



Economic & Revenue Forecast

December 2023



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

December 2023 | Economic & Revenue Forecast

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Executive Summary

This report presents the budget outlook based on current law and the December 2023 forecast for General Fund revenue, cash fund revenue, and the state TABOR outlook. It also includes annual forecasts for kindergarten through twelfth grade (K-12) enrollment and assessed values, which inform an updated school finance outlook, and annual forecasts for the adult and juvenile corrections populations. Consistent with other quarterly forecasts, it 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 2022-23	Preliminary, unaudited reports from the Office of the State Controller indicate that the General Fund ended FY 2022-23 with an 18.2 percent reserve, \$431.5 million above the statutory requirement. General Fund revenue grew 1.7 percent and totaled \$18.00 billion. State TABOR revenue exceeded the Referendum C cap by \$3.57 billion, triggering a \$3.68 billion TABOR refund obligation for FY 2023-24 that incorporates underrefunded prior year surpluses.
FY 2023-24	The General Fund is expected to end FY 2023-24 with a 15.3 percent reserve, \$49.6 million above the statutory requirement. General Fund revenue is expected to decrease by 2.7 percent, mostly on an expected decline in corporate income tax collections, and total \$17.52 billion. Revenue is expected to exceed the Referendum C cap by \$1.78 billion after the cap rises by 8.5 percent.
FY 2024-25 Unbudgeted	General Fund revenue is expected to grow 6.0 percent and total \$18.58 billion, with state revenue subject to TABOR exceeding the Referendum C cap by \$1.79 billion. The General Fund is projected to have \$1.15 billion, or 6.5 percent, more available to spend or save relative to what is budgeted to be spent in FY 2023-24 after the application of current law transfers, rebates, and expenditures, and the 15.0 percent statutory reserve requirement. This amount does not incorporate caseload growth, inflationary, or other budgetary pressures. The General Fund Budget Overview section also presents the budget outlook in the context of the Governor's November 2023 budget proposal for FY 2024-25 ("Scenario B"). In that scenario, the General Fund would be expected to end the year with a 14.5 percent reserve, \$83.9 million below the statutorily required 15.0 percent reserve.
FY 2025-26 Unbudgeted	General Fund revenue is expected to grow 5.5 percent and total \$19.60 billion, with state revenue subject to TABOR exceeding the Referendum C cap by \$2.01 billion. The budget outlook for this year depends in large part on choices the General Assembly will make for FY 2024-25.

Risks to the budget outlook. Risk to the budget outlook has moderated. However, the outlook for corporate income tax collections remains especially uncertain, as discussed in the General Fund Budget Overview and General Fund Revenue sections. While state revenue remains above the Referendum C cap, upside risk to the cash fund revenue forecast also poses downside risk to budget flexibility.

Cash Fund Revenue

Cash fund revenue subject to TABOR totaled \$2.76 billion in FY 2022-23, an increase of 3.5 percent from the prior fiscal year. In the current fiscal year, total cash fund revenue subject to TABOR is expected to total \$2.83 billion, an increase of 2.8 percent from the prior year. Growth is expected to slow from last year primarily from lower revenue from severance taxes. Total cash fund revenue subject to TABOR in the FY 2024-25 is expected to total nearly \$3.0 billion, an increase of 4.2 percent from FY 2023-24. By FY 2025-26, cash fund revenue is expected to come in just over \$3.0 billion.

Economic Outlook

The U.S. and Colorado economies exceeded expectations in 2023 with low unemployment rates, robust consumer spending, and softening inflation. This forecast anticipates that economic growth will slow in 2024 as the lagged impacts of higher interest rates continue to take effect and consumer activity slows due to weakening household finances. Risk of an upcoming recession is still present, but incoming data indicate that a recession is becoming less likely. Tight monetary policy continues to be a risk for economic activity moving forward, but consistent disinflation and a healthy labor market signal that monetary policy has, thus far, successfully walked the line between being too aggressive and not aggressive enough.

Household balance sheets have weakened, showing low rates of personal saving, which is expected to weaken consumer spending in 2024. Finances may be improved by rebounding real incomes and wages. Employment growth has slowed to more sustainable levels compared to 2022, but has slowed more for Colorado than the nation, pending upcoming data revisions. Inflation has slowed substantially and is expected to continue to fall throughout the forecast period, but remain above 2 percent. Inflation remains higher in Colorado than the nation as housing costs continue to exert more upward pressure.

Discussion of the economic outlook begins on page 95, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 25 and 26 on pages 120 and 121.

School Finance Outlook

An update to the school finance outlook begins on page 21.

FY 2023-24. The state aid requirement for total program funding is expected to be about \$20 million lower than budgeted during the 2023 session. This reflects slight enrollment increases and higher than expected at-risk populations in the 2023-24 school year, which increased the overall total program cost by \$59 million. In addition, the local share is expected to be nearly \$79 million higher than previously forecast.

FY 2024-25. The state aid requirement is expected to decrease by \$29 million in FY 2024-25 relative to current year levels. This estimate assumes that the budget stabilization factor is eliminated and is based on revised inflation expectations and the 2023 kindergarten through twelfth grade (K-12) enrollment forecast, which suggest that total program requirements will increase by \$379 million year-over-year. Additionally, the 2023 assessed valuation forecast implies a \$408 million increase in the local share in FY 2024-25 over current year levels.

K-12 Enrollment

Enrollment for the current school year totals 835,739 student FTE across Colorado's public schools, down 3,328 FTE or 0.4 percent from the previous year. Decreasing enrollment is likely due to low birth rates and high housing prices resulting in smaller cohorts of students moving through the system. Enrollment is projected to fall further through the forecast period, by about 4,614 student FTE, or 0.6 percent, in the 2024-25 school year, and by about 3,900 student FTE, or 0.5 percent, in the 2025-26 school year.

There are both upside and downside risks to the forecast. Enrollment may exceed expectations if extended high school enrollment grows faster than anticipated, students who left public education during the COVID-19 pandemic return to public education as they get older, and the growth in the state population of five year olds increases kindergarten enrollment by more than projected. Enrollment may fall short of expectations should high housing costs and lower birth rates result in larger enrollment declines than expected. Enrollment projections begin on page 53.

Assessed Values

A forecast for assessed values – the amount of property values that are subject to taxation at local mill levies – begins on page 61. This forecast incorporates the changes under Senate Bill 23B-001 that was passed by the General Assembly during the November 2023 special session. Assessed values are estimated to have increased 24.6 percent in property tax year 2023. Legislative adjustments dampened the spike in assessed values, but increases still exceeded those in prior reassessment cycles.

In 2024, assessed values are expected to grow 6.9 percent under current law as temporary reductions through lower assessment rates and value adjustments expire. Legislative adjustments are expected to offset a significant decrease in oil and gas valuation and weaker building activity. More pronounced in lower value areas of the state, the expiration of a \$55,000 residential value adjustment under SB 23B-001 could contribute to significant and rapid, double-digit increases in residential assessed value for many areas under current law.

In the 2025 reassessment year, weaker market conditions following peak prices captured in the 2023 reassessment cycle will contribute to a slow 1.9 percent increase in projected assessed values. Moderate building activity will contribute to a projected 0.8 percent increase in the 2026 intervening year.

Correctional Populations

A forecast for the state's adult prison population and parole caseload begins on page 75. A forecast for juvenile correctional populations, including commitment, parole, and detention populations, begins on page 89.

The state's **adult prison population** rose to 17,054 in June 2023, increasing by 693 offenders, as post-pandemic growth slowed. The prison population is expected to increase to 17,457 inmates in June 2024 and 17,715 inmates in June 2025. The in-state **adult parole population** continued to decline in FY 2022-23, falling to 7,300 in June 2023. The parole population is expected to rise to 7,382 in June 2024, and to 7,494 in June 2025, as releases continue to outpace parole discharges.

The **juvenile commitment population** fell to an average of 256 youths in FY 2022-23, and is expected to continue to decline through FY 2025-26, to 221 youths. The **juvenile parole population** averaged 106 youths in FY 2022-23, and is expected to decline through the forecast period, to 95 youths in FY 2025-26. The **detention population** is expected to increase from 180 youths in FY 2022-23, to 210 youths in FY 2025-26. The detention population is expected to remain below the 215 bed cap imposed by Senate Bill 21-071 on average, while exceeding it in some days and months throughout the forecast period.

General Fund Budget Overview

This section presents the General Fund overview based on current law. The General Fund overview is shown in Table 1. This section also presents the following:

- a budget scenario for FY 2024-25 and FY 2025-26 that incorporates the Governor's November 1, 2023, budget proposal (Table 2);
- a summary of changes in expectations relative to the September 2023 forecast (Table 3);
- transfers to transportation and capital construction funds (Table 4);
- the disposition of fiscal policies dependent on revenue conditions;
- General Fund rebates and expenditures (Table 5); and
- cash fund transfers to and from the General Fund (Table 6).

