 2022 outlook by 0.3 percent. While the expanding economic recovery will support robust trade growth in general, the outlook for tourism dependent economies and cross-border services remains uncertain in the face of the ongoing pandemic.

U.S. trade volumes improved over the latter half of 2020 and through September 2021 (Figure 40). According to data from WiserTrade, exports and imports were up by nearly 23 percent year-to-date over year-ago levels. Through September, the nation's largest trade partners recorded double-digit trade volume growth, including Mexico, Canada, China, Japan, and Germany. Notably, trade volumes for several trade partners, including Japan, Germany, and the United Kingdom, surged after tepid growth in the first quarter. North American trade partners accounted for 33 percent of improved U.S. trade volume year-to-date, China accounted for about 13 percent, and the European Union accounted for about 14 percent. The nation's imports and exports were boosted by rebounding

Figure 40
U.S. Monthly Exports
Billions of Dollars



Source: U.S. Bureau of Economic Analysis (balance of payments basis). Data are through September 2021 and are seasonally adjusted but not adjusted for inflation.

shipments of commodities, including crude oil and petroleum, natural gas, motor vehicles, and vaccines.

Colorado trade volumes improve, imports and exports on track for continued growth in 2021. After weak first quarter export activity compared with 2020 levels, Colorado's exports rebounded in the second quarter and continued to grow through the third, supported by a resurgence in the state's North American trade partners, China, East Asia, and Switzerland. Although the IMF predicts Canada's and Mexico's GDP will grow at a slower pace in 2021 than initially expected, the recovery is firmly on pace in both countries. The IMF revised down its 2021 GDP growth forecast for Canada by 0.6 percentage points to 5.7 percent and by 0.1 percentage points for Mexico to 6.2 percent. In addition to downward revisions to first and second quarter GDP, according to Statistics Canada, Canada's central bank began to reduce its asset purchases beginning in April and also faced the impact of extreme heat and wildfires over the summer.

In 2022, Canada's GDP is expected to grow by 4.9 percent and Mexico's by 4.0 percent. The IMF revised up its outlook for Canada by 0.4 percent, and revised down its outlook for Mexico by 0.2 percent. Despite the downward adjustment for Mexico, the country is still on a solid path to recovery. Continued improvement for Colorado's large trade partners is expected to support further growth in exports into 2022 and boost business activity from agriculture to aerospace.

Colorado's strengthening recovery has boosted the state's imports through the first seven months of 2021. In September, imports were up by 33.7 percent year-to-date, with Canadian imports accounting for about 46 percent of import activity. Through September, the state's imports from Canada were up by more than 64 percent, led by imports of crude oil, Colorado's largest import commodity, up more than 76 percent. Imports of building materials and transportation equipment also comprise a large portion of the state's Canadian imports.

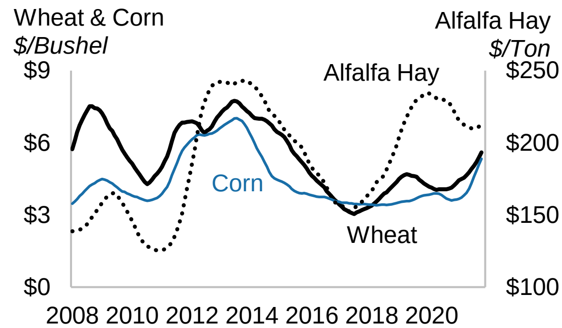
Agriculture

Conditions in Colorado's agricultural economy continue to improve for many producers, although rising input costs weigh on profits, and re-developing drought continues to plague farmers and ranchers throughout the state. Farm income and agricultural credit conditions have strengthened over the past year in the Federal Reserve's Tenth District, which includes Colorado[3], bolstered by continued strength in agriculture commodity markets, record-low farm loan interest rates, and support from government programs. A strong farm economy has supported farm real estate values, which continue to surge, up 10 percent from a year ago on average in the mountain states. Crop and livestock producers across the District reported increasing production expenses due to supply chain disruptions, which could begin to squeeze profit margins, particularly for those already hindered by drought.

[3] The Tenth District includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. Data for Colorado are generally combined along with that of Wyoming and northern New Mexico into the category "mountain states" due to limited survey responses.

Grain prices reach multi-year highs. Grain prices have risen to multi-year highs in 2021. In Colorado, corn reached $6.66 per bushel in August, an eight-year high with 12-month average prices up 62.9 percent year-to-date compared with the same period last year. Wheat prices saw a seven-year high of $6.60 per bushel in September and are up 36.3 percent year-to-date (Figure 41). Demand continues to be a key driver in livestock markets, with rising incomes and demand from re-opening restaurant and hospitality industries bolstering prices. For crops, the price support has shifted to the supply side, with drought conditions playing a key role. Higher prices are expected to provide significant support to farm incomes in 2021, which grew by 20 percent in 2020 and are expected to grow a further 23 percent in 2021, according to the United States Department of Agriculture (USAD) Economic Research Service, bringing net farm income to its highest level since 2013.

Figure 41
Prices Received for Colorado Crops



Source: U.S. Department of Agriculture, National Agriculture Statistics Service. Data shown as a 12-month moving average through September 2021.

Drought conditions improve in the Western Slope, but deteriorate in the eastern plains. Drought conditions in the Western Slope have improved, with extreme and exceptional drought receding substantially from the northwest corner of the state, according to the U.S. drought monitor. However, conditions throughout the eastern half of the state have once again deteriorated, such that 100 percent of the state is classified as abnormally dry or suffering from moderate to extreme drought as of November 30, 2021, up from less than 50 percent on August 31, 2021. Severe drought has cut a large swathe across the eastern plains, while the Denver metro and surrounding areas to the north and east are in extreme drought. Unstable weather patterns and continued dry conditions cloud the outlook for Colorado's agricultural economy. A large majority of banks in the mountain states of the Tenth District reported a negative impact, and about 30 percent described significant pressure on farm finances due to drought according to the Federal Reserve's third quarter agricultural credit survey. Drought conditions have significantly depleted crop production, with wheat stocks at 13-year lows and wheat production expected to decline by 35 percent in the U.S. in the 2021-22 crop year compared to last year.

Supply chain disruptions impact agriculture. Pandemic-related supply chain disruptions have impacted prices for farm inputs, including fertilizers and pesticides, tractor parts, semiconductors used for precision farming technologies, and other supplies. Shortages of workers in transportation and warehousing have increased wait times to receive supplies and access to export markets for some producers. According to the USDA Economic Research Service, farm production expenses are forecast to increase by 8.3 percent in 2021, to the highest level since 2016.

Government support wanes, but continues to bolster farm incomes. Record levels of government payments to farmers through the Coronavirus Food Assistance Program (CFAP) brought U.S. farm income to a nine-year high in 2020. Direct government payments to farmers are expected to decline by $18.5 billion, or 40 percent, in 2021, according to the USDA Economic Research Service, with much of the decline due to lower pandemic assistance provided to producers, forecast at $8 billion in 2021 compared to $23.5 billion in 2020.

Summary

Colorado and the nation's economic recovery from the 2020 recession continues but remains challenged by the ongoing COVID-19 pandemic. While economic activity has reached and exceeded pre-pandemic levels, employment has yet to fully recover as several in-person industries remain heavily impacted by health concerns, and many workers have scaled back or reconsidered their employment options. Price pressures continue to mount on pandemic-induced supply chain disruptions, strong global demand for goods, high energy prices, and labor shortages across most industries. Supply chain constraints and labor shortages are expected to pose headwinds for business growth during the forecast period. Consumer activity remains remarkably strong on goods spending, while services industries continue to recover ground. Risks to the forecast remain elevated due to pandemic-related uncertainty and evolving monetary and fiscal policy landscapes.

Risks to the Forecast

Several factors could result in either stronger or weaker economic activity than forecast.

Downside risks. The pandemic's trajectory remains one of the largest risks to economic activity. Additional business closures could exacerbate supply chain disruptions, and elevated health concerns could dampen in-person service industry activity further. Higher-than-expected inflation would erode the purchasing power of consumers and businesses, profits, household incomes, and investment earnings. Monetary policy tightening beginning in 2022 is expected to reign in some inflationary pressures, but tightening may come at the cost of slower-than-expected economic growth. Asset prices have risen steeply during the pandemic. A large, near-term correction in equity markets could adversely impact certain households, including retirees, and depress incomes and consumer activity. Finally, unusual weather patterns, and related natural disasters such as wildfires, have become more frequent and pose geographically-specific threats to impacted areas. They also pose potential systemic threats to agriculture, real estate, insurance, and finance industries depending on their location and severity.

Upside risks. Additional federal fiscal stimulus through the federal Build Back Better Act or other legislation could boost spending, investment, and employment more than expected. A near-term post-pandemic boom in spending on services could promote business expansion and lift economic growth more quickly back to or above pre-recession trend levels. Similarly, sooner-than-expected easing in supply chain disruptions or faster-than-expected job growth could enable a stronger economic recovery than anticipated in this forecast. Over the longer-term, pandemic-related shifts toward remote work, technological change, and simpler, more localized supply chains could result in stronger productivity gains and economic growth.

Table 21
National Economic Indicators

Calendar Years	2016	2017	2018	2019	2020	Legislative Council Staff Forecast 2021	2022	2023
Real GDP (*Billions*) [1]	$17,680.3	$18,079.1	$18,606.8	$19,032.7	$18,384.7	$19,432.6	$20,171.1	$20,655.2
Percent Change	1.7%	2.3%	2.9%	2.3%	-3.4%	5.7%	3.8%	2.4%
Nonfarm Employment (*Millions*) [2]	144.3	146.6	148.9	150.9	142.3	146.1	150.6	155.0
Percent Change	1.8%	1.6%	1.6%	1.3%	-5.7%	2.7%	3.1%	2.9%
Unemployment Rate [2]	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.9%	3.6%
Personal Income (*Billions*) [1]	$16,096.9	$16,850.2	$17,706.0	$18,424.4	$19,627.6	$21,021.2	$21,105.2	$22,012.8
Percent Change	2.6%	4.7%	5.1%	4.1%	6.5%	7.1%	0.4%	4.3%
Wage and Salary Income (*Billions*) [1]	$8,091.3	$8,474.7	$8,900.5	$9,323.5	$9,444.1	$10,294.1	$10,983.8	$11,598.9
Percent Change	2.9%	4.7%	5.0%	4.8%	1.3%	9.0%	6.7%	5.6%
Inflation [2]	1.3%	2.1%	2.4%	1.8%	1.2%	4.7%	4.1%	2.0%

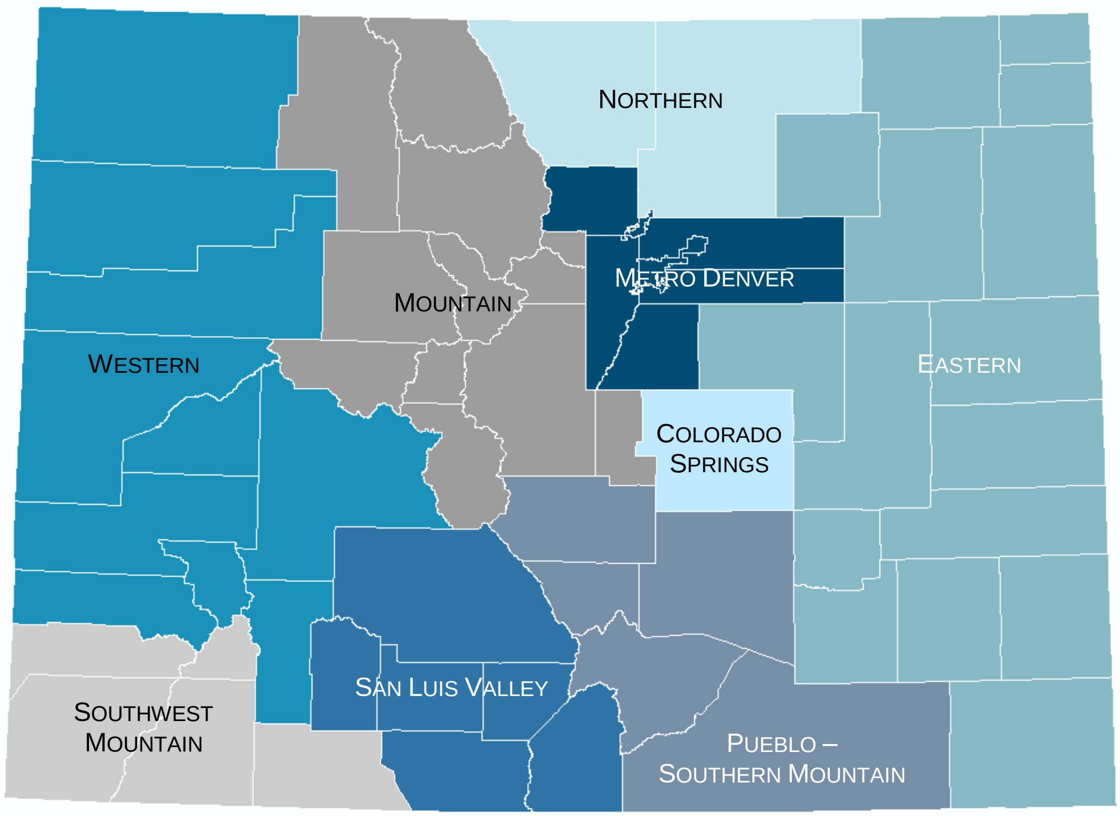
Sources
[1]U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.
[2]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).