Legislative Assumptions

This forecast is based on current law and incorporates all 2023 legislation that became law, including legislation enacted during the November 2023 special session. The forecast also incorporates Proposition II, which was approved by voters at the November 2023 election.

FY 2022-23

Preliminary, unaudited reports from the Office of the State Controller indicate that the General Fund ended FY 2022-23 with an 18.2 percent reserve, \$431.5 million above the statutorily required 15.0 percent reserve (Table 1, line 20). This amount has been revised up from the September 2023 forecast based on additional reporting from the controller that reflects General Fund reversions for FY 2022-23, and will be finalized with publication of the annual comprehensive financial report before the March 2024 forecast. General Fund revenue grew 1.7 percent and totaled \$18.00 billion.

On September 1, 2023, the State Controller certified a state TABOR surplus of \$3.57 billion for FY 2022-23, equal to about 17.6 percent of state revenue subject to TABOR, or about 19.8 percent of gross General Fund revenue. The Controller's certification also indicated an outstanding refund obligation of \$114.4 million for prior, underfunded TABOR surpluses, for a total refund obligation of \$3.68 billion in FY 2023-24.

FY 2023-24

Incorporating appropriations adopted in the Long Bill and other 2023 legislation, as well as forecast expectations for revenue, transfers, rebates and expenditures, and the TABOR refund obligation, the General Fund is expected to end FY 2023-24 with a 15.3 percent reserve, \$49.6 million above the 15.0 percent reserve requirement (Table 1, line 20). In addition to normal forecast revisions, supplemental appropriations adopted during the 2024 legislative session and other legislative changes to appropriations and transfers will affect this amount.

General Fund revenue collections are expected to decrease by 2.7 percent, mostly on a projected decline in corporate income tax collections. State revenue subject to TABOR is expected to exceed the Referendum C cap by \$1.78 billion.

Table 1
General Fund Overview
Dollars in Millions

		FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Funds Available		Preliminary	Estimate	Estimate	Estimate
1	Beginning Reserve	\$3,203.2	\$2,427.7	\$2,263.0	*
2	General Fund Revenue (Table 10)	\$18,002.2	\$17,523.6	\$18,579.0	\$19,601.7
3	Transfers from Other Funds (Table 6)	\$53.5	\$75.1	\$81.1	\$77.2
4	Total Funds Available	\$21,258.9	\$20,026.5	\$20,923.1	*
5	Percent Change	1.5%	-5.8%	4.5%	*
Expenditures		Preliminary	Budgeted	Estimate	Estimate
6	General Fund Appropriations Subject to the Limit ¹	\$13,308.1	\$14,755.9	*	*
7	Appropriations from Healthy School Meals Account ¹		\$115.3	*	*
8	TABOR Refund Obligation Under Art. X, §20, (7)(d)	\$3,683.1	\$1,777.0	\$1,792.6	\$2,013.2
9	Rebates and Expenditures (Table 5)	\$168.7	\$245.3	\$186.9	\$184.6
10	Transfers to Other Funds (Table 6)	\$1,005.7	\$532.6	\$429.7	\$439.7
11	Transfers to the State Education Fund ²	\$290.0	\$0.0	\$146.0	\$0.0
12	Transfers to Transportation Funds (Table 4)	\$88.0	\$5.0	\$117.5	\$117.5
13	Transfers to Capital Construction Funds (Table 4)	\$488.3	\$332.4	\$20.0	\$20.0
14	Total Expenditures	\$19,031.9	\$17,763.5	*	*
15	Percent Change	6.7%	-6.7%	*	*
16	Accounting Adjustments ³	\$200.7	*	*	*
Reserve		Preliminary	Estimate	Estimate	Estimate
17	Year-End General Fund Reserve	\$2,427.7	\$2,263.0	*	*
18	Year-End Reserve as a Percent of Appropriations	18.2%	15.3%	*	*
19	Statutorily Required Reserve ⁴	\$1,996.2	\$2,213.4	*	*
20	Amount in Excess or (Deficit) of Statutory Reserve	\$431.5	\$49.6	*	*
21	Excess Reserve as a Percent of Expenditures	2.3%	0.3%	*	*
Perspectives on FY 2024-25 (Unbudgeted)				Estimate	
Scenario A: Holds FY 2023-24 Appropriations Constant ⁵					
22	Amount in Excess or (Deficit) of 15% Reserve Requirement			\$1,145.8	
23	As a Percent of Prior-Year Expenditures			6.5%	
Scenario B: Assumes the Governor’s FY 2024-25 Budget Request ⁶					
24	Amount in Excess or (Deficit) of 15% Reserve Requirement		\$55.5	-\$83.9	-\$105.6
25	As a Percent of Prior-Year Expenditures		0.3%	-0.5%	-0.6%
Addendum		Preliminary	Estimate	Estimate	Estimate
26	Percent Change in General Fund Appropriations	10.5%	10.9%	*	*
27	5% of Colorado Personal Income Appropriations Limit	\$18,757.9	\$20,898.4	\$22,110.7	\$23,238.3
28	Transfers to State Education Fund per Amendment 23	\$1,066.4	\$1,062.2	\$1,110.1	\$1,167.0

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

¹Line 6 shows appropriations subject to the statutory reserve requirement (line 19) and the appropriations limit (line 27). Line 7 shows appropriations from the Healthy School Meals Program Exempt Account pursuant to Proposition FF and SB 23-221. The amounts on line 7 are not subject to the reserve requirement and appropriations limit.

²Includes transfers pursuant to HB 22-1390, net of amendments in SB 22-202, and SB 23B-001. Does not include transfers to the SEF under Amendment 23, which are shown on line 28.

³Reversions of appropriated amounts and other accounting adjustments to arrive at the year-end balance anticipated to be published in the Annual Comprehensive Financial Report. FY 2022-23 includes \$114.4 million underrefunded from the TABOR refund obligation, mostly due to the passage of Proposition 121.

⁴The required reserve is calculated as 15 percent of operating appropriations. Appropriations from the Healthy School Meals Account (line 7) are exempt from the reserve requirement.

⁵This scenario holds appropriations in FY 2024-25 equal to appropriations in FY 2023-24 (lines 6 and 7) to determine the total amount of money available relative to FY 2023-24 expenditures, net of the obligations in lines 8 through 13.

⁶This scenario assumes the Governor's November 1, 2023, budget proposal. For FY 2023-24, it increases appropriations by \$29.2 million and decreases the TABOR refund obligation by \$39.5 million, increasing the FY 2024-25 beginning balance. For FY 2024-25, includes all requested appropriations, placeholders, and transfers. For FY 2025-26, it assumes the FY 2024-25 ending balance and includes estimated out-year appropriations included in the request, out-year costs for capital projects included in the request, and a placeholder for controlled maintenance costs equal to 1% of the current replacement value of state facilities. See the December 18, 2023, JBC Staff briefing document available at: <https://leg.colorado.gov/sites/default/files/gfo-12-18-23.pdf>

FY 2024-25 and FY 2025-26 (Unbudgeted)

General Fund revenue is expected to grow 6.0 percent in FY 2024-25, roughly in line with its historical trend growth rate, based on this forecast's expectations for a stabilizing economy. Collections from individual income and sales taxes are expected to accelerate from the pace of growth expected in FY 2023-24. State revenue subject to TABOR is expected to exceed the Referendum C cap by \$1.79 billion. Because a budget has not yet been enacted for FY 2024-25, this forecast presents two scenarios for the General Fund budget outlook.

Scenario A: Holds appropriations constant in FY 2024-25. Table 1 (lines 22 and 23) shows the amount of revenue available to be spent or saved in FY 2024-25 relative to the amount appropriated in FY 2023-24. Based on this forecast, the General Assembly will have \$1.15 billion, or 6.5 percent, more available to spend or save than in FY 2023-24. This amount assumes current law obligations for FY 2024-25, including transfers, rebates, and expenditures (Table 1, lines 9 through 13), as well as a 15.0 percent reserve requirement and the projected TABOR refund obligation. The \$1.15 billion amount is a cumulative amount that reflects the FY 2023-24 budget situation and projected year-end balance. Any changes in revenue or adjustments made to the budget for FY 2023-24 will carry forward into FY 2024-25. This amount holds FY 2023-24 appropriations constant and therefore does not reflect any caseload, inflationary, or other budget pressures.

Scenario B: Governor's budget request. Scenario B, shown on lines 24 and 25 of Table 1, presents the amount of revenue in excess or deficit of the statutorily required 15 percent reserve for FY 2023-24 through FY 2025-26 assuming adoption of the Governor's November 1, 2023, budget proposal. These estimates are provided for informational purposes and to allow for comparison with the budget overview from the Office of State Planning and Budgeting. The inclusion of Scenario B should not be considered an endorsement of the Governor's proposal by Legislative Council Staff.