Table 22
Colorado Economic Indicators

Calendar Years	2016	2017	2018	2019	2020	Legislative Council Staff Forecast 2021	2022	2023
Population (*Thousands, as of July 1*) [1]	5,543.8	5,617.4	5,697.2	5,758.5	5,773.7	5,819.9	5,883.9	5,954.5
Percent Change	1.6%	1.3%	1.4%	1.1%	0.3%	0.8%	1.1%	1.2%
Nonfarm Employment (*Thousands*) [2]	2,601.5	2,660.2	2,727.1	2,789.9	2,645.9	2,720.0	2,812.5	2,885.6
Percent Change	2.4%	2.3%	2.5%	2.3%	-5.2%	2.8%	3.4%	2.6%
Unemployment Rate [2]	3.1%	2.6%	3.0%	2.7%	7.3%	5.9%	4.1%	3.4%
Personal Income (*Millions*) [3]	$289,673	$309,658	$331,955	$350,390	$370,392	$394,838	$397,997	$418,295
Percent Change	1.7%	6.9%	7.2%	5.6%	5.7%	6.6%	0.8%	5.1%
Wage and Salary Income (*Millions*) [3]	$151,165	$160,963	$170,904	$182,944	$187,128	$201,724	$213,276	$224,278
Percent Change	3.1%	6.5%	6.2%	7.0%	2.3%	7.8%	5.7%	5.2%
Housing Permits (*Thousands*) [1]	39.0	40.7	42.6	38.6	40.5	49.6	47.7	49.3
Percent Change	22.3%	4.4%	4.8%	-9.4%	4.8%	22.5%	-3.7%	3.4%
Nonresidential Construction (*Millions*) [4]	$5,987.8	$6,154.9	$8,146.4	$5,166.7	$5,444.0	$5,248.0	$5,515.7	$5,686.6
Percent Change	20.0%	2.8%	32.4%	-36.6%	5.4%	-3.6%	5.1%	3.1%
Denver-Aurora-Lakewood Inflation [5]	2.8%	3.4%	2.7%	1.9%	2.0%	3.7%	3.4%	1.8%

Sources
[1]U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.
[2]U.S. Bureau of Labor Statistics.
[3]U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.
[4]F.W. Dodge.
[5]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index.

Colorado Economic Regions



A Note on Data Revisions

Economic indicators reported in this forecast document are often revised by the publisher of the data and are therefore subject to change. Employment data are based on survey data from a "sample" of individuals representative of the population as a whole. Monthly employment data are based on the surveys received at the time of data publication and data are revised over time as more surveys are collected to more accurately reflect actual employment conditions. Because of these revisions, the most recent months of employment data may reflect trends that are ultimately revised away. Additionally, employment data undergoes an annual revision, which is published in March of each year. This annual revision may affect one or more years of data values.

Like the employment data, residential housing permits and agriculture data are also based on surveys. These data are revised periodically. Nonresidential construction data in the current year reflects reported construction activity. These data are revised the following year to reflect actual construction activity. Retail trade sales data are no longer reported due to data limitations.

Metro Denver Region

Of the nine economic regions identified in this forecast, Colorado's diverse seven-county metro Denver region holds the largest share of the state's population, representing more than 60 percent of the state's workers. The impacts of the pandemic and related recession continue to influence the region's labor market. Leisure and hospitality industries remain impacted most, weighing on the rebound to pre-pandemic jobs levels. Reflecting ongoing elevated demand, low inventories, and low interest rates, area home prices continue to appreciate, supporting additional residential construction activity. Nonresidential construction activity remains subdued, remaining at 2020 levels. Economic indicators for the region are summarized in Table 23.

Table 23
Metro Denver Region Economic Indicators
Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth[1]	2.1%	2.6%	2.3%	-5.1%	2.4%
Unemployment Rate[2]	2.5%	2.9%	2.5%	7.4%	5.8%
Housing Permit Growth[3]					
Denver-Aurora MSA Single Family	3.8%	7.9%	-6.1%	1.5%	23.9%
Boulder MSA Single Family	-4.3%	15.7%	-9.5%	-6.2%	-25.4%
Nonresidential Construction Growth[4]					
Value of Projects	-10.9%	46.7%	-37.1%	-10.9%	0.2%
Square Footage of Projects	-14.8%	-10.7%	-8.0%	-5.8%	16.0%
Level (*Millions*)	19,259	17,193	15,809	14,887	14,996
Number of Projects	-23.9%	-18.4%	-11.5%	-1.3%	10.7%
Level	945	771	682	673	621

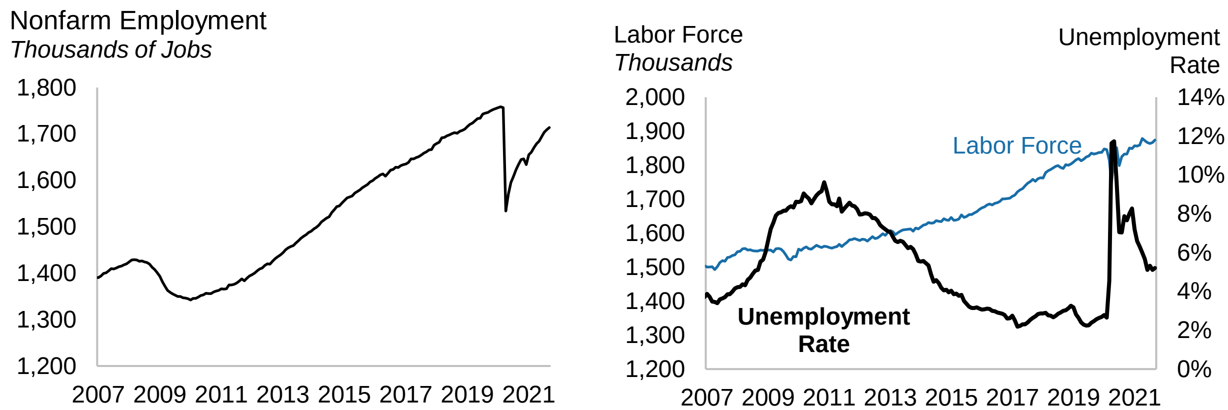
MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through September 2021.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2021.
[3]U.S. Census. Growth in the number of residential building permits. Data through September 2021.
[4]F.W. Dodge. Data through October 2021.

Labor market. After declining 5.1 percent in 2020, nonfarm employment continues to rise but remains below pre-pandemic levels (Figure 42, left). As of September 2021, nonfarm employment in the region remains 2.6 percent (44,900 jobs) below pre-pandemic levels. Consistent with statewide and national trends, job losses remain concentrated in leisure and hospitality industries. The recent resurgence in COVID-19 cases and the threat of the Omicron variant is expected to maintain downward pressure on job growth well into 2022. Unemployment rates remain elevated, averaging 5.8 percent year-to-date through June (Figure 42, right). The number of workers in the labor force (those employed and those seeking employment) exceeds pre-pandemic levels and continues to rise, a healthy sign of ongoing improvements in the area labor market. Consistent with other areas of the state, many metro Denver employers are reporting labor shortages.

The metro Denver region is home to a wide range of tourism-related and business travel activities, with Denver International Airport (DIA) serving as the main air transit hub in and out of Colorado.

DIA was the third busiest airport in the world based on data for the first half of 2021. Passenger traffic continues to improve from 2020 lows, but remains below pre-pandemic levels. According to DIA statistics year-to-date through October, total passenger traffic is up 73.9 percent relative to 2020 lows but down 16.8 percent from 2019 levels over the same period. In the month of October 2021, passenger traffic was 6.2 percent below October 2019 levels.

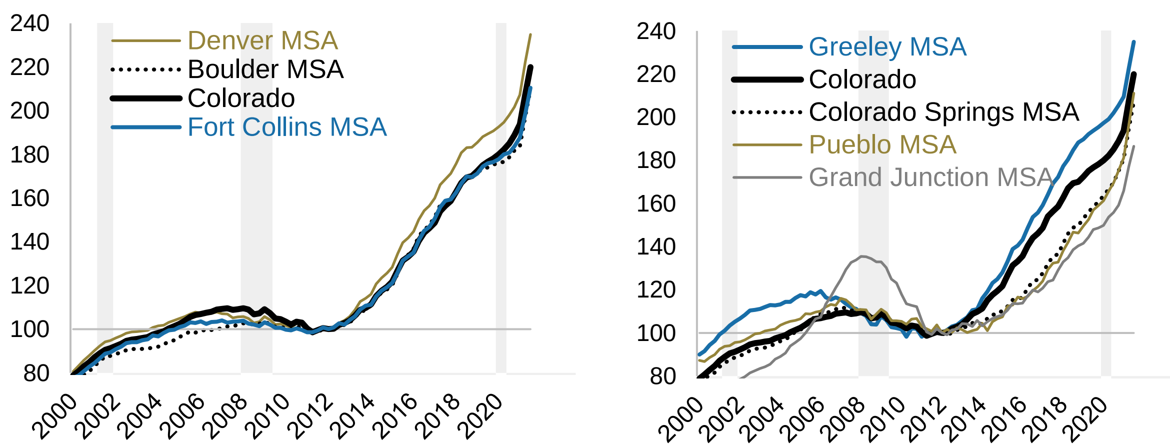
Figure 42
Metro Denver Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted and shown through September 2021.

Home prices. Along with other regions of the state, home price appreciation in the metro Denver region accelerated starting at the end of 2020 and continuing into 2021 (Figure 43). Historically low interest rates have propped up demand, while pandemic-related uncertainty has kept homeowners from putting their homes on the market. While inventories have improved in recent months, home prices are expected to remain elevated as demand for housing in the metro Denver area continues to outstrip limited supply. According to data from the Federal Housing Finance Agency, in the third quarter, home prices were up 18.6 percent over year-ago levels in the Denver-Aurora-Lakewood metropolitan statistical area (MSA), and up 17.4 percent in Boulder.

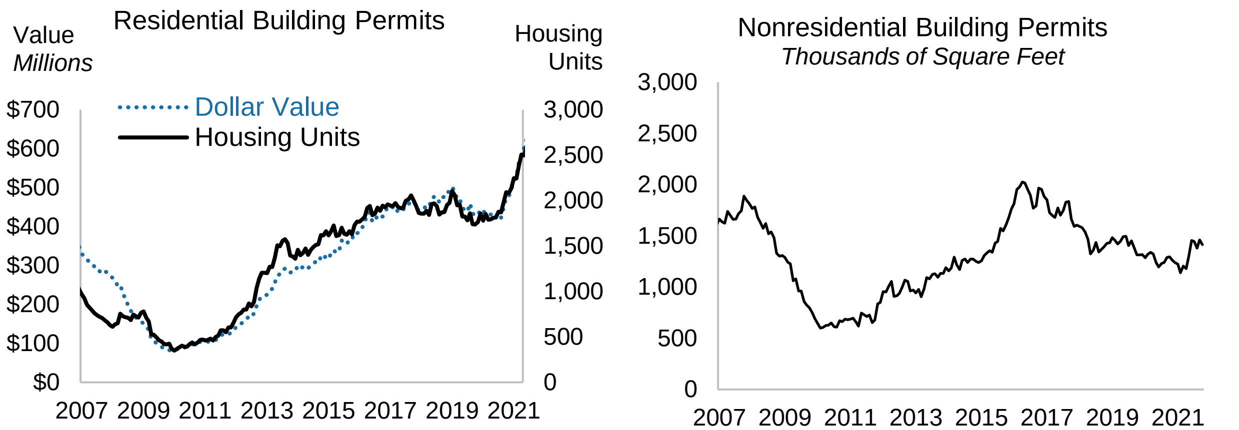
Figure 43
FHFA All-Transaction Home Price Indices
Index 100 = 2012Q1 (Recessionary Trough in Grey Bars)



Source: Federal Housing Finance Agency (FHFA). Data are seasonally adjusted and through 2021Q3.