- **FY 2023-24.** The Governor's proposal would increase current year appropriations by \$29.2 million on net via mid-year adjustments, and would decrease the current year TABOR refund obligation by \$39.5 million via creation of an enterprise for the Employment Support Fund. The General Fund would end FY 2023-24 with a \$55.5 million surplus relative to the statutory reserve requirement, resulting in a higher beginning balance for FY 2024-25.
- **FY 2024-25.** The Scenario B adjustments made to the FY 2024-25 budget outlook are summarized in Table 2. Scenario B assumes General Fund appropriations of \$15,864.9 million for FY 2024-25. This amount includes all appropriations in the Governor's proposal, except \$236.8 million in proposed appropriations for budget line items included in this forecast as rebates and expenditures (Table 1, line 9), along with \$2.2 million in annualized appropriations for legislation passed during the 2023 special session. Notably, this amount includes \$137.9 million in placeholders for General Fund appropriations for programs that would be enacted in 2024 legislation. It subtracts \$212.7 million in costs currently appropriated from the General Fund, for which the Governor proposes alternative funding sources outside of the General Fund.

Beyond changes to appropriations, Scenario B incorporates the effects of the following budget actions proposed by the Governor for FY 2024-25:

- a \$50.0 million transfer of severance tax revenue to the General Fund;
- \$199.5 million in additional transfers from the General Fund to the Capital Construction Fund, beyond the \$20.0 million authorized in current law and included in Scenario A (Table 1, line 13);
- \$115.1 million in additional transfers from the General Fund to other cash funds, beyond the \$429.7 million required under current law and included in Scenario A (Table 1, line 10); and
- \$172.9 million in additional proposed budget actions for FY 2024-25, beyond the \$39.5 million included for FY 2023-24 above, that would allow additional General Fund budget space, either by reducing the TABOR refund obligation or by supplanting General Fund obligations for transfers or the TABOR emergency reserve.

Relative to Scenario A, Scenario B includes \$1,135.4 million more in total expenditures for FY 2024-25, including \$993.6 million in additional appropriations and \$141.7 million more, on net, in additional General Fund transfers and expenditures other than appropriations, including the TABOR refund obligation. As a result of increased appropriations, the statutory reserve requirement is estimated to be \$154.6 million higher. The General Fund is estimated to end FY 2024-25 with a 14.5 percent reserve, \$83.9 million below the statutorily required 15.0 percent reserve.

Table 2
FY 2024-25 Budget Scenario B; Applies the Governor's Budget Proposal to this Forecast
Dollars in Millions

		FY 2024-25
1	Excess Reserve Under Scenario A	\$1,145.8
Change in Funds Available		
2	Effect of Proposed FY 2023-24 Mid-Year Appropriations Reductions	(\$29.2)
3	Effect of Proposed FY 2023-24 Revenue Actions	\$39.5
4	Proposed Transfer from Severance Tax	\$50.0
5	Total Change in Funds Available	\$60.3
Change in Appropriations		
6	Change in Budget Requests Funded through Long Bill ¹	\$1,068.4
7	Placeholder for 2024 Legislation	\$137.9
8	Proposed Alternatives to General Fund Appropriations	(\$212.7)
9	Total Change in Appropriations	\$993.6
Change in Transfers and Other General Fund Obligations		
10	Additional Proposed Transfers to Capital Construction Fund	\$199.5
11	Additional Proposed Transfers to Other Cash Funds	\$115.1
12	Proposed Revenue Actions to Increase Available General Fund	(\$172.9)
13	Total Change in Transfers and Other Obligations	\$141.7
14	Change in Expenditures (Line 9 plus Line 13)	\$1,135.4
15	Change in Required Reserve (Approximately² 15% of Line 9)	\$154.6
16	Total Change in General Fund Obligations	\$1,290.0
17	Excess Reserve Under Scenario B (Line 1 plus Line 5 minus Line 16)	(\$83.9)

Source: December 2023 LCS Forecast and Joint Budget Committee Staff analysis of Governor's November 1, 2023, budget proposal.

¹Nets out \$236.8 million from the Governor's proposed appropriations for General Fund rebates and expenditures, which Legislative Council Staff forecasts independently.

²The Governor's proposal decreases appropriations from the Proposition FF General Fund Exempt Account from \$115.3 million in FY 2023-24 to \$78.5 million in FY 2024-25. Because appropriations from this account are not subject to the reserve requirement, the change in the reserve requirement is less than 15% of the amount shown on Line 9.

- **FY 2025-26.** Scenario B assumes that the General Fund will begin FY 2025-26 with a balance of \$2,284.1 million after incorporation of the assumptions for FY 2024-25. The scenario assumes General Fund appropriations of \$16,568.4 million for FY 2025-26. This amount includes out-year changes to appropriations in the Governor's proposal, except \$241.3 million in proposed appropriations for budget line items included in this forecast as rebates and expenditures, along with \$2.1 million in annualized appropriations for legislation passed during the 2023 special session. It incorporates placeholders for an out-year transfer for Charter School Institute mill levy equalization (\$42.1 million), out-year capital costs for building projects (\$63.8 million) and IT projects (\$32.8 million) included in the Governor's request, as well as a placeholder for controlled maintenance expenses equal to 1 percent of

the current replacement value of state facilities (\$156.5 million), the State Architect's recommended amount. It also incorporates the out-year TABOR impact of the proposed Employment Support Fund enterprise (\$23.5 million). Under Scenario B, the General Fund is expected to end FY 2025-26 with a 14.4 percent reserve, \$105.6 million below the statutorily required 15.0 percent reserve.

Risks to the General Fund Budget Outlook

Recession risk is budget risk. Near-term recession risk is less severe than in earlier forecasts, and this forecast projects that the economy will realize a soft landing, with no recession in 2024. However, the economy is still susceptible to a downturn if confronted with major shocks. A recession would likely reduce revenue below the Referendum C cap, thereby reducing the amount available for the General Fund budget beginning in the year when a recession occurs.

Costs for governments will continue to rise. Consumer price inflation is softening, but certain costs for governments, including employee wages and capital project costs, are expected to continue to rise faster than their long-term trend. Higher costs put pressure on state government spending and the General Fund budget.

Higher-than-expected cash fund revenue would increase General Fund budget pressures. Most sources of cash fund revenue—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 fund revenue would create additional budgetary pressures for the General Fund.

The corporate income tax outlook is especially uncertain. Preliminary reporting indicates that corporate income tax collections increased 50.9 percent in FY 2022-23, an unprecedented rise that follows another mammoth increase in FY 2021-22. Corporate collections are surging around the country with record profits in 2022. The forecast anticipates a 16.5 percent decline in this year's collections, but identifies significant bidirectional risk. In the near term, forecast error would initially result in a higher or lower TABOR refund obligation with no downstream impact on the state budget. However, especially volatile corporate collections could exacerbate the budget consequences of a potential recession.

Changes Between the September and December Forecasts

Table 3 presents revisions to the General Fund budget outlook relative to the September 2023 forecast. These changes are explained below.

FY 2022-23. While the annual comprehensive financial report has not yet been published, updated reporting from the State Controller indicates that the year-end balance was higher than estimated in September, primarily due to reversions of FY 2022-23 General Fund appropriations and other accounting adjustments. The higher ending balance is carried forward as a higher beginning balance in FY 2023-24.

FY 2023-24. The projected amount of the excess reserve was increased by \$48.1 million from the September forecast. The positive change is attributable to the revised amount of accounting adjustments for FY 2022-23, as revisions to revenue and expenditure forecasts for FY 2023-24 reduced available budget space by \$38.1 million on net. The forecast for General Fund revenue

was upgraded by \$84.1 million, but the expected TABOR refund obligation was increased by \$77.0 million, offsetting most of the upward revision to the revenue forecast.

Table 3 identifies three areas where expected budget flexibility was reduced for FY 2023-24 relative to the September forecast. First, the forecast includes \$3.7 million in additional operating appropriations for the current year, due to an emergency supplemental approved for the Department of Corrections, as well as General Fund appropriations added to the current year budget in legislation enacted during the November special session. The largest of these was **Senate Bill 23B-002**. Additional appropriations for the current year also increase the statutory reserve requirement by \$0.6 million.

Second, the forecast includes adjustments to expectations for constitutionally and statutorily required rebates and expenditures, which are presented in Table 5. Rebates and expenditures are now expected to obligate \$27.1 million more from the General Fund than projected in the September forecast. Expectations for Old Age Pension payments were revised up, and the forecast adds a \$54.0 million reimbursement obligation to local governments for a portion of their lost property tax revenue under **Senate Bill 23B-001**. Offsetting a portion of the increase, updated assessed value data indicate that the full reimbursement obligation under **Senate Bill 22-238**, now estimated at \$237.1 million, can be paid from the FY 2022-23 TABOR refund obligation, with no additional General Fund expenditure required.

Finally, the forecast includes modest changes to assumptions for transfers, which reduced current year budget flexibility by \$13.1 million on net. The largest components of the change include accounting for a \$15.1 million transfer to the Housing Development Grant Fund under **House Bill 23B-1001**, and for the transfer impacts of **Proposition II**, approved by voters at the November election.