Residential construction. To meet bourgeoning demand, metro Denver residential construction activity continued to accelerate throughout 2021 (Figure 44, left). Permits for new single-family residential construction activity in the Denver-Aurora MSA rose 23.9 percent year-to-date through September over year-ago levels. Single-family permits in the Boulder MSA continued to decline, falling 25.4 percent year-to-date over year-ago levels. Population growth in the region is expected to slow relative to historical rates as housing affordability prices many families out of the region. Population growth is expected to be concentrated in the suburban and exurban areas of the region that offer relatively more affordable housing options.

Figure 44
Metro Denver Region Construction Activity



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through October 2021.

Nonresidential construction. Year-to-date through October, metro Denver nonresidential building activity remains subdued relative to 2016 highs (Figure 44, right). Nonresidential construction activity slowed in Denver and Boulder counties, dragging down region-wide activity in the first half of the year over year-ago levels. The shift toward remote work and the continued business impacts of the pandemic are expected to put downward pressure on demand for commercial real estate in the region, slowing nonresidential construction activity in the years ahead. Future nonresidential building is expected to shift from office space and new commercial storefronts or brick-and-mortar retail establishments to favor nonresidential development that supports e-commerce, such as warehousing space. The impact of the federal infrastructure bill are expected to contribute to nonresidential construction activity beginning in 2023.

Northern Region

Larimer and Weld counties comprise the diverse economies of the northern region. Larimer County's economy continues to perform above most regions in the state, supported by population growth, while Weld County's economic activity, driven largely by the oil and gas and agricultural industries, has fluctuated. Colorado's energy industry faced significant headwinds in 2020 resulting from low oil prices and reduced global demand for oil and gas, which threatened both the private sector, through lower industry income, and the public sector, through reduced property, severance, and sales taxes. The price of oil and gas has been on the rise in recent months, as demand has exceeded production in 2021. After declining for most of 2020 and into 2021, oil and gas production in the region began increasing in March 2021, but remains below pre-recession levels. The region's labor market has historically been one of the tightest in the state, but will likely remain subdued until oil and gas production recovers more fully. Residential construction in the region has remained strong in 2021; however, nonresidential construction has lagged. Table 24 shows economic indicators for the northern region.

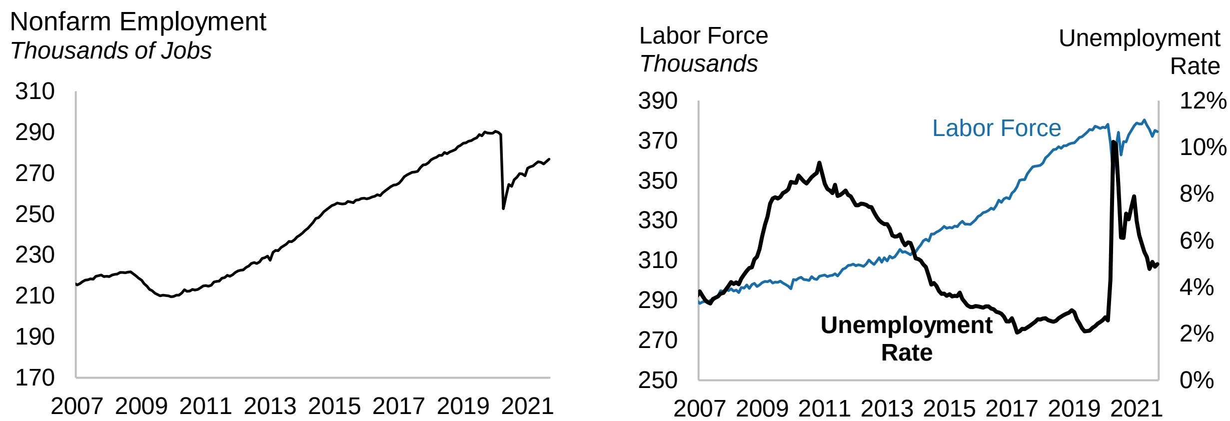
Table 24
Northern Region Economic Indicators
Weld and Larimer Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth[1]					
Fort Collins-Loveland MSA	3.1%	2.6%	2.2%	-5.0%	2.0%
Greeley MSA	5.0%	4.8%	3.6%	-6.9%	-0.2%
Unemployment Rate[2]					
Fort Collins-Loveland MSA	2.3%	2.6%	2.3%	6.3%	5.1%
Greeley MSA	2.5%	2.8%	2.5%	7.0%	6.0%
State Cattle and Calf Inventory Growth[3]	6.7%	2.6%	8.0%	1.9%	4.5%
Natural Gas Production Growth[4]	5.5%	17.1%	22.0%	8.3%	-5.0%
Oil Production Growth[4]	13.9%	29.5%	10.7%	-11.9%	-19.4%
Housing Permit Growth[5]					
Fort Collins-Loveland MSA Total	-18.2%	8.4%	-18.2%	-0.3%	13.0%
Fort Collins-Loveland MSA Single Family	21.0%	-14.1%	-4.9%	34.7%	0.8%
Greeley MSA Total	23.1%	24.6%	-2.2%	9.1%	21.0%
Greeley MSA Single Family	16.4%	32.1%	-8.4%	28.1%	6.3%
Nonresidential Construction Growth[6]					
Value of Projects	32.2%	64.9%	-71.6%	74.3%	-29.9%
Square Footage of Projects	17.8%	-27.6%	-16.2%	5.2%	-0.7%
Level (*Thousands*)	3,996	2,892	2,424	2,549	2,338
Number of Projects	2.9%	13.4%	-17.1%	-12.0%	-11.9%
Level	284	322	267	235	177

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through September 2021.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2021.
[3]National Agricultural Statistics Service. Cattle and calves on feed through October 2021.
[4]Colorado Oil and Gas Conservation Commission. Data through August 2021.
[5]U.S. Census Bureau. Growth in the number of residential building permits. Data through September 2021.
[6]F.W. Dodge. Data through October 2021.

Labor market. The region's labor market saw some of the fastest job growth and lowest unemployment rates in the state leading up to 2020 (Figure 45). Even accounting for significant layoffs in March 2020, the unemployment rate averaged 6.3 percent in 2020 in the Fort Collins-Loveland area and 7.0 percent in Greeley, maintaining some of the lowest unemployment rates in the state. Year-to-date through September 2021, the unemployment rate has fallen in both regions, to 5.1 percent in the Fort Collins-Loveland area and 6.0 percent in the Greeley area. Despite relatively consistent growth throughout 2021, nonfarm employment in the northern region remains 4.7 percent below its pre-recession peak of 290,400 in January 2020. Employment is not expected to fully recover until pandemic conditions improve and energy markets return to pre-crisis levels.

Figure 45
Northern Region Labor Market Activity



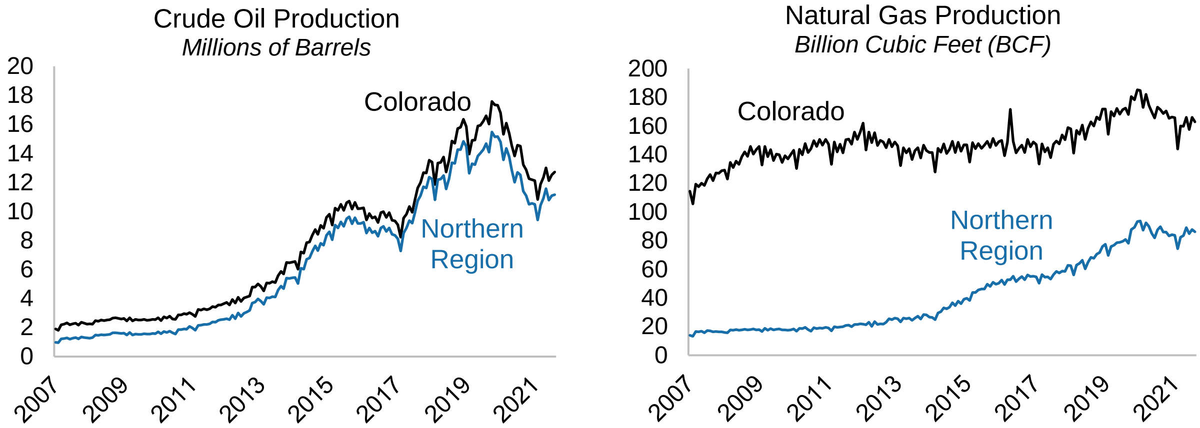
Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through September 2021.

Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through September 2021.

Agriculture. The northern region produces about a quarter of Colorado's agricultural value due to the heavy concentration of the livestock industry in Weld County. Colorado's agricultural sector faced significant headwinds in 2020, with supply chain disruptions, COVID-19 outbreaks in meat processing facilities, wildfires, and severe drought. The region's cattle and calf inventory grew only 1.9 percent through 2020, a slowdown from 8.0 percent growth during 2019. As the negative effects of COVID-19 have begun to abate and pasture conditions in the northeastern part of the state have improved, cattle and calf inventories have rebounded, growing 4.5 percent through October over year-ago levels. Increased commercial demand, resulting from restaurant openings and the return to in-person learning at area universities, is expected to spur additional growth in 2022.

Energy sector. Oil production in the northern region, particularly in Weld County, has dominated statewide production for over a decade. Oil and gas production declined throughout 2020 and early 2021 as a result of the collapse in demand for oil and gas and significant declines in prices (Figure 46). Production began to rebound in March 2021. However, year-to-date through August, oil production in the region remains 19.4 percent below 2020 levels, and natural gas production remains 5.0 percent below 2020 levels. After remaining around $40 per barrel for much of the latter half of 2020, oil prices began rising in December 2020 and reached nearly $82 per barrel in October 2021. Prices are expected to remain around $80 per barrel for the remainder of 2021, based on estimates from the U.S. Energy Information Administration. Increased demand for oil and gas in the near- and midterm, alongside rising prices, is expected to spur additional production.

Figure 46
Colorado Energy Production

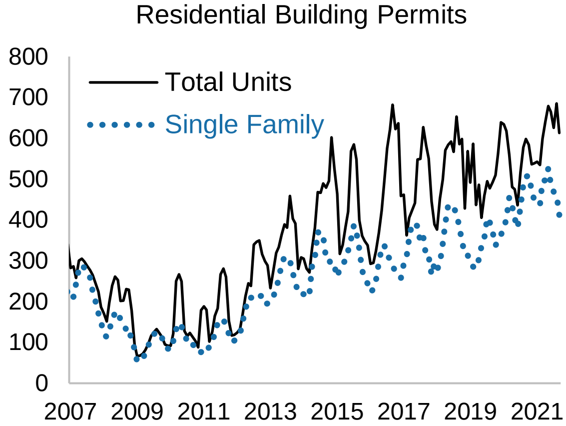


Source: Colorado Oil and Gas Conservation Commission. Monthly data through August 2021.

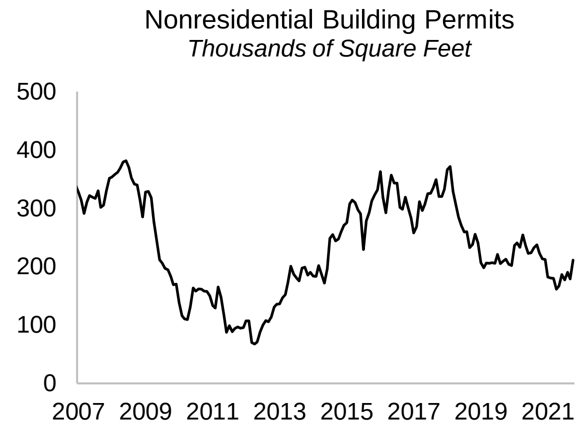
Housing. Total housing permit growth in the northern region in 2021 has increased significantly over 2020 levels. In a shift from year-ago trends, the majority of this growth is from multifamily units rather than single-family homes. Total housing permits in the Fort Collins-Loveland area have increased by 13.0 percent year-to-date through September 2021, while single-family permits have only increased 0.8 percent over the same period. Total housing permits in the Greeley area have increased by 21.0 percent year-to-date through September 2021, while single-family permits have increased 6.3 percent over the same period (Figure 47, left). Average prices for single-family units in Larimer and Weld County have increased 15.6 percent in 2021 through October on a year-to-date basis, according to the Colorado Association of Realtors. Additionally, the time that listings spend on the market has declined significantly, falling 27.4 percent year-to-date in Larimer County, and 21.2 percent in Weld County.