FY 2024-25. Table 3 presents a like-to-like comparison between the FY 2024-25 General Fund budget outlook under Scenario A in the September and December forecasts. Expectations for revenue available to be spent or saved were decreased by \$49.3 million, mostly because of a \$146.0 million transfer to the State Education Fund required in **SB 23B-001**. Offsetting a significant portion of that change, expectations for the TABOR refund obligation (+\$18.3 million) were increased by much less than expectations for General Fund revenue (+\$92.7 million), due to higher expected inflation in calendar year 2023 and a \$25.4 million downward revision to the forecast of cash fund revenue subject to TABOR.

Table 3
Changes in the General Fund Budget Relative to the September 2023 Forecast (Scenario A)

Dollars in Millions, Positive Amounts Reflect an Increase Relative to September

Components of Change	FY 2022-23	FY 2023-24	FY 2024-25	Description of Changes
Funds Available	\$0.0	\$174.2	\$139.8	
Beginning Reserve	\$0.0	\$86.2	\$48.6	Carries forward anticipated year-end balances.
General Fund Revenue	\$0.0	\$84.1	\$92.7	Primarily reflects changes to corporate income tax forecast; see Table 10.
Transfers from Other Funds	\$0.0	\$3.9	-\$1.6	Reflects Proposition II, small downgrade to gaming forecast. See Table 6.
Expenditures	\$0.0	\$125.6	\$188.5	
Operating Appropriations	\$0.0	\$3.7	\$3.7	Appropriations approved during November special session.
TABOR Refund Obligation	\$0.0	\$77.0	\$18.3	Changes to General Fund and cash fund revenue forecasts, and increased expectation for 2023 inflation. See Table 8.
Rebates and Expenditures	\$0.0	\$27.1	\$6.3	Reflects property tax reimbursement requirement in SB 23B-001, as well as increase to Old Age Pension forecast. See Table 5.
SEF Transfers	\$0.0	\$0.0	\$146.0	Shows transfer created in SB 23B-001.
Transportation Transfers	\$0.0	\$0.0	\$0.0	
Capital Const. Transfers	\$0.0	\$0.0	\$0.0	
Other Cash Fund Transfers	\$0.0	\$17.8	\$14.2	Reflects Proposition II and HB 23B-1001. See Table 6.
Required Reserve	\$0.0	\$0.6	\$0.6	Reflects appropriations approved during November special session.
Accounting Adjustment	\$86.2	\$0.0	\$0.0	Update to Controller's accounting reflecting FY 2022-23 reversions.
Surplus Relative to Required Reserve	\$86.2	\$48.1	-\$49.3	Nets the above changes.

General Fund Transfers for Transportation and Capital Construction

Statutory transfers from the General Fund to transportation and capital construction funds are shown in Table 4. In the General Fund overview shown in Table 1, these transfers are included on lines 12 and 13. Other non-infrastructure-related transfers to and from the General Fund are summarized in Table 6, and shown on lines 3 and 10 of Table 1.

Table 4
Infrastructure Transfers from the General Fund
Dollars in Millions

Transportation Funds	2022-23	2023-24	2024-25	2025-26
SB 21-260	\$2.5		\$117.5	\$117.5
HB 22-1351	\$78.5			
SB 22-176	\$7.0			
SB 23-283		\$5.0		
Total	\$88.0	\$5.0	\$117.5	\$117.5

Capital Construction Funds	2022-23	2023-24	2024-25	2025-26
HB 15-1344*	\$20.0	\$20.0	\$20.0	\$20.0
HB 22-1340	\$462.2			
SB 23-141	\$6.1			
SB 23-243		\$294.2		
SB 23-294		\$18.2		
Total	\$488.3	\$332.4	\$20.0	\$20.0

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

General Fund contributions to transportation. Legislation enacted in 2022 directed \$85.5 million to transportation-related cash funds in FY 2022-23, as follows:

- \$31.4 million to the Highway Users Tax Fund (HB 22-1351);
- \$0.5 million to the Unused State-Owned Real Property Fund (SB 22-176); and
- \$53.6 million to the State Highway Fund (\$47.1 million from HB 22-1351; \$6.5 million from SB 22-176).

One bill from 2023, **Senate Bill 23-283**, directs \$5.0 million to the State Highway Fund in FY 2023-24.

Finally, **Senate Bill 21-260**, enacted in 2021, will direct annual transfers from the General Fund to the State Highway Fund (\$107.0 million) and the Multimodal Transportation and Mitigation Options Fund (\$10.5 million) beginning in FY 2024-25. These transfers continue annually at the same amounts through FY 2028-29 and then are reduced to smaller amounts beginning in FY 2029-30.

General Fund transfers for capital projects. Legislation enacted in 2022 directed \$462.2 million in FY 2022-23 for capital construction and IT capital projects. Legislation enacted in 2023 as part of the supplemental budget package directs an additional \$6.1 million for capital projects in FY 2022-23.

Legislation enacted in 2023 directs transfers of \$312.4 million in FY 2023-24 for capital construction and IT projects, including \$294.2 million under **Senate Bill 23-243** and \$18.2 million under **Senate Bill 23-294**.

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. 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 2022-23, and this forecast expects a TABOR surplus in each of FY 2023-24, FY 2024-25, and FY 2025-26. Therefore, partial refundability of the credit is expected to be available for tax years 2022 through 2026.

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 the June 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 lesser of \$30 million or the UPTF fund balance.

Based on the June 2023 LCS forecast, no transfer was made for FY 2022-23. Based on this forecast, no transfer is expected for FY 2023-24, FY 2024-25, or FY 2025-26, as revenue subject to TABOR is expected to come in well above the cutoff amount in all three years.

Table 5
General Fund Rebates and Expenditures
Dollars in Millions

Category	Preliminary FY 2022-23	Percent Change	Estimate FY 2023-24	Percent Change	Estimate FY 2024-25	Percent Change	Estimate FY 2025-26	Percent Change
Senior and Veterans Property Tax Exemptions	\$163.7	1.0%	\$168.5	2.9%	\$181.1	7.5%	\$187.1	3.3%
TABOR Refund Mechanism ¹	-\$163.6		-\$168.5		-\$181.1		-\$187.1	
Property Tax Assessed Value Reductions			\$291.1		\$0.0			
TABOR Refund Mechanism ²			-\$237.1		NA			
Cigarette Rebate	\$7.7	-7.0%	\$6.2	-18.6%	\$5.8	-7.1%	\$5.5	-4.5%
Old Age Pension Fund	\$84.9	10.4%	\$89.6	5.5%	\$91.6	2.3%	\$92.1	0.5%
Aged Property Tax and Heating Credit	\$12.0	105.2%	\$10.5	-12.8%	\$10.4	-0.7%	\$10.3	-1.1%
Older Coloradans Fund	\$10.0	0.0%	\$10.0	0.0%	\$10.0	0.0%	\$10.0	0.0%
Interest Payments for School Loans	\$10.5	952.4%	\$32.6	209.0%	\$23.2	-28.7%	\$19.1	-17.7%
Firefighter Pensions	\$4.3	-5.0%	\$4.6	7.4%	\$4.6	0.0%	\$4.6	0.0%
Amendment 35 Distributions	\$0.7	-6.9%	\$0.6	-6.4%	\$0.6	-4.3%	\$0.6	-1.7%
Marijuana Sales Tax Transfer to Local Governments	\$21.9	-14.5%	\$20.6	-5.9%	\$22.1	7.1%	\$23.4	6.2%
Business Personal Property Exemptions ³	\$16.6	-0.5%	\$16.6	-0.3%	\$18.6	11.0%	\$19.0	2.2%
Total Rebates and Expenditures	\$168.7	12.8%	\$245.3	45.4%	\$186.9	-23.8%	\$184.6	-1.2%

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

¹Pursuant 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.

²Pursuant to SB 22-238, local government reimbursements for these property tax reductions are the second TABOR refund mechanism used to meet the refund obligation incurred in FY 2022-23 only. The amount of the TABOR refund mechanism is limited to \$240 million.

³Pursuant to HB 21-1312, local governments are reimbursed for expanded business personal property tax exemptions.