Nonresidential construction. After sustaining moderate nonresidential construction activity in 2020, the negative effects of COVID-19 appear to have materialized for this industry in 2021. Year-to-date through September, nonresidential construction has decreased significantly, with the value of new projects declining by 29.9 percent, the number of projects declining by 11.9 percent, and total square footage declining by 0.7 percent from year-ago levels (Figure 47, right). Future commercial construction activity will depend in part on the recovery in energy prices and production, which may translate into more commercial projects in late 2021 and 2022.

Figure 47
Northern Region Construction Activity

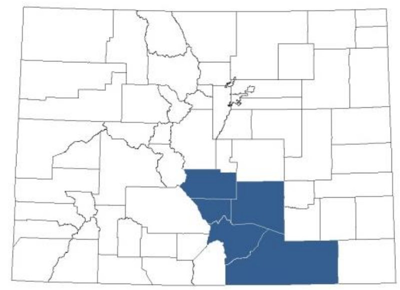


Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through September 2021.



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through October 2021.

Pueblo – Southern Mountains Region



The Pueblo – Southern Mountains region encompasses five counties along the eastern slope of the Sangre de Cristo Mountains, and includes the City of Pueblo. The region was hit hard by the pandemic-induced recession. Data tell a complicated and sometimes contradictory story of the economic recovery, where population growth is slow and employment has recovered in fits and starts, but workforce participation is increasing, real estate values are surging, and construction has increased even from elevated pre-pandemic levels. Indicators for the regional economy are presented in Table 25 and discussed below.

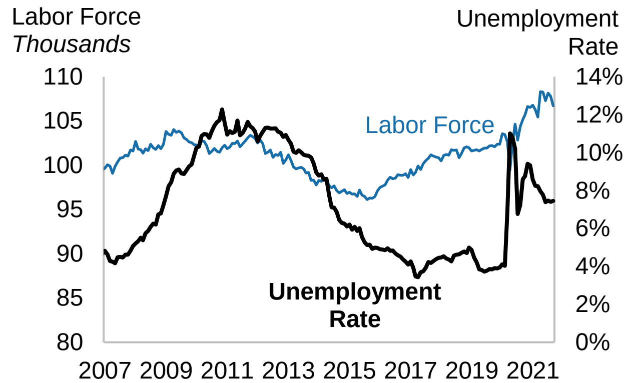
Table 25
Pueblo Region Economic Indicators
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth					
Pueblo Region[1]	2.5%	0.6%	1.1%	-2.4%	3.8%
Pueblo MSA[2]	1.0%	0.5%	1.3%	-2.5%	0.3%
Unemployment Rate[1]	4.0%	4.6%	4.0%	8.1%	7.8%
Housing Permit Growth[3]					
Pueblo MSA Total	14.9%	45.1%	3.8%	18.4%	28.8%
Pueblo MSA Single Family	16.2%	52.6%	-6.2%	31.1%	28.8%
Nonresidential Construction Growth[4]					
Value of Projects	-64.5%	222.9%	45.2%	26.2%	108.4%
Square Footage of Projects	-52.6%	145.1%	-19.7%	37.7%	100.2%
Level (*Thousands*)	162	397	318	438	635
Number of Projects	-72.2%	50.0%	23.3%	86.5%	10.5%
Level	20	30	37	69	63

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through September 2021.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2021.
[3]U.S. Census Bureau. Growth in the number of residential building permits. Data through September 2021.
[4]F.W. Dodge. Data through October 2021.

Labor market. The Pueblo region's labor market recovery has been slower than most other parts of the state. Employers in Pueblo County reported employing 62,800 workers in September 2021, just 700 more than in September 2020. That 1.1 percent increase was the slowest rate of recovery among Colorado metropolitan areas over that twelve-month timespan. In the region more broadly, household surveys indicate that about 2,650 more people were employed in September 2021 than in September 2020 (Figure 48, left). The region's labor force population averaged more than 107,000 between January and September 2021, representing a 3.9 percent increase from the same months in 2020 and well outpacing the state's 2.5 percent labor force growth rate over the same period (Figure 48, right). Slow employment growth alongside a growing labor force population combined to elevate the regional unemployment rate, which, at 7.8 percent, was the highest in the state over the first nine months of 2021.

Figure 48
Pueblo Region Labor Market Trends

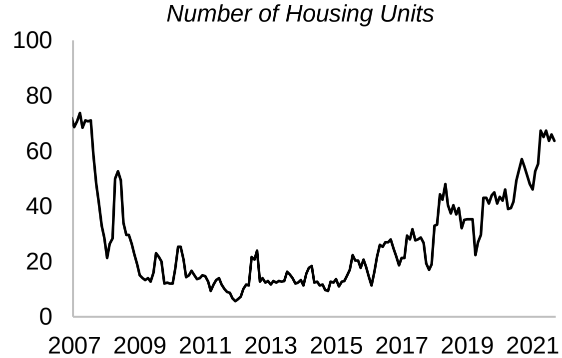


Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through September 2021.

Population. The 2020 Census showed that population in the region grew by 10,820, or 4.7 percent, between 2010 and 2020, well below the statewide rate of 14.8 percent. Moderate growth in the region's northern counties, Custer, Fremont, and Pueblo, was offset by flat or declining populations in the southern counties, Huerfano and Las Animas. The State Demography Office estimates that Las Animas County's population has fallen annually since 2003, and that populations in Custer, Fremont, and Huerfano counties will begin to decrease in 2022. The region has a higher share of elderly Coloradans, a lower share of children and young adults, and little in-migration, relative to the state as a whole.

Housing market. Home values in the region's largest communities are increasing rapidly, straining budgets for would-be homebuyers. The Federal Housing Finance Agency's home price indices show that prices in the Pueblo Metropolitan Statistical Area, which includes Pueblo County, have increased faster than any metropolitan area in the state in every year since 2017. Prices in Pueblo have increased by 67 percent over the last five years, versus 61 percent for Colorado Springs and 48 percent for the Denver metro area. Homes in Pueblo remain less expensive than those further north, but the rapid appreciation has limited affordable options for Pueblo residents looking to purchase a home.

Figure 49
Single-family Residential Permits
Number of Housing Units



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through September 2021.

Preliminary 2021 property tax data from the region's assessors indicate that home price appreciation is occurring throughout the region as well. Residential property values in the region increased 21.6 percent between 2020 and 2021, representing one year of new construction and two years of home price appreciation, from June 30, 2018, to June 30, 2020. The most significant increases were in the City of Pueblo (up 25.5 percent), the remainder of Pueblo County (up 20.5 percent), the Cañon City area (up 25.3 percent), and Florence (up 22.7 percent). The pace of increase was much slower in the

Walsenburg area (up 10.9 percent), Trinidad (up 7.4 percent), and rural eastern Las Animas County (up 6.3 percent).

Given the region's slow population growth, home price increases likely reflect other demand-side factors, including improved household incomes for wealthier residents, persistently low interest rates, and faster appreciation among less expensive properties. Increases are expected to moderate during the forecast period as interest rates rise.

Bolstered by buyer demand, homebuilding in Pueblo County remains at its highest level since the Great Recession. Builders pulled permits for 559 housing units between January and September 2021, nearly reaching last year's full-year total (Figure 49). Like last year, all of Pueblo's permits are for single-family homes.

Nonresidential construction. Nonresidential construction activity in the region also continues to increase, again surpassing its highest level since the Great Recession. Through October 2021, the region's builders had already exceeded their construction output for 2020, adding $170.1 million in new structures totaling more than 635,000 square feet. New construction peaked in April 2021, when Pueblo School District 60 broke ground on the new Pueblo East and Centennial high schools, part of a $218 million bond program approved by voters in 2019.

Nonresidential construction will be supported by several new projects over the next year. In addition to the two new high schools, School District 60 also announced a new K-8 school slated to begin construction in 2022. The announced Turkey Creek Solar Farm is expected to further boost construction activity when it breaks ground in 2022.

Colorado Springs Region

The Colorado Springs region encompasses El Paso County, home to the state's second-largest city. The regional economy has recovered impressively from the pandemic-induced recession. Employers were on the cusp of surpassing pre-recession peak levels of employment by the fall of 2021 and likely will do so by year's end. Likewise, construction activity has remained strong, with 2021 shaping up to be another banner year for both residential and nonresidential builders. Indicators for the Colorado Springs regional economy are presented in Table 26.

Table 26
Colorado Springs Region Economic Indicators
El Paso County

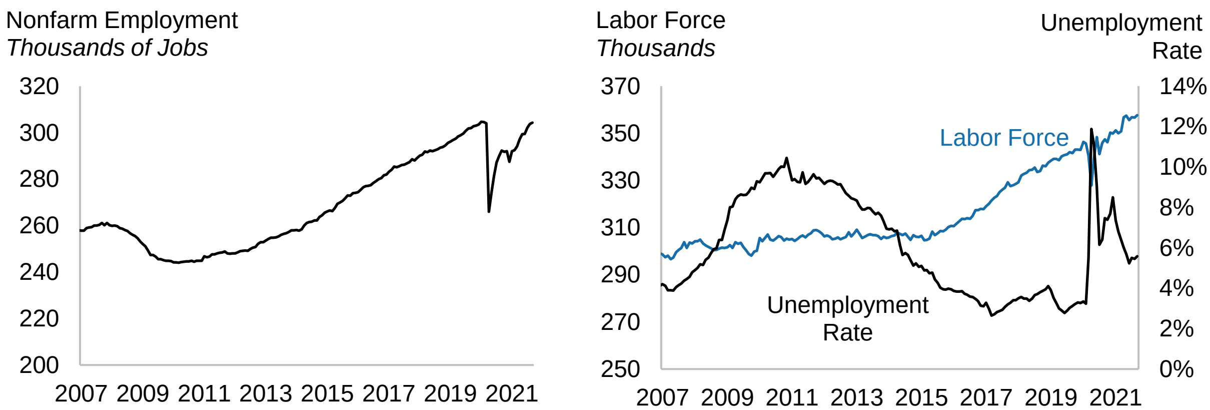
	2017	2018	2019	2020	YTD 2021
Employment Growth[1]					
Colorado Springs MSA	2.9%	2.2%	2.6%	-3.5%	3.1%
Unemployment Rate[2]	3.1%	3.7%	3.2%	7.3%	6.0%
Housing Permit Growth[3]					
Total	-3.9%	15.4%	-3.8%	25.7%	43.0%
Single Family	6.7%	9.6%	-4.1%	24.4%	10.8%
Nonresidential Construction Growth[4]					
Value of Projects	-22.6%	20.9%	0.5%	41.2%	-3.7%
Square Footage of Projects	10.5%	9.3%	5.0%	112.6%	-48.9%
Level (*Thousands*)	2,599	2,841	2,984	6,342	3,020
Number of Projects	30.0%	-1.3%	-31.1%	16.0%	-32.3%
Level	550	543	374	434	256

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through September 2021.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2021.
[3]U.S. Census Bureau. Growth in the number of residential building permits. Data through September 2021.
[4]F.W. Dodge. Data through October 2021.

Labor market. El Paso County's population is growing rapidly, overtaking Denver as the state's most populous county according to the 2020 Census. Projections from the State Demography Office indicate that its population growth will outpace Denver's and the state's over the next five years. Since the pandemic recession, Colorado Springs employers have added jobs at a faster rate than those in other parts of the state (Figure 50, left). The region's 3.1 percent increase in jobs year-to-date through September comfortably exceeded the pace of increase in all of the state's other metropolitan areas. While pandemic job losses were severe in all parts of the state, Colorado Springs was relatively well-equipped to weather the storm, as the region's economy relies less on the sectors that have been most severely affected – like oil and gas, leisure and hospitality, and tourism – than other parts of the state. Key employers like those working in national defense experienced fewer pandemic disruptions to business, while the addition of an Amazon fulfillment center in the summer of 2021 brought more jobs to the region.