Table 6
Cash Fund Transfers
Dollars in Millions

Transfers to the General Fund		2022-23	2023-24	2024-25	2025-26
HB 92-1126	Land and Water Management Fund	\$0.1	\$0.0	\$0.0	\$0.0
HB 05-1262	Amendment 35 Tobacco Tax	\$0.7	\$0.6	\$0.6	\$0.6
SB 13-133 & HB 20-1400	Limited Gaming Fund	\$21.6	\$20.5	\$21.9	\$23.3
HB 17-1343	Repeal of Intellectual and Developmental Disabilities Services Cash Fund	\$16.9			
HB 20-1427	2020 Tax Holding Fund	\$4.1	\$4.1	\$4.1	\$4.1
SB 20B-002	Repeal of Emergency Direct Assistance Grant Fund	\$0.02			
SB 21-209	Repealed Cash Funds	\$0.1			
SB 21-213	Use of Increased Medicaid Match	\$10.0	\$9.2	\$7.4	\$1.1
SB 21-222	Repeal of Recovery Audit Cash Fund	\$0.03			
SB 21-251	Loan Family Medical Leave Program		\$1.5		
SB 21-260	Community Access Enterprise	\$0.1			
HB 23-1272	Decarbonization Tax Credits Administration		\$28.7	\$47.2	\$48.2
HB 23-1290 ¹	Proposition EE Revenue Retention		\$5.6		
SB 23-215	State Employee Reserve Fund		\$4.9		
Total Transfers to the General Fund		\$53.5	\$75.1	\$81.1	\$77.2
Transfers from the General Fund		2022-23	2023-24	2024-25	2025-26
SB 11-047 & HB 13-1001 & SB 23-066	Bioscience Income Tax Transfer to OEDIT	\$17.6	\$18.4	\$19.5	\$20.5
SB 14-215	Marijuana Tax Cash Fund	\$142.2	\$133.3	\$142.8	\$151.6
SB 15-244 & SB 17-267	State Public School Fund	\$24.9	\$23.4	\$25.0	\$26.6
HB 20-1116	Procurement Technical Assistance Program Extension	\$0.2	\$0.2	\$0.2	
HB 20-1427	2020 Tax Holding Fund	\$235.0	\$202.2	\$240.6	\$239.3
HB 20-1427 ²	Preschool Programs Cash Fund	\$0.0			
SB 21-281	Severance Tax Trust Fund Allocation	\$9.5			
HB 22-1001	Reduce Fees For Business Filings	\$8.4			
HB 22-1004	Driver License Fee Reduction	\$3.9			
HB 22-1011	Wildfire Mitigation Incentives for Local Governments	\$10.0			
HB 22-1012	Wildfire Mitigation and Recovery	\$7.2			
HB 22-1115	Prescription Drug Monitoring Program	\$2.0			
HB 22-1132	Regulation and Services for Wildfire Mitigation	\$0.1			
HB 22-1151	Turf Replacement Program	\$2.0			
HB 22-1298	Fee Relief for Nurses, Nurse Aides, and Technicians	\$11.7			
HB 22-1299	Fee Relief for Mental Health Professionals	\$3.7			
HB 22-1381	CO Energy Office Geothermal Grant Program	\$12.0			
HB 22-1382	Support Dark Sky Designation and Promotion	\$0.04			
HB 22-1394	Fund Just Transition Community & Worker Supports	\$15.0			
HB 22-1408	Modify Incentives for Film Production	\$2.0			

¹Because Proposition II was approved by voters, the \$5.6 million set aside from the General Fund to pay refunds if Proposition II had failed is returned to the General Fund under HB 23-1290.

²HB 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 6 (Cont.)
Cash Fund Transfers
Dollars in Millions

Transfers from the General Fund (Continued)		2022-23	2023-24	2024-25	2025-26
SB 22-036	State Payment Old Hire Death and Disability Benefits	\$6.7			
SB 22-130	Authority For Public-Private Partnerships	\$15.0			
SB 22-151	Safe Crossings for Colorado Wildlife and Motorists	\$5.0			
SB 22-163	Establish State Procurement Equity Program	\$2.0			
SB 22-183	Crime Victims Services	\$1.0			
SB 22-191 ¹	Procurement of Information Technology Resources				
SB 22-193	Air Quality Improvement Investments	\$1.5			
SB 22-195	Conservation District Grant Fund	\$0.1	\$0.1	\$0.1	\$0.1
SB 22-202	State Match for Mill Levy Override Revenue	\$10.0			
SB 22-214	General Fund Transfer to PERA Payment Cash Fund	\$198.5			
SB 22-215 & SB 23-283	Infrastructure Investment and Jobs Act Cash Fund		\$84.0		
SB 22-238	State Public School Fund	\$200.0			
HB 23-1041	Prohibit Greyhound Wagering			\$0.03	\$0.05
HB 23-1107	Crime Victim Services		\$3.0		
HB 23-1269 ²	Extended Stay & Boarding Permits				
HB 23-1273	Wildfire Resilient Homes Grant Program		\$0.1		
HB 23-1290 ³	Proposition EE Revenue Retention		\$5.6		
HB 23-1305	Continue Health Benefits in Work-Related Death		\$0.2	\$0.2	\$0.2
SB 23-001	Public-Private Collaborations for Housing		\$5.0		
SB 23-005	Forestry and Wildfire Mitigation Workforce	\$1.0	\$1.0	\$1.0	\$1.0
SB 23-044	Veterinary Education Loan Repayment Program		\$0.5		
SB 23-056 ⁴	Compensatory Direct Distribution to PERA		\$10.0		
SB 23-137	Colorado Economic Development Fund	\$5.0			
SB 23-141	DMVA Real Estate Proceeds Cash Fund	\$4.9			
SB 23-161	Firefighting Aircraft	\$26.0			
SB 23-166	Wildfire Resiliency Code Board		\$0.3		
SB 23-199 ⁵	Marijuana Cash Fund				
SB 23-205	Universal High School Scholarship Program		\$25.0		
SB 23-246	State Emergency Reserve	\$20.0			
SB 23-255	Wolf Depredation Compensation Fund		\$0.2	\$0.4	\$0.4
SB 23-257	Auto Theft Prevention Cash Fund		\$5.0		
SB 23-275	Wild Horse Management Project	\$1.5			
HB 23B-1001	Housing Development Grant Fund		\$15.1		
Total Transfers from the General Fund		\$1,005.7	\$532.6	\$429.7	\$439.7
Net General Fund Impact		-\$952.2	-\$457.4	-\$348.6	-\$362.5

¹Beginning in FY 2023-24, SB 22-191 directs transfers of unspent prior year General Fund appropriations for IT procurement. Any transfer amount for FY 2023-24 is included in the FY 2022-23 General Fund appropriation amount and not included here.

²For FY 2022-23 and FY 2023-24, HB 23-1269 requires transfers from unexpended funds appropriated for county child welfare programs. Any transfer amount is already included in General Fund appropriations amounts and not counted again here.

³HB 23-1290 required that \$23.65 million be transferred to the Proposition EE Refund Cash Fund on September 1, 2023. Of this amount, \$18.03 million was transferred from the Preschool Programs Cash Fund, and the remaining \$5.62 million was transferred from the General Fund.

⁴SB 23-056 requires that a \$10.0 million warrant be paid from the General Fund to PERA. This amount is shown in this table as a General Fund obligation that is not included in the appropriations amount in Table 1, line 6.

⁵For FY 2022-23 only, SB 23-199 requires transfers from unexpended funds appropriated to the Department of Revenue. Any transfer amount is already included in the General Fund appropriations amount and not counted again here.

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School Finance Outlook

This section presents information on the outlook for school finance from a state budgetary perspective, both in the current year (FY 2023-24) and the budget year (FY 2024-25). This outlook incorporates information from the K-12 enrollment and assessed value projections, located on page 53 and page 61, 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.

FY 2023-24 state aid. Relative to last year's appropriation, the FY 2023-24 requirement for state aid has decreased by just over \$20 million. This is because:

- total program requirements have increased by nearly \$59 million; and
- revenue available for the local share increased by nearly \$79 million.

FY 2024-25 state aid. For FY 2024-25, the state aid requirement is expected to decrease by \$29 million on a year-over-year basis because:

- total program requirements will increase by \$379 million relative to current year levels, accounting for elimination of the budget stabilization factor as required in current law; and
- revenue available for the local share will increase by \$408 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 2023-24 would increase by \$315 million and the General Fund requirement would remain constant on a year-over-year basis under the following scenario:

- a \$1.5 billion ending balance for the State Education Fund in FY 2024-25; and
- the budget stabilization factor is eliminated in FY 2024-25.

Funding Status for the Current Fiscal Year (FY 2023-24)

Slightly higher than expected enrollment and increased expectations for property tax revenue collections are expected to increase budgetary flexibility by \$20 million in the current fiscal year relative to the initial appropriation enacted in the 2023 legislative session.