The region's labor force population is also increasing (Figure 50, right). Household surveys indicate that about 10,000 more people were working or seeking work in September 2021 than in September 2020, a 2.9 percent increase that significantly exceeded those in other regions. The rising labor force population has caused Colorado Springs' unemployment rate to remain high, averaging 6.0 percent between January and September 2021, the second-highest among regions after only the Pueblo – Southern Mountains region. However, that statistic by itself masks an economy in which employers are adding jobs and workers are joining or returning to the workforce at impressive rates.

Figure 50
Colorado Springs Labor Market Activity



Source: U.S. Bureau of Labor Statistics; CES data (left) and LAUS data (right). Data are seasonally adjusted through September 2021.

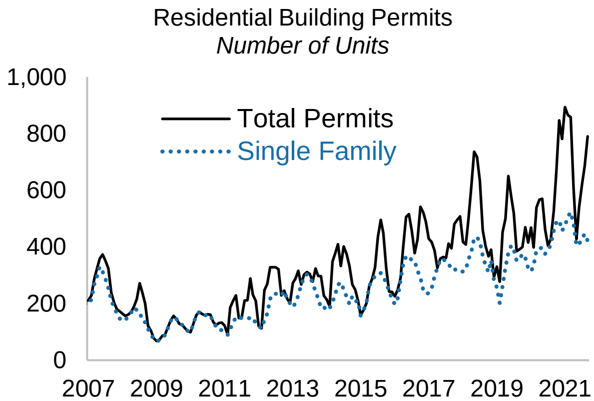
Housing. Homebuilding in El Paso County remains robust. Builders pulled more than 6,550 housing construction permits between January and September 2021, an increase of 43.0 percent from already high 2020 levels (Figure 51, left). Single-family homes continue to make up the bulk of new construction in El Paso County, but the multifamily portion is increasing, accounting for 38.0 percent of permits year-to-date.

Preliminary property tax data from the El Paso County assessor indicate that total residential assessed values increased by 19.7 percent between 2020 and 2021. That increase represents one year of new construction and two years of home price appreciation, from June 30, 2018, to June 30, 2020. Increases were significant in all areas of the county, but fastest in the Harrison and Widefield school districts, which include southeastern Colorado Springs and the Security-Widefield suburbs, and in three very small school districts in rural southeastern El Paso County. The Federal Housing Finance Agency's home price index shows that home prices in the Colorado Springs MSA, which includes El Paso and Teller counties, increased 13.5 percent between the first half of 2020 and the first half of 2021. For the third straight year, Colorado Springs prices appear to be increasing more quickly than those in Denver, Fort Collins, Greeley, Boulder, and Grand Junction, and slower only than those in Pueblo. Rapid price growth, robust demand, and bolstered transportation infrastructure are expected to sustain homebuilding through the forecast period.

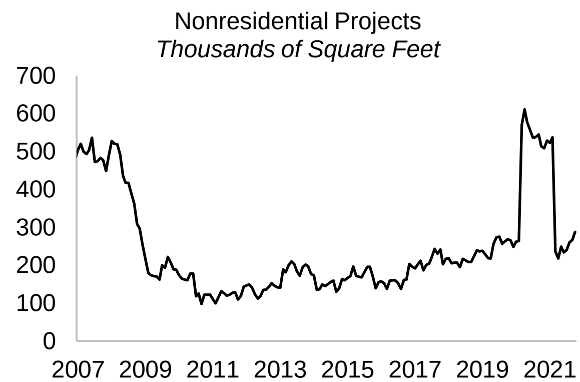
Nonresidential construction. Colorado Springs continues to experience a nonresidential construction boom as well. Builders added 3.0 million square feet of nonresidential space through October 2021, surpassing twelve-month totals for 11 of the 12 years since the Great Recession (Figure 51, right). Only the 2020 total was higher, owing to the inclusion of the 3.7 million square foot Amazon fulfillment center that opened during the summer of 2021. In September, Amazon announced plans to add an additional 2,200 employees in the Colorado Springs area between the main fulfillment center and three smaller operations.

While fewer projects are being completed, they are getting larger and pricier. According to data from F.W. Dodge, the 256 nonresidential projects built between January and October 2021 averaged $3.2 million in value and 11,800 square feet, versus $1.8 million in value and 8,000 square feet for calendar year 2019. Larger and increasingly expensive buildings reflect a shift toward investment by larger corporations, alongside inflationary increases in construction prices.

Figure 51
Colorado Springs Construction Activity



Source: U.S. Census Bureau. Data are shown as three-month moving averages. Data are not seasonally adjusted and are through September 2021.



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through October 2021.

San Luis Valley Region

Among the nine economic regions of the state identified in this forecast, the San Luis Valley has the state's smallest and oldest population with the lowest household incomes. The economy of the region's six counties is largely agricultural. Nonfarm employers include health and government services, including Adams State University, as well as a small but resilient tourism sector. The region's labor market continues to recover, while supply chain disruptions, worsening drought conditions and continued water shortages cloud the outlook for agricultural producers. Economic indicators for the region are summarized in Table 27.

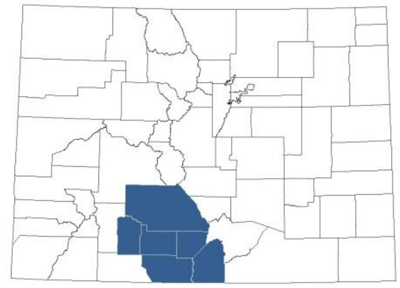


Table 27
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

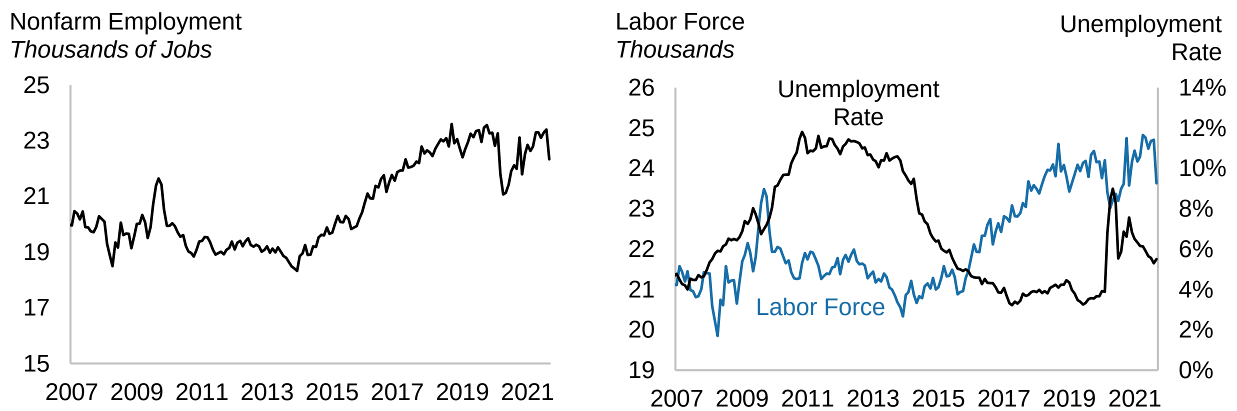
	2017	2018	2019	2020	YTD 2021
Employment Growth[1]	4.3%	3.0%	1.0%	-4.6%	4.8%
Unemployment Rate[1]	3.6%	4.1%	3.6%	6.6%	5.9%
Barley[2]					
Acres Harvested	68,000	53,000	52,000	45,000	NA
Crop Value ($/Acre)	$607	$660	$672	$703	NA
Potatoes[2]					
Acres Harvested	55,600	55,000	51,000	53,800	52,700
Crop Value ($/Acre)	$3,572	$3,942	$4,709	$4,816	NA
Housing Permit Growth[3]	16.8%	16.3%	-11.1%	13.9%	32.2%
National Park Recreation Visits[4]	25.4%	-9.0%	19.1%	-12.5%	39.7%

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2021.
[2]National Agricultural Statistics Service, statewide data. Area harvested YTD 2021 is for the marketing year ending in June 2021.
[3]F.W. Dodge. Data through October 2021
[4]National Park Service. Data through October 2021. Recreation visits for Great Sand Dunes National Park and Preserve.

Agricultural industry. With over 70 varieties grown in the region, potatoes are a key San Luis Valley crop. Other principal crops include lettuce, wheat, and barley, with hemp and quinoa acreages on the upswing. Grazing and alfalfa hay are important in areas lacking sufficient access to water rights. Ongoing disruptions from weather and supply chain issues cloud the outlook for the region's agricultural producers. Year-to-date through June, 2021-22 marketing year potato shipments are down 7.9 percent from the same period last year. Drought conditions have worsened since the summer, when drought had almost completely receded from the region. According to the U.S. Drought Monitor, the entire region has returned to abnormally dry conditions, moderate, or severe drought as of November 16, 2021. Longer-term shifts in precipitation have reduced snowpack to below-average spring levels in nine of the past 11 years, according to the USDA's Natural Resources Conservation Service. Weather and access to water remain significant concerns for San Luis Valley agriculture producers, with depleted runoff into streams, reservoirs, and irrigation canals. Groundwater wells for some ranchers have been ordered to shut down for the first time in the history of the Rio Grande Water Conservation District, which has managed water in the San Luis Valley since 1967.

Labor market. Labor market conditions have improved, albeit somewhat inconsistently, since declining sharply with statewide shutdowns in early 2020. Employment in the region is up 4.8 percent year-to-date compared to the same period last year (Figure 52, left). After meeting or exceeding pre-pandemic levels of employment through the summer, regional employment dropped to 96 percent of pre-pandemic levels in September 2021. Although the number of unemployed individuals has declined steadily since November 2020, a growing labor force has kept the unemployment rate elevated at 5.5 percent in September 2021, or an average of 5.9 percent year-to-date (Figure 52, right).

Figure 52
San Luis Valley Labor Market Activity

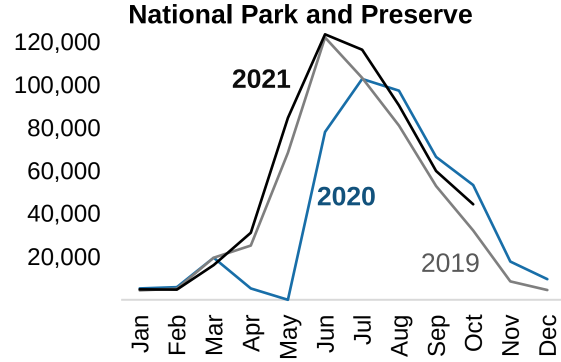


Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through September 2021.

Housing and population growth. At 0.2 percent population growth, or a net gain of 81 people between 2010 and 2020, the San Luis Valley is among the slowest growing of the state's nine regions, just ahead of the eastern region, which gained a net 68 people over the decade. Significant gains in Alamosa County were offset by population declines in Conejos and Rio Grande counties, according to 2020 Census data. After declining by 11.1 percent in 2019, housing permits issued in the San Luis Valley region rebounded in 2020 to 13.9 percent growth. Through September 2021, permits were up 32.2 percent year-to-date. Median single-family home prices in Alamosa and Saguache counties were up 11.1 percent and 24.5 percent, respectively, through October 2021 over the same period last year. At under $300,000, however, median home prices remain well below the statewide median of $510,000.

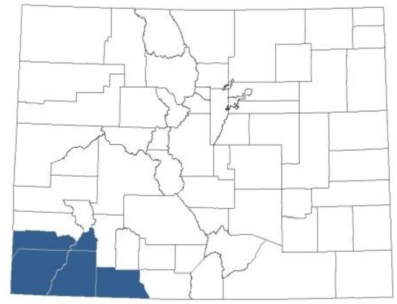
Tourism. Visits to the Great Sand Dunes National Park and Preserve recovered rapidly during the summer months of 2020, following spring park closures, although remained down by 12.5 percent compared to 2019 total visitation. Park visits in 2021 have resumed a pre-pandemic pattern, and through October 2021 were up 39.7 percent from the same period last year (Figure 53).

Figure 53
Visits to Great Sand Dunes National Park and Preserve



Source: National Park Service. Data through October 2021.