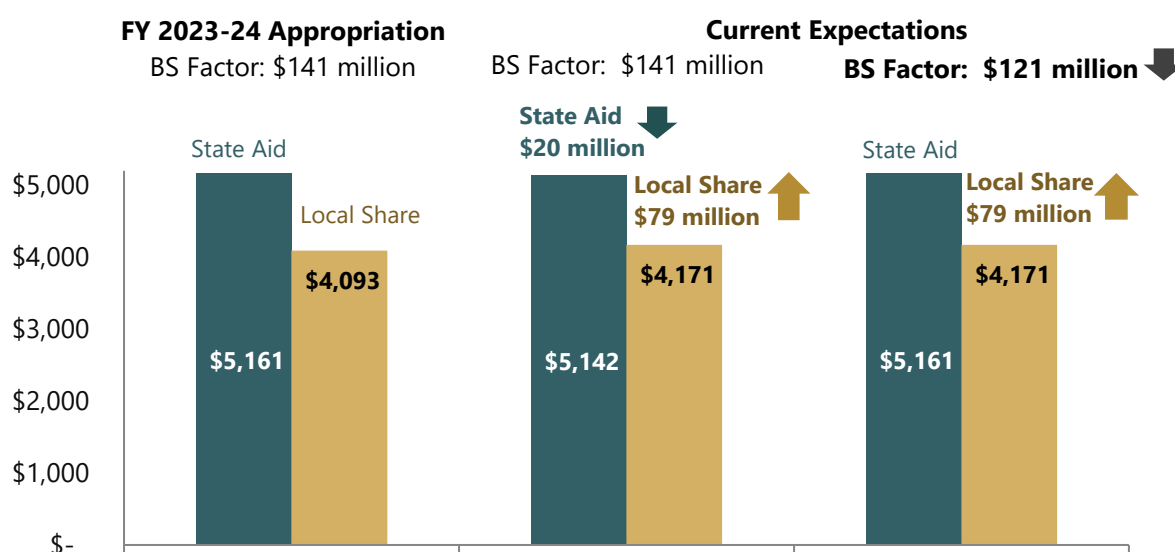
Preliminary funded pupil counts, at-risk pupil counts, and ELL pupil counts are higher than estimates made last year. Specifically, the funded pupil count increased by about 2,000 students, while funded at-risk and ELL totals increased by nearly 42,000 and 4,000 students, respectively, from preliminary estimates. In contrast, the cost of adding averaging for Charter School Institute

(CSI) schools came in about \$1.5 million below what was initially appropriated. This increases the overall total program cost by nearly \$59 million relative to the initial appropriation.

At the same time, the preliminary estimate for the local share is about \$79 million, or 1.9 percent, higher than expected during the 2023 legislative session. This includes an increase of \$80 million in property taxes and a decrease of about \$1 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 \$20 million lower than the appropriation for state aid made in the 2023 legislative session. The General Assembly could choose to decrease either the General Fund or the State Education Fund appropriation by \$20 million, decrease the budget stabilization factor by \$20 million, or anything in between, to address this reduction in the state's obligation.

Figure 1
Change in Expectations for School Finance Funding, FY 2023-24
Dollars in Millions



*The range of choices to address the additional \$21 million in school finance flexibility.

Factors Explaining the At-Risk Population Increase

The 2023 legislative appropriation for school finance was written with lingering uncertainty due to aftermath of the pandemic and the new universal free lunch program. In Senate Bill 23-287, the estimated funded pupil count and local share were based on the December 2022 enrollment forecast, and anticipated a lower level of at-risk students than were ultimately eligible.

Since the COVID-19 pandemic when the federal government covered the cost of universal free meals, districts have struggled with a suppressed count of at-risk students. Universal access to free meals reduced the number of families that submitted the required paperwork to qualify for the federal free and reduced price lunch program. Because qualification for this program has been the primary determinant of at-risk funding, the CDE is allowing a one-year carry forward in eligibility, where previously eligible students retain eligibility for at-risk funding in the 2023-24 year, even without submitting the required paperwork. In addition, as the CDE implemented the universal free meals program and prepared for the new at-risk factor, students directly certified

through Medicaid eligibility are included in this year's at-risk October count. It is likely that the combination of these two factors is responsible for the notable increase in the number of students eligible for at-risk funding in this year's October count, relative to last spring's estimate.

Additional Local Share Reduced Due to Special Session Legislation

During the 2023 special legislative session, the General Assembly enacted Senate Bill 23B-001. The bill reduced assessment rates and expanded reductions in the valuations of residential property in 2023 only. As a result, estimated statewide assessed values for FY 2023-24 only increased from \$179.3 billion to \$181.2 billion, a smaller increase than would have been otherwise occurred.

It should be noted that due to the timing of assessed value changes enacted in SB 23B-001, this estimate of the local share is still based on an estimate of 2023 assessed values. Usually, the December forecast would calculate the local share for the current fiscal year based on final reported assessed value data ("final abstract data") from county assessors for the ending property tax year. However, the most recent abstract data submitted by assessors do not incorporate the changes in SB 23B-001. Additionally, there is no requirement in current law that a subsequent abstract be submitted for the 2023 property tax year. Thus, there continues to be heightened uncertainty regarding the local share in advance of the mid-year school finance supplemental, and there is no forthcoming report required under current law that would alleviate this uncertainty before consideration of the supplemental bill.

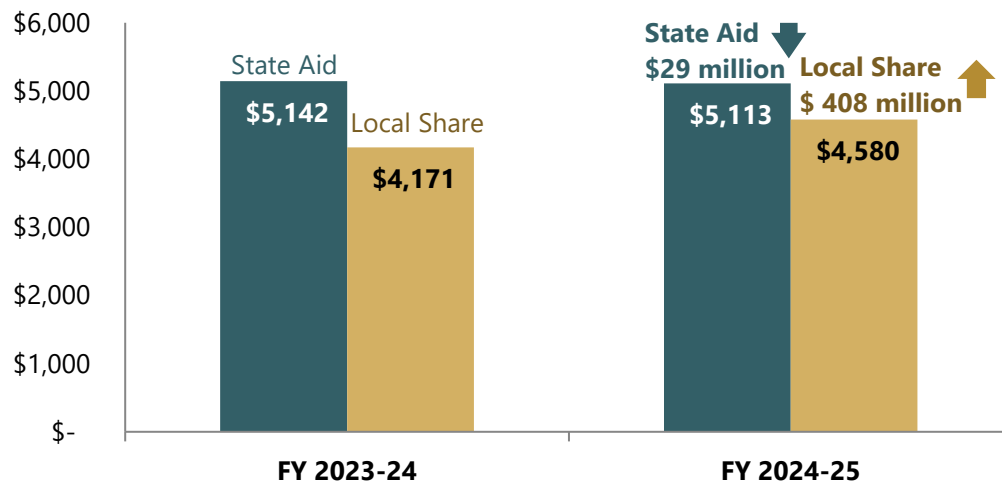
Additional Cost of Averaging for CSI Schools and At-Risk Hold Harmless

SB 23-287 included two new provisions that increased total program: allowing CSI schools to average their funded pupil count in a similar manner to districts, and specifying that at-risk funding for each district would be at least as high as the prior year. The change in cost of these provisions from the initial appropriation largely offset one another. Using actual data from the 2023 October count, the cost of the CSI averaging provision declined by \$1.47 million from the initial \$8.49 million appropriation. In contrast, the at-risk hold harmless provision provides 15 districts with an additional \$1.3 million in at-risk funding.

Funding Outlook for Next Fiscal Year (FY 2024-25)

Total program funding requirements are expected to increase by about \$379 million between FY 2023-24 and FY 2024-25. The estimated funded pupil count is expected to decrease by over 9,000 pupils on a year-over-year basis while inflation expectations in 2023 have decreased from 8.0 percent to 5.2 percent year over year. Additionally, current law requires the elimination of the budget stabilization factor in FY 2024-25. These factors combine to produce a nearly \$570 increase in per pupil funding. At the same time, assessed values are projected to increase by 7 percent in FY 2024-25 on a year-over-year basis, driving a \$408 million increase in the local share. As shown in Figure 2, the net impact of the change in the total program cost and the expected local share increase is a year-over-year decrease of \$29 million in the state aid requirement.

Figure 2
Change in Expectations for School Finance Funding, FY 2023-24 to FY 2024-25
Dollars in Millions



Funding Projection Scenario – Elimination of the Budget Stabilization Factor

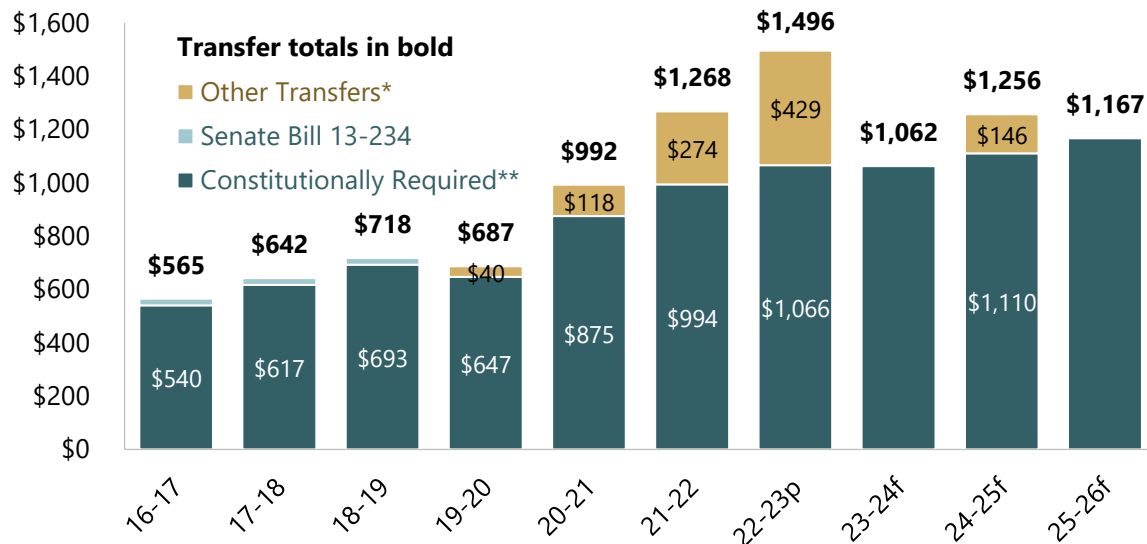
Assuming the budget stabilization factor is eliminated in FY 2024-25 and the General Fund contribution to school finance is held constant through the four-year forecast period, the ending balance in the State Education Fund would be \$1.5 billion in FY 2024-25, \$1.3 billion in FY 2025-26, \$1.0 billion in FY 2025-26, and \$920 million in FY 2027-28. The contribution from State Education Fund would increase by \$315 million in FY 2024-25 and by just over \$77 million in FY 2025-26, respectively, on a year-over-year basis.

The above scenario spends down the State Education Fund to 60 percent of its current level over a four-year period, leaving a significant balance available for other policy priorities that the General Assembly may have. It must be emphasized, however, that this scenario largely depends on the assumed increases in property tax revenue within the local share. Specifically, this scenario assumes small 1.9 percent and 5.5 percent increases to the local share in the 2025 and 2027 reassessment years, respectively, with small additional increases for the intervening years. Any significant departure from these assumptions will have an important impact on scenario results.

State Education Fund Transfers

The Colorado Constitution requires the State Education Fund (SEF) to receive one-third of 1 percent of taxable income. In FY 2023-24, the SEF is expected to receive \$1.06 billion as a result of this requirement. The SEF transfer is estimated at \$1.11 billion in FY 2024-25, with higher amounts in later years 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: Office of the State Controller and Legislative Council Staff forecast. p = Preliminary. f = Forecast.

*Includes transfers under 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, SB 21-208 for FY 2021-22, HB 22-1390 for FY 2022-23, and SB 23B-001 for FY 2024-25.

**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 SEF (see Table 1, line 11). House Bill 22-1390 transferred \$290 million in FY 2022-23, and SB 23B-001 schedules a transfer of \$146 million for FY 2024-25. Money in the SEF is required to be used to fund kindergarten through twelfth grade public education.

Finally, Proposition EE, which was approved by voters in the November 2020 election, also transferred revenue from increased cigarette, tobacco and nicotine taxes to the SEF for three fiscal years. The Proposition EE transfer was \$139.3 million in FY 2022-23, the final year for which a transfer will be made. This amount represents a portion of the FY 2022-23 transfer from the General Fund to the 2020 Tax Holding Fund shown in Table 6 under House Bill 20-1427.

Summary of Updated Information Incorporated into the School Finance Model

Enrollment. Each fall, school districts collect enrollment information from all 178 school districts and the 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 and to be incorporated into the Legislative Council Staff school finance model. Preliminary pupil counts are also incorporated into the Legislative Council Staff school finance model. Enrollment components include the overall pupil count for grades 1-12, as well as total kindergarten, online, extended high school, and CSI students, and are provided on a full-time equivalent (FTE) basis. 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 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.

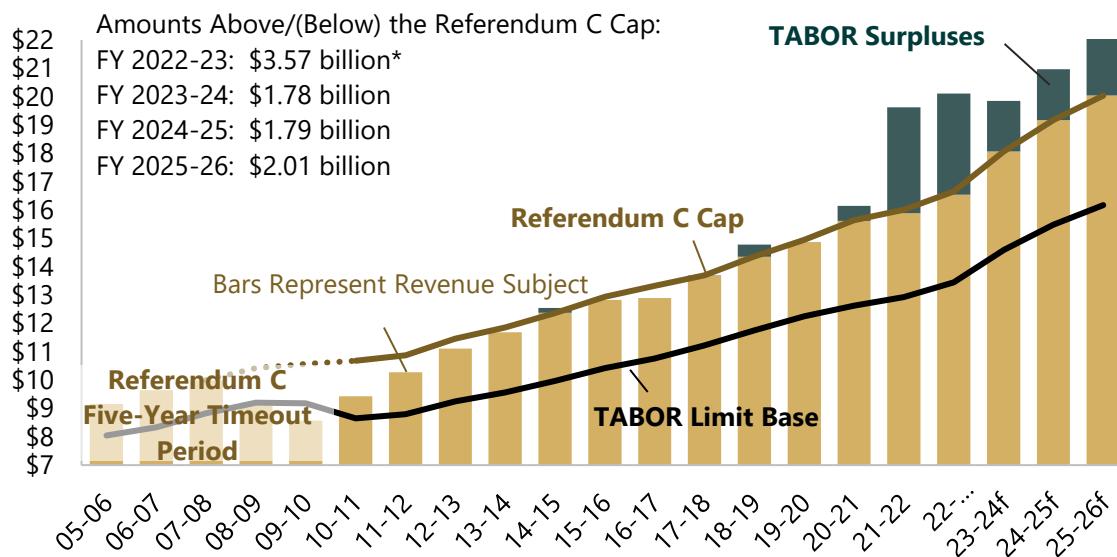
Local share. In addition, CDE typically obtains district-level information on assessed values and specific ownership tax revenue. This information is combined with certified mill levies for each district to obtain estimates for the amount of funding school districts will receive from local revenue sources. This year, using abstract data provided through the property tax audit, Legislative Council Staff has developed an estimate of assessed values, which CDE will also use to calculate the local share for the mid-year supplemental bill.

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 2023-24 appropriation for state aid will occur through passage of a mid-year supplemental bill for CDE. The appropriation for state aid in FY 2024-25 will be made through passage of the 2024 Long Bill and the 2024 School Finance Act.

TABOR Outlook

The state TABOR outlook is presented in Table 8 and illustrated in Figure 4, which also provides a history of the TABOR limit base and the Referendum C cap. In FY 2022-23, state revenue subject to TABOR exceeded the Referendum C cap, creating a state obligation for TABOR refunds to taxpayers in FY 2023-24. State revenue subject to TABOR is projected to exceed the Referendum C cap in each of FY 2023-24, FY 2024-25, and FY 2025-26, creating a state obligation for TABOR refunds to taxpayers in each of FY 2024-25, FY 2025-26, and FY 2026-27.

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. P = preliminary; f = Forecast.

*The refund amount for FY 2022-23 differs from the surplus amounts because it includes \$114.4 million in under-refunds from prior TABOR surpluses.

FY 2022-23. On September 1, 2023, the State Controller certified that state revenue subject to TABOR exceeded the Referendum C cap by \$3.57 billion in FY 2022-23. After accounting for an outstanding refund obligation attributable to under-refunds of prior TABOR surpluses, the state is obligated to refund \$3.68 billion in the current FY 2023-24. The FY 2022-23 surplus is expected to be refunded to taxpayers via the TABOR refund mechanisms under current law, which are explained in greater detail below.

Forecasts for FY 2023-24 through FY 2025-26. State revenue subject to TABOR is projected to exceed the Referendum C cap throughout the forecast period. Even with high 2022 inflation resulting in a doubling of the growth rate used to calculate the FY 2023-24 Referendum C cap, revenue in the current FY 2023-24 is expected to exceed the Referendum C cap by \$1.78 billion. Revenue is projected to exceed the cap by \$1.79 billion in 2024-25 and by \$2.01 billion in FY 2025-26. Refunds of those amounts are expected to be returned to taxpayers in the fiscal 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 revenue subject to TABOR were increased in FY 2023-24 and FY 2024-25 by about \$77 million and \$54 million, respectively, reflecting higher expectations for the General Fund share of revenue subject to TABOR. The FY 2024-25 TABOR limit growth rate is estimated to be 6.1 percent, down from 8.5 percent in FY 2023-24, based on forecasted inflation and population growth in calendar year 2023.

Enterprise disqualification and requalification. When a state program no longer satisfies the requirements to qualify as a TABOR enterprise, it is “disqualified.” The program’s revenue becomes subject to TABOR and an upward adjustment equal to that revenue amount is also made to the Referendum C cap.¹ Similarly, downward adjustments are made to both revenue and the Referendum C cap when an enterprise requalifies. The certified TABOR surplus for FY 2022-23 includes enterprise adjustments for the Auraria Higher Education Center’s Tivoli Center and for Adams State University, which were disqualified in FY 2021-22 and requalified in FY 2022-23. Single-year enterprise adjustments have no net impact on the amount to be refunded to taxpayers. However, if an enterprise remains disqualified for multiple years, growth in that enterprise’s revenue between those years may increase (or decrease) the TABOR refund obligation if its revenue grows faster (or slower) than the TABOR limit.

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. Any forecast error for inflation or population growth will also impact the TABOR situation by resulting in higher or lower allowable growth in the Referendum C cap.

In an environment where large TABOR refunds are expected, TABOR insulates the General Fund budget from the impacts of error in the General Fund revenue forecast. Greater than expected General Fund revenue will result in a larger General Fund obligation for TABOR refunds, with no net impact on the amount available for the General Fund budget. Lower than expected General Fund revenue will result in a smaller obligation for TABOR refunds, and will impact the budget only if the error is great enough to erase the entire projected TABOR surplus.