Southwest Mountain Region



The southwest mountain region comprises five counties in the southwest corner of the state. The area's diverse economy receives significant contributions from agriculture, tourism, and natural gas extraction, as well as typical regional services like health care and social assistance. Like many regions of the state with heavier concentrations of employment supported by tourism, the COVID-19 pandemic significantly impacted economic activity in the southwest mountains. Local government budgets were also impacted by the pandemic, further dampening employment in the region. Recent data indicate a strengthening recovery with labor market growth and robust home building activity. Economic indicators for the region are summarized in Table 28.

Table 28
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

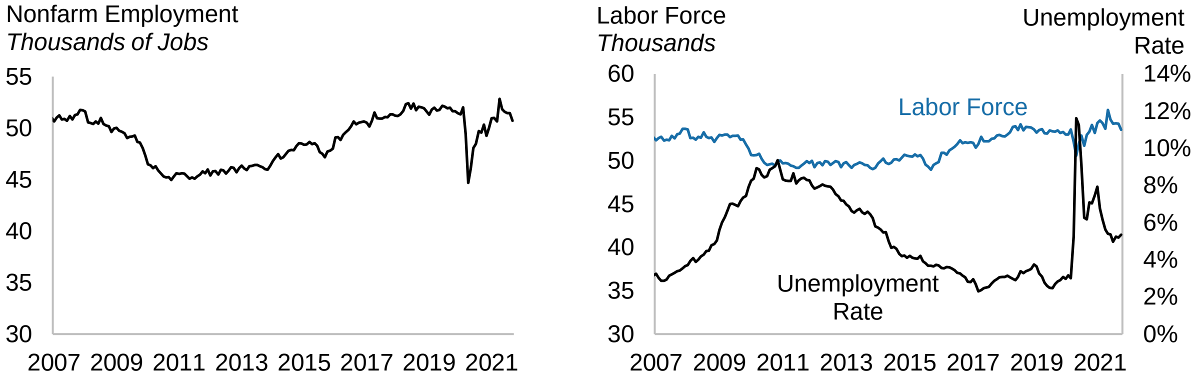
	2017	2018	2019	2020	YTD 2021
Employment Growth[1]	2.2%	1.8%	-0.2%	-5.2%	5.2%
Unemployment Rate[1]	2.7%	3.2%	2.9%	7.1%	5.6%
Housing Permit Growth[2]	29.8%	24.1%	-33.9%	12.4%	36.1%
National Park Recreation Visits[3]	4.4%	-7.6%	-2.1%	-48.1%	107.3%

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2021.
[2]F.W. Dodge. Data through October 2021.
[3]National Park Service. Data through September 2021 Recreation visits for Mesa Verde National Park and Hovenweep National Monument.

Labor market. Data through the first nine months of 2021 indicate the labor market continued to improve in the Southwest region despite an uptick in the unemployment rate in the third quarter. Based on the recent data, regional activity was likely impacted by the pandemic wave over the summer months as national consumer sentiment dipped and spending on leisure and hospitality flattened. The uptick in the unemployment rate was accompanied by a slight decline in employment. However, employment remained up 5.2 percent year-to-date, one of the fastest rates posted among the regions and above statewide growth (Figure 54, left). Further, regional labor force growth has outpaced the state, up 3.6 percent year-to-date (Figure 54, right). In September, the unemployment rate was 5.4 percent, slightly higher than the 5.3 percent rate posted statewide.

The pandemic trajectory remains a risk to the region's economy. Summer business activity was robust for many communities in the region with a return of visitors and tourists. Many businesses reported challenges finding employees, understaffing, and requiring overtime work for existing staff as they struggled to keep up with increased demand. However, high caseloads from the Delta variant or other emerging variants could once again impact leisure and hospitality businesses. Moving into 2022, another concern for the region is the ongoing drought that could impact communities that rely on ski traffic and agriculture.

Figure 54
Southwest Mountain Region Labor Market Activity

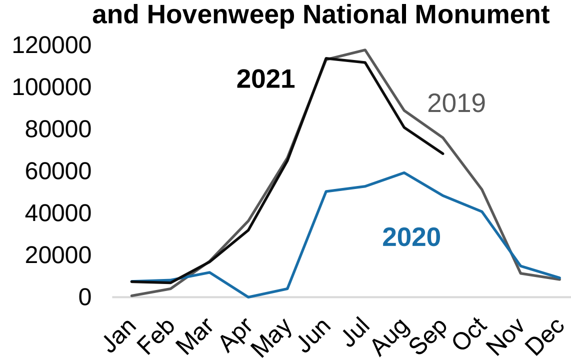


Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through September 2021.

Housing. Like national and statewide trends, the housing market in the southwest mountain region recorded robust growth emerging from the recession that further accelerated through the first half of 2021. Although permit activity appears to have slowed by the end of summer, permits were up about 36 percent year-to-date through September 2021, following 12.4 percent growth in 2020. Through October, the Colorado Association of Realtors reported strong sales activity and price appreciation in most of the region's counties. However, there may be some signs of slowing as new single-family home listings year-to-date fell below 2020 levels in La Plata and Archuleta Counties. Further, single-family sales activity contracted in La Plata County. In October, year-to-date single–family prices were up by double-digits in each of the region's counties, and regional price growth continued to exceed the state, except in Montezuma County. Year-to-date, the median single-family home price rose to $549,900 in Archuleta County, $615,000 in La Plata County, and $315,000 in Montezuma County. The housing market remains on track to post its second consecutive year of growth in 2021.

Tourism. Visits to Mesa Verde National Park and nearby Hovenweep National Monument were down more than 48 percent in 2020 compared to 2019. Figure 55 compares monthly visits to both parks from 2019 to 2021. Through the pandemic, visits were down significantly, but began to track more closely with pre-pandemic levels by the fourth quarter of 2020. In 2021, visitor levels tracked closely with 2019 levels through June; however, visits fell below 2019 levels beginning in July. In September 2021, year-to-date visits were 96.6 percent of 2019 levels.

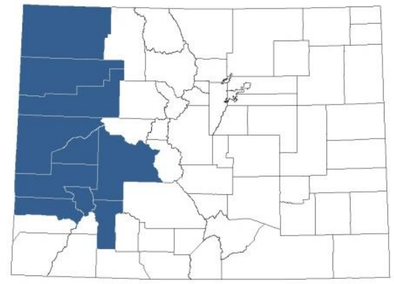
Figure 55
Visits to Mesa Verde National Park and Hovenweep National Monument



Source: National Park Service. *Data through September 2021.

In 2020, passenger traffic was down more than 50 percent at the Durango-La Plata County airport, consistent with the broad reach of the pandemic on travel nationwide. Encouragingly, the airport reported vast improvements in passenger traffic through October 2021. Passenger traffic has exceeded corresponding 2019 levels each month since June and was up more than 13 percent over October 2019. Year-to-date through October, passenger traffic is just shy (-0.1 percent) of pre-pandemic 2019 levels.

Western Region



The ten-county western region has a diverse economy. Key industries in the more northern counties of Mesa, Garfield, Moffat, and Rio Blanco include energy and agriculture, while the counties of Delta, Gunnison, Hinsdale, Montrose, Ouray, and San Miguel are more reliant on tourism, mining, and retiree-related spending. Compounding the negative impacts of the COVID-19 pandemic in the spring of 2020, summer wildfires engulfed large swathes of the region, shutting down popular tourist destinations altogether. While unemployment remains elevated in the region, the housing and construction industries have shown significant growth in 2021 over recessionary 2020 levels, and outdoor recreation has also seen a boost compared to 2020. Economic indicators for the region are summarized in Table 29.

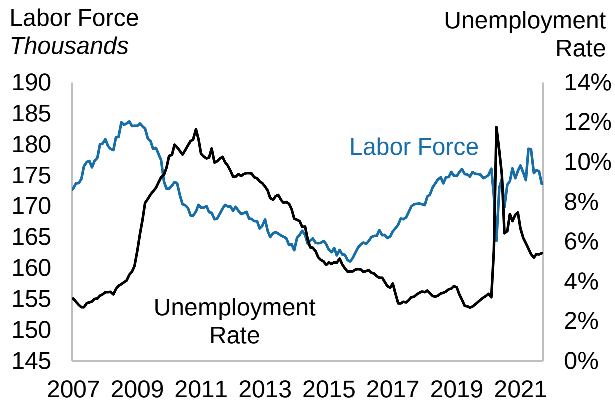
Table 29
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth					
Western Region[1]	3.4%	2.7%	1.4%	-5.3%	3.7%
Grand Junction MSA[2]	2.2%	2.5%	1.4%	-5.4%	1.2%
Unemployment Rate[1]	3.2%	3.5%	3.0%	7.1%	5.7%
Natural Gas Production Growth[3]	-6.3%	5.2%	-0.9%	-7.8%	-11.4%
Housing Permit Growth[4]	42.8%	15.5%	-11.7%	30.3%	25.6%
Nonresidential Construction Growth[4]					
Value of Projects	-33.1%	2.8%	64.7%	-67.0%	252.3%
Square Footage of Projects	-17.6%	27.4%	7.0%	-26.6%	47.0%
Level (*Thousands*)	477	608	651	477	573
Number of Projects	-36.7%	18.0%	20.3%	21.1%	31.4%
Level	50	59	71	86	92
National Park Recreation Visits[5]	6.5%	-5.8%	2.3%	-0.1%	10.1%

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2021.
[2]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through September 2021.
[3]Colorado Oil and Gas Conservation Commission. Data through August 2021.
[4]F.W. Dodge. Data through October 2021.
[5]National Park Service. Data through September 2021. Recreation visits for Dinosaur National Monument, Colorado National Monument, Black Canyon of the Gunnison, and Curecanti National Recreation Area.

Labor market. After declining 5.3 percent in 2020 as a result of the COVID-19 pandemic, employment had nearly reached pre-recession levels by May 2021 before beginning to decline again (Figure 56, left). Through September 2021, employment in the region is up by 3.7 percent over year-ago levels. Despite the recent decline in employment, the unemployment rate continued to decline after May, due largely to a shrinking labor force in the area (Figure 56, right). The western region's unemployment rate of 5.7 percent is just above the 5.6 percent state average.

Figure 56
Western Region Labor Market Activity

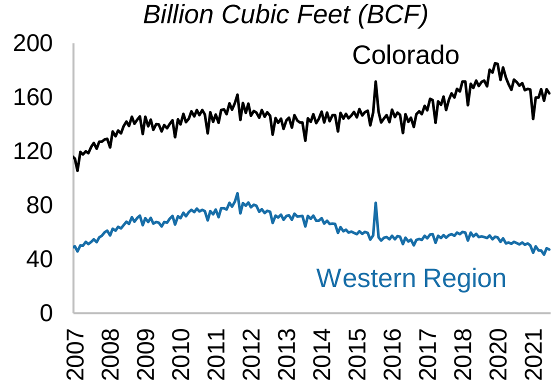


Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through September 2021.

Construction. Following a rebound in activity in 2020, the residential construction industry has kept a similar pace 2021, with a 25.6 percent increase in housing permits over the same period in 2020, spurred by a shift in demand toward more rural areas and larger houses as a result of the pandemic. Nonresidential construction suffered a slowdown in 2020, but has since bounced back, with the value of projects increased by 252.3 percent on a year-to-date basis in 2021. This growth is largely driven by significant investments in the Riverfront at Dos Rios development in Grand Junction, the new library building in Gunnison County, the expansion of the Gunnison-Crested Butte Airport, and an 80-megawatt solar project in the Delta-Montrose area. A portion of this sizable increase is due to the significant drop seen in 2020; however, it still suggests strong growth in the nonresidential construction sector.

Energy sector. The Piceance Basin is located in the western region of Colorado and is a sizable natural gas resource. Natural gas production in the region has largely been in decline since 2012. After declining by 7.8 percent in 2020, natural gas production has shrunk by an additional 11.4 percent in 2021 year-to-date through August (Figure 57). The cold snap in early 2021 pushed natural gas prices up from $2.71 in January to $12.18 per million Btu in the third week of February, as measured by the Henry Hub Natural Gas Spot Price, as demand spiked and supply was constrained due to the extreme weather. Natural gas prices have since moderated but are expected to remain well above 2020 prices through 2022.