By contrast, error in the forecast for cash fund revenue subject to TABOR poses a risk to the outlook for the General Fund budget. Greater than expected revenue from cash fund sources would increase the General Fund obligation for TABOR refunds, thereby reducing the amount available for the budget.

TABOR refund mechanisms. TABOR refund mechanisms and expected refund amounts are shown in Figure 5. Current state law includes two ongoing refund mechanisms for FY 2023-24 and beyond. For FY 2022-23 only, there is one ongoing and three temporary refund mechanisms. These mechanisms are discussed below.

The ongoing refund mechanism that applies for each year in the forecast period is the property tax exemptions for seniors, veterans with a disability, and Gold Star spouses. Based on this forecast, this mechanism is expected to be used for tax years 2023 through 2026. The six-tier

¹For more information on TABOR and TABOR enterprises, see the Legislative Council Staff memoranda titled: “The TABOR Revenue Limit”, available at: https://leg.colorado.gov/sites/default/files/r21-96_the_tabor_revenue_limit_0.pdf and “State Government Enterprises”, available at: https://leg.colorado.gov/sites/default/files/r21-99_state_government_enterprises_0.pdf.

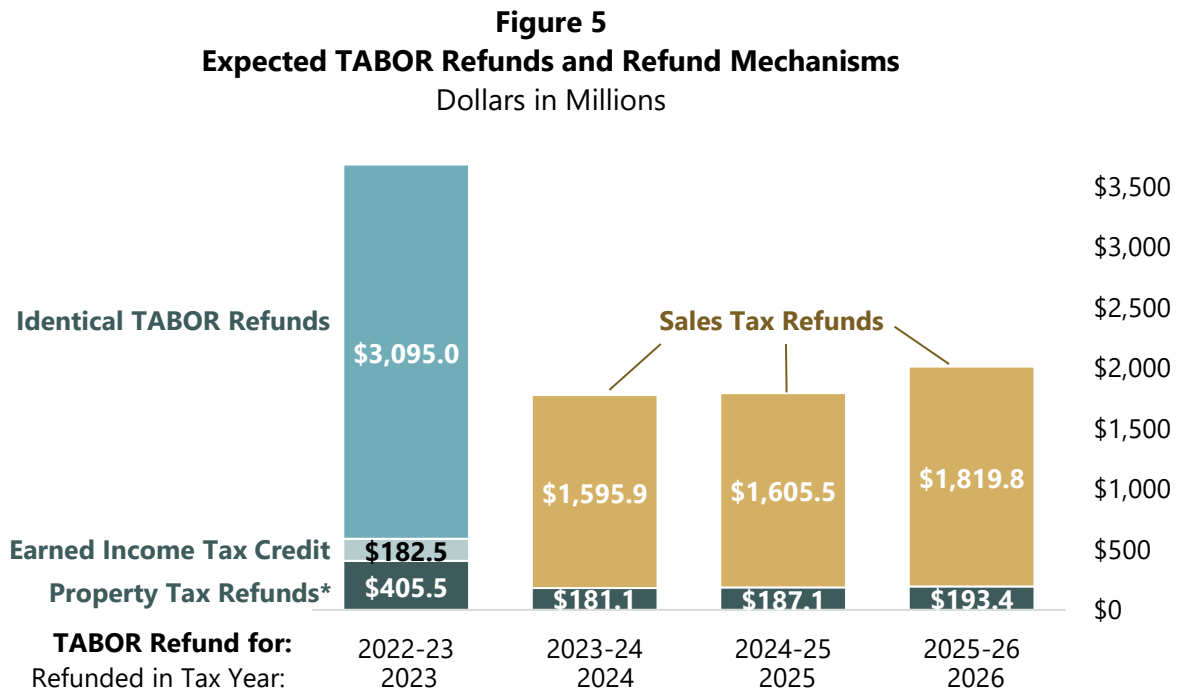
sales tax refund mechanism based on taxpayers' incomes is expected to apply for tax years 2024 through 2026.

Table 7 on page 31 presents identical refunds for tax year 2023 and estimated six-tier sales tax refund amounts for tax years 2024, 2025, and 2026.

Senate Bill 22-238 establishes an additional refund mechanism to refund a portion of the FY 2022-23 surplus for tax year 2023 through reductions in the assessed valuations of residential and nonresidential property, which determine property taxes. A portion of local governments' foregone property tax revenue as a result of the bill is reimbursed by the state government, and reimbursements up to \$240 million are accounted as a TABOR refund mechanism under the bill. Figure 5 includes this mechanism with the "Property Tax Refunds" label. The mechanism is estimated to refund \$237.1 million in property tax year 2023. This estimate includes a downward revision relative to the September forecast due to updated estimates of assessed valuations, which now include adjustments through the board of assessment appeals process that were not initially reported by some counties.

House Bill 23B-1002 expands the state Earned Income Tax Credit (EITC) from 25 percent to 50 percent of the federal EITC for tax year 2023. The bill classifies this expansion to the EITC as a TABOR refund mechanism for the FY 2022-23 TABOR surplus, after the property tax exemption refund mechanisms.

Senate Bill 23B-003 requires that any amount that would otherwise be refunded via the six-tier sales tax refund mechanism instead be refunded on returns for tax year 2023 in equal amounts to all taxpayers who qualify for the six-tier sales tax refund.



Source: Legislative Council Staff September 2023 forecast.

*Includes \$237.1 million to be refunded from the FY 2022-23 TABOR surplus under Senate Bill 22-238.

Refunds made via property tax reductions reduce obligations that would otherwise be paid from General Fund revenue. Refunds made via the EITC, identical refunds or sales tax refunds are paid to taxpayers when they file their state income tax returns. TABOR refund 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 refund mechanisms being activated.

Proposition II and TABOR refund requirement. Proposition II, passed by voters in November 2023, allows the state to keep and spend the \$22.0 million in excess revenue over the 2020 Blue Book estimate collected from Proposition EE taxes on cigarettes, tobacco products, and nicotine products, plus interest. A total of \$23.65 million will not be required to be refunded to distributors of cigarettes, tobacco products, and nicotine products, and will instead be spent on preschool programs.

Table 7
Projected TABOR Refunds via the Identical and Six-Tier Sales Tax Refund Mechanisms

Tax Year 2023 Refunds from FY 2022-23 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
All Taxpayers	\$800	\$1,600

Tax Year 2024 Refunds from FY 2023-24 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$53,000	\$280	\$560
\$53,001 to \$108,000	\$374	\$748
\$108,001 to \$173,000	\$430	\$860
\$173,001 to \$245,000	\$511	\$1,022
\$245,001 to \$322,000	\$550	\$1,100
\$322,001 and up	\$885	\$1,770

Tax Year 2025 Refunds from FY 2024-25 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$54,000	\$279	\$558
\$54,001 to \$111,000	\$372	\$744
\$111,001 to \$177,000	\$428	\$856
\$177,001 to \$251,000	\$508	\$1,016
\$251,001 to \$331,000	\$547	\$1,094
\$331,001 and up	\$880	\$1,760

Tax Year 2026 Refunds from FY 2025-26 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$56,000	\$312	\$624
\$56,001 to \$114,000	\$416	\$832
\$114,001 to \$182,000	\$479	\$958
\$182,001 to \$257,000	\$569	\$1,138
\$257,001 to \$338,000	\$613	\$1,226
\$338,001 and up	\$986	\$1,972

AGI = Adjusted gross income.

Note: Amounts do not include estimates for reimbursements to local governments for property tax exemptions.

Table 8
TABOR Revenue Limit and Retained Revenue
Dollars in Millions

	Preliminary FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
TABOR Revenue				
1 General Fund ¹	\$17,468.0	\$17,015.3	\$18,013.3	\$19,020.5
2 Cash Funds	\$2,758.0	\$2,834.8	\$2,954.9	\$3,031.2
3 Total TABOR Revenue	\$20,225.9	\$19,850.1	\$20,968.2	\$22,051.7
Revenue Limit				
4 Allowable TABOR Growth Rate	4.2%	8.5%	6.1%	4.5%
5 Inflation (<i>from Prior Calendar Year</i>)	3.5%	8.0%	5.2%	3.5%
6 Population Growth (<i>from Prior Calendar Year</i>) ²	0.7%	0.5%	0.9%	1.0%
7 TABOR Limit Base	\$13,445.2	\$14,588.1	\$15,477.9	\$16,174.4
8 Voter Approved Revenue Change (Referendum C)	\$3,212.1	\$3,485.1	\$3,697.7	\$3,864.1
9 Total TABOR Limit / Referendum C Cap ³	\$16,657.3	\$18,073.2	\$19,175.6	\$20,038.5
10 TABOR Revenue Above (Below) Referendum C Cap	\$3,568.6	\$1,777.0	\$1,792.6	\$2,013.2
	4.2%	8.5%	6.1%	4.5%
Retained/Refunded Revenue				
11 Revenue Retained