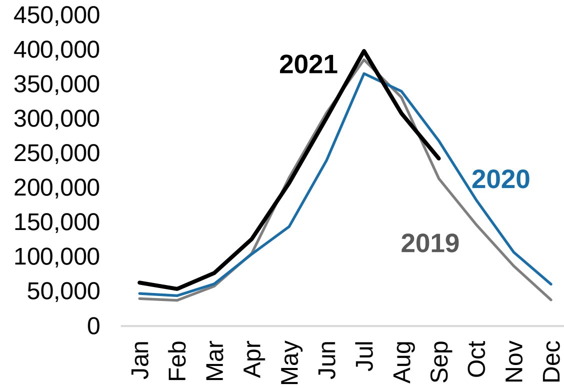
Figure 57
Natural Gas Production
Billion Cubic Feet (BCF)



Source: Colorado Oil and Gas Conservation Commission. Monthly data through August 2021.

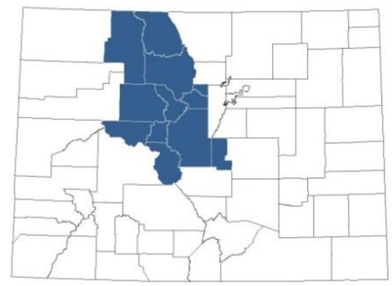
National park visitors. Subdued tourism resulting from the COVID-19 pandemic combined with summer wildfires in 2020 led to reduced outdoor recreation and national park visitation in the region in 2020 (Figure 58). As of September 2021, national park visits in this region are up by 10.1 percent compared to 2020 on a year-to-date basis. The Dinosaur National Monument and the Colorado National Monument have seen the largest increases, rising by 45.5 percent and 19.0 percent over 2020 year-to-date levels, respectively. Year-to-date through September, visits to the Black Canyon of the Gunnison have increased modestly over 2020 levels, while visits to the Curecanti National Recreation Area have declined modestly.

Figure 58
Regional National Park Visits



Source: National Park Service. Data are through September 2021 and include Dinosaur and Colorado National Monuments, Curecanti National Recreation Area, and Black Canyon of the Gunnison National Park.

Mountain Region



The mountain region comprises twelve counties stretching from Poncha Pass north to the Wyoming border. The region is the state's most dependent on tourism activity, with a large share of workers employed in leisure and hospitality industries. The pandemic severely impacted the region as communities lost nearly a quarter of February 2020 employment, pushing the unemployment rate higher than any other region in the state. Regional indicators continue to reflect a mixed recovery in 2021. The unemployment rate rose in the third quarter, although it was partly due to a jump in the labor force, which is a welcome sign for the region. Nonresidential construction activity slowed in 2021, a trend that is expected to continue into 2022. Encouragingly, residential construction activity continued at a strong pace. Economic indicators for the mountain region are presented in Table 30.

Table 30
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth[1]	4.0%	3.0%	1.9%	-7.2%	1.8%
Unemployment Rate[1]	2.2%	2.6%	2.3%	8.3%	5.3%
Housing Permit Growth[2]	-10.7%	68.0%	12.0%	-34.0%	41.1%
Nonresidential Construction Growth[2]					
Value of Projects	298.4%	-78.0%	40.6%	85.5%	-61.0%
Square Footage of Projects	221.0%	-65.1%	29.2%	20.9%	-32.9%
Level (*Thousands*)	2,028	708	915	1,106	691
Number of Projects	-1.6%	17.7%	-37.0%	71.7%	9.4%
Level	62	73	46	79	70

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2021.
[2]F.W. Dodge. Data through October 2021.

The mountain region economy generally performs better than other areas during expansions and worse than others during recessions. In normal economic circumstances, the mountain economy performs best when consumer confidence is high and households have disposable income to travel on vacation to the region. The ongoing pandemic has had varying impacts on the region, boosting some sectors and dampening others. While the region has benefited from improved confidence and travel activity during the recovery, it has been challenged by slow employment growth and a declining labor force.

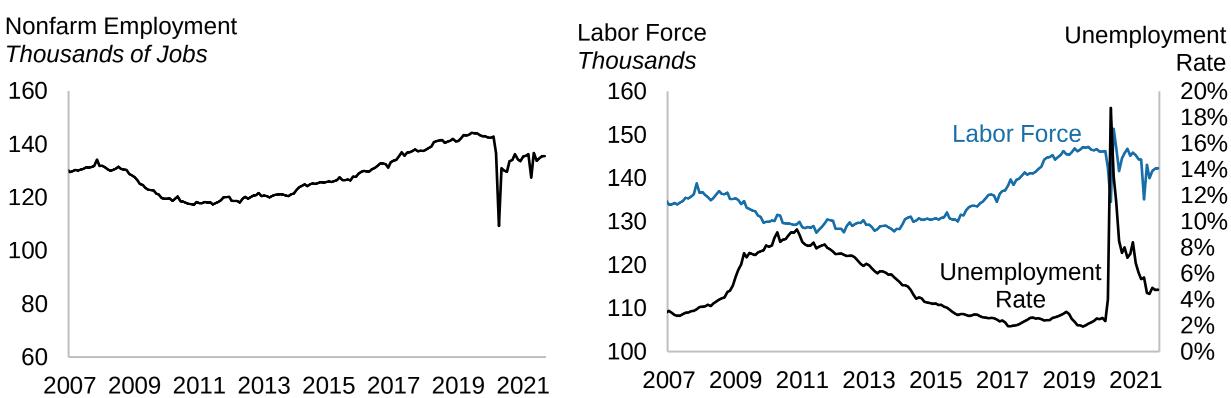
Labor market. Revised data indicate the unemployment rate jumped up from 2.3 percent to 18.7 percent from February to April 2020, well above the 12.1 percent seasonally-adjusted statewide peak. As a share of pre-pandemic employment, the region posted the largest contraction in the state. While the regional unemployment rate has declined through most of the economic recovery, the region remains sensitive to fluctuating economic and pandemic conditions. Further, the labor market faces challenges from the slow recovery of the region's labor force and inconsistent employment growth (Figure 59).

By the end of the third quarter 2021, the mountain region's unemployment rate rose to 4.8 percent after falling as low as 4.4 percent in June. Both the seasonally-adjusted level of unemployment and the labor force population rose quarter-over-quarter, putting upward pressure on the unemployment rate. The surge of the delta variant likely impacted the region's travel and spending activity in the third quarter. Despite the jump in the unemployment rate, growth in the labor force is a welcome sign for the regional economy as businesses prepare for the winter ski season. The mountain region is the only region in the state where the labor force has contracted from 2020 levels year-to-date. Indeed, the region's labor force remains well below pre-pandemic levels and has likely contributed to labor shortages, as reported by many businesses.

In September 2021, employment in the mountain region was up 1.8 percent year-to-date, the slowest growth in the state (Figure 59, left). Encouragingly, employment jumped from the second to the third quarter. However, employment remains well below peak levels, having recovered only 78 percent of jobs lost during the recession compared with 92 percent statewide. The region is heavily dependent on leisure and hospitality employment, typically accounting for over one-third of the region's employees. Thus, recovery from the pandemic-induced recession largely depends on this sector's performance. While regional data is significantly lagged, at a state level seasonally-adjusted leisure and hospitality employment continues to trend upward. In October 2021, employment in the sector was up 9.1 percent year-to-date and 16 percent year-over-year. While encouraging, employment in the sector remains below peak levels recorded in January 2020.

Another factor that may be impacting regional employment growth is the region's dependence on outside workers, particularly from communities adjacent to the Front Range such as Clear Creek and Gilpin counties. These workers may be reluctant to commute to the mountain communities over health concerns, a shift away from leisure and hospitality work, or more attractive employment options closer to home, among other things. Additionally, there are fewer opportunities for foreign workers with continued travel restrictions and lower work visa issuances. While data point to improved business activity and improved spending in the mountain region, labor shortages could be dampening employment growth.

Figure 59
Mountain Region Labor Market Activity



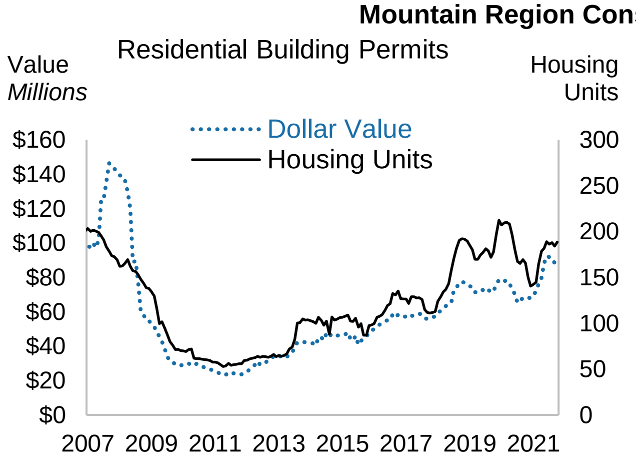
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through September 2021. Includes Legislative Council Staff adjustments prior to 2010.

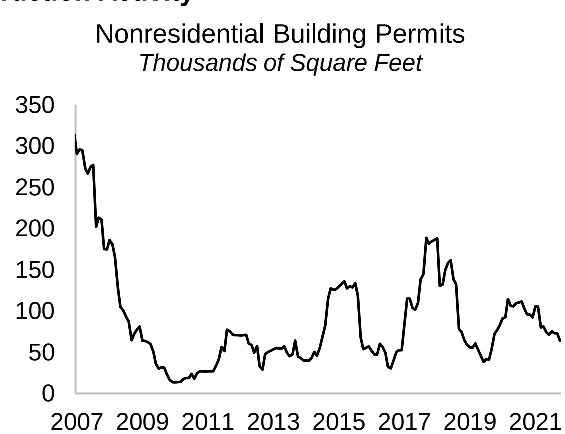
The trajectory of the pandemic remains a risk factor to the regional economy heading into the ski season. Unexpected surges in case counts and hospitalizations could spur local restrictions, impede travel, and reduce demand. So far, ski resorts appear to be opening with fewer capacity restrictions, and their increasing reliance on early ticket and pass sales will help mitigate revenue risks. However, local businesses supported by ski traffic may be those most impacted by COVID and other risks, including low snowpack and the ongoing labor shortage.

Construction. In contrast to other regions in the state, residential construction activity in the mountain region fell in 2020 despite strong sales activity and price growth. However, data indicate permitted units in the region were up about 41 percent through the first ten months of 2021 compared with the same period in 2020 (Figure 60, left), and are tracking closely with 2019 levels of activity. Although volatile due to limited building space and local regulations, residential construction is expected to end the year well above 2020 levels. Recent indicators point to slowing in the single-family home market for parts of the mountain region. Despite starting the year well above 2020 levels, sales activity year-to-date fell below 2020 levels in some of the region's counties by October. According to the Colorado Association of Realtors, sales year-to-date were down in Eagle (-14.6 percent), Grand (-0.4 percent), and Routt (-2 percent) counties, and were flat in Pitkin County. In eight of the 12 mountain counties, average and median single-family home sales prices have outpaced statewide price growth year-to-date. In 2021, prices have lagged statewide growth in Clear Creek, Gilpin, Jackson, and Pitkin counties.

Data indicate that nonresidential construction activity increased in 2020, with gains in both value and square footage (Figure 60, right). However, the gain is attributable to strength in the first half of the year offsetting slowing activity in the latter half. Based on data through October 2021, the nonresidential construction sector continued to lag, with the value of projects down 61 percent year-to-date and the square footage permitted down 33 percent year-to-date (Table). The region is expected to see slower nonresidential construction activity into 2022 as investors and businesses wait for more certainty.

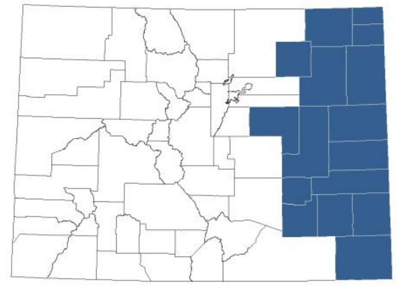
Figure 60
Mountain Region Construction Activity





Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through October 2021.

Eastern Region



The eastern region includes 16 rural counties on Colorado's eastern plains. Agriculture is the primary industry in the region, with local businesses and government operations supporting local farming and ranching communities. Out-migration and an aging population continue to put pressure on the region's labor force, which is the most sparsely populated in the state. Supply chain disruptions and deteriorating drought conditions cloud the outlook for the region's agricultural industry. Consistent with historical trends, labor markets continue to outperform those in other regions of the state. Economic indicators for the region are presented in Table 31.

Table 31
Eastern Region Economic Indicators
Baca, Bent, Logan, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth[1]	3.1%	2.1%	1.0%	-4.5%	5.6%
Unemployment Rate[1]	2.3%	2.7%	2.4%	4.5%	4.4%
Crop Price Changes[2]					
Wheat ($/Bushel)	-2.9%	34.6%	-7.0%	6.3%	36.3%
Corn ($/Bushel)	-3.4%	2.8%	9.3%	-4.6%	62.9%
Alfalfa Hay (Baled, $/Ton)	4.8%	23.8%	14.9%	-7.8%	-0.8%
Livestock[3]					
State Cattle and Calf Inventory Growth	6.7%	2.6%	8.0%	1.9%	4.5%
Milk Production	6.7%	8.8%	5.5%	7.1%	3.3%
Housing Permit Growth[4]	22.2%	43.4%	0.2%	22.3%	24.3%

[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through September 2021.
[2]National Agricultural Statistics Service. Data through September 2021.
[3]National Agricultural Statistics Service. Cattle and calf inventory as of October 1, 2021; milk production through September 2021.
[4]F.W. Dodge. Data through October 2021.

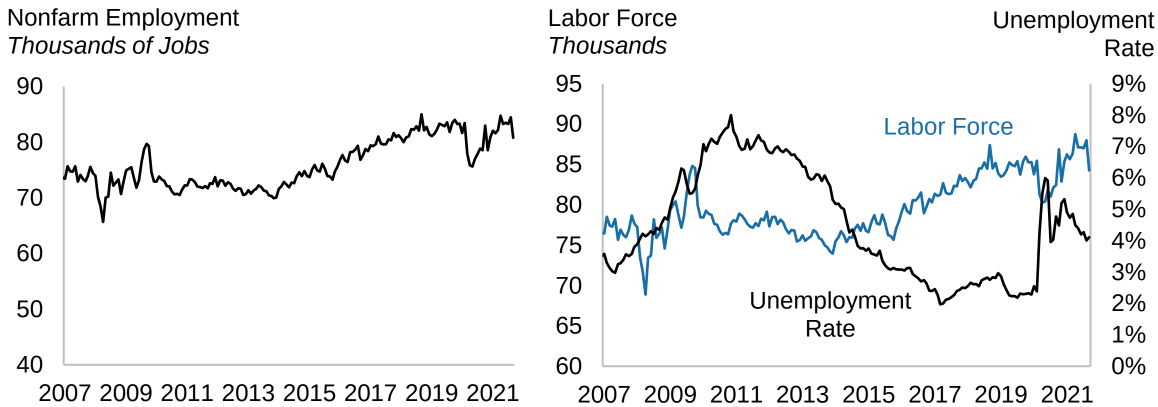
Agriculture and livestock. The eastern plains is the largest agricultural region in the state, and the sector drives much of the region's economy. While pandemic-related disruptions roiled agricultural markets early in 2020, conditions stabilized in the second half of the year. The continued economic recovery along with strong global demand have sent grain prices, led by corn, skyrocketing in 2021. Colorado corn and wheat prices continue to top multi-year highs, and in September 2021 were up 62.9 percent and 36.3 percent, respectively, year-to-date compared to the same period last year.

Despite higher crop prices, the region's agricultural producers face increasing headwinds. Ongoing recovery-related supply chain disruptions have resulted in shortages and higher prices for key agricultural inputs including fertilizers, pesticides, fuel, machinery, and trucking. Further, drought conditions in the region have deteriorated considerably over the summer and fall, with much of the region returning to moderate to extreme drought as of November 18, 2021, reversing the improvements seen earlier in the year following substantial spring precipitation.

Labor market. As in other areas of the state and nation, labor market conditions in the eastern plains have seen a choppy recovery in 2021. Average employment in the third quarter of 2021 is down by

1.1 percent compared to the previous quarter, but is up 5.6 percent year-to-date through September 2021 (Figure 61, left). After exceeding pre-pandemic levels earlier in 2021, employment fell to 96.8 percent of February 2020 levels in September. The region's unemployment rate ticked up by 0.1 percent in September 2021, to 4.1 percent, bringing the 2021 average to 4.4 percent, the lowest among the state's nine regions (Figure 61, right).

Figure 61
Eastern Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through September 2021.

Housing and population growth. The eastern plains was the slowest-growing region in the state between 2010 and 2020, gaining a net of only 68 people. Significant population gains in Elbert and Morgan counties were offset by losses in Kit Carson, Logan, Bent, Baca, and Prowers counties. Counties experiencing population growth border the northern region and the Denver and Colorado Springs metropolitan areas, as former residents of these larger, more expensive areas search for more affordable housing. As a result, housing markets in these counties are seeing substantial home price appreciation. The median sales price for a single-family home in Elbert County, for example, which borders both metro Denver and Colorado Springs, has risen 20.6 percent to $645,000 through October 2021 compared to the same period last year, with sellers receiving over 100 percent of the list price, according to the Colorado Association of Realtors. Median home prices in Morgan County, bordering the northern and metro Denver regions, grew 10.5 percent to $300,000 through October 2021, but remain well below the statewide median of $510,000.

Wind farms. The eastern plains region has seen substantial investment in wind energy in recent years, expanding property tax revenues for local communities and providing a stable revenue source for landowners who agree to house wind turbines. With over 500 turbines between them, Xcel Energy's Cheyenne Ridge and Rush Creek wind farms span Cheyenne, Elbert, Kit Carson, and Lincoln counties. Xcel Energy recently announced the construction of a high-voltage transmission line to bring electricity from the region to the Front Range. As the state continues to address renewable energy goals, the abundance of wind resources in the region is expected to attract more investment in wind farms.

Appendix: Historical Data

National Economic Indicators

Calendar Years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GDP ($ *Billions*)[1]	$13,815.6	$14,474.2	$14,769.9	$14,478.1	$15,049.0	$15,599.7	$16,254.0	$16,843.2	$17,550.7	$18,206.0	$18,695.1	$19,479.6	$20,527.2	$21,372.6	$20,893.7
Percent Change	6.0%	4.8%	2.0%	-2.0%	3.9%	3.7%	4.2%	3.6%	4.2%	3.7%	2.7%	4.2%	5.4%	4.1%	-2.2%
Real GDP ($ *Billions*)[1]	$15,315.9	$15,623.9	$15,643.0	$15,236.3	$15,649.0	$15,891.5	$16,254.0	$16,553.3	$16,932.1	$17,390.3	$17,680.3	$18,079.1	$18,606.8	$19,032.7	$18,384.7
Percent Change	2.8%	2.0%	0.1%	-2.6%	2.7%	1.5%	2.3%	1.8%	2.3%	2.7%	1.7%	2.3%	2.9%	2.3%	-3.4%
Unemployment Rate[2]	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%
Inflation[2]	3.2%	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%
10-Year Treasury Note[3]	4.8%	4.6%	3.7%	3.3%	3.2%	2.8%	1.8%	2.4%	2.5%	2.1%	1.8%	2.3%	2.9%	2.1%	0.9%
Personal Income ($ *Billions*)[1]	$11,384.7	$12,021.4	$12,477.6	$12,080.4	$12,594.5	$13,339.3	$14,014.3	$14,193.7	$14,976.6	$15,685.2	$16,096.9	$16,850.2	$17,706.0	$18,424.4	$19,627.6
Percent Change	7.4%	5.6%	3.8%	-3.2%	4.3%	5.9%	5.1%	1.3%	5.5%	4.7%	2.6%	4.7%	5.1%	4.1%	6.5%
Wage & Salaries ($ *Billions*)[1]	$6,056.7	$6,396.4	$6,534.1	$6,249.1	$6,372.5	$6,626.2	$6,928.1	$7,114.0	$7,476.3	$7,859.5	$8,091.3	$8,474.7	$8,900.5	$9,323.5	$9,444.1
Percent Change	6.4%	5.6%	2.2%	-4.4%	2.0%	4.0%	4.6%	2.7%	5.1%	5.1%	2.9%	4.7%	5.0%	4.8%	1.3%
Nonfarm Employment (*Millions*)[2]	136.4	138.0	137.2	131.3	130.3	131.9	134.2	136.4	138.9	141.8	144.3	146.6	148.9	150.9	142.3
Percent Change	1.8%	1.1%	-0.5%	-4.3%	-0.7%	1.2%	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.3%	-5.7%

Sources
[1]U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.
[2]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).
[3]Federal Reserve Board of Governors.

Colorado Economic Indicators

Calendar Years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nonfarm Employment (*Thousands*)[1]	2,278.6	2,330.3	2,349.6	2,244.3	2,221.0	2,257.4	2,311.7	2,380.5	2,463.5	2,541.2	2,601.5	2,660.2	2,727.1	2,789.9	2,645.9
Percent Change	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.5%	3.2%	2.4%	2.3%	2.5%	2.3%	-5.2%
Unemployment Rate[1]	4.3%	3.7%	4.9%	7.9%	9.1%	8.7%	8.0%	6.8%	5.0%	3.7%	3.1%	2.6%	3.0%	2.7%	7.3%
Personal Income ($ *Millions*)[2]	$189,466	$202,116	$210,029	$199,352	$205,866	$223,493	$236,759	$249,513	$271,410	$284,837	$289,673	$309,658	$331,955	$350,390	$370,392
Percent Change	8.2%	6.7%	3.9%	-5.1%	3.3%	8.6%	5.9%	5.4%	8.8%	4.9%	1.7%	6.9%	7.2%	5.6%	5.7%
Per Capita Personal Income ($)[2]	$40,137	$42,074	$42,953	$40,093	$40,785	$43,635	$45,586	$47,339	$50,706	$52,222	$52,251	$55,125	$58,267	$60,848	$63,776
Percent Change	6.2%	4.8%	2.1%	-6.7%	1.7%	7.0%	4.5%	3.8%	7.1%	3.0%	0.1%	5.5%	5.7%	4.4%	4.8%
Wage & Salary Income ($ *Millions*)[2]	$105,649	$112,526	$116,710	$112,228	$113,670	$118,414	$124,947	$129,521	$138,626	$146,578	$151,165	$160,963	$170,904	$182,944	$187,128
Percent Change	7.0%	6.5%	3.7%	-3.8%	1.3%	4.2%	5.5%	3.7%	7.0%	5.7%	3.1%	6.5%	6.2%	7.0%	2.3%
Retail Trade Sales ($ *Millions*)[3]	$70,437	$75,329	$74,760	$66,345	$70,738	$75,548	$80,073	$83,569	$90,653	$94,920	NA	NA	NA	NA	NA
Percent Change	7.5%	6.9%	-0.8%	-11.3%	6.6%	6.8%	6.0%	4.4%	8.5%	4.7%					
Housing Permits[4]	38,343	29,454	18,998	9,355	11,591	13,502	23,301	27,517	28,698	31,871	38,974	40,673	42,627	38,633	40,469
Percent Change	-16.4%	-23.2%	-35.5%	-50.8%	23.9%	16.5%	72.6%	18.1%	4.3%	11.1%	22.3%	4.4%	4.8%	-9.4%	4.8%
Nonresidential Construction (*Millions*)[5]	$4,641	$5,259	$4,114	$3,354	$3,147	$3,923	$3,695	$3,624	$4,351	$4,991	$5,988	$6,155	$8,146	$5,167	$5,444
Percent Change	8.6%	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.8%	-1.9%	20.1%	14.7%	20.0%	2.8%	32.4%	-36.6%	5.4%
Denver-Aurora-Lakewood Inflation[1]	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%	1.2%	2.8%	3.4%	2.7%	1.9%	2.0%
Population (*Thousands, July 1*)[4]	4,720.4	4,803.9	4,889.7	4,972.2	5,029.2	5,121.9	5,193.7	5,270.8	5,352.6	5,454.3	5,543.8	5,617.4	5,697.2	5,758.5	5,773.7
Percent Change	1.9%	1.8%	1.8%	1.7%	1.1%	1.8%	1.4%	1.5%	1.6%	1.9%	1.6%	1.3%	1.4%	1.1%	0.3%

NA = Not available.
[1]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for Denver-Aurora-Lakewood metro area.
[2]U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.
[3]Colorado Department of Revenue. Data are not available after 2015.
[4]U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.
[5]F.W. Dodge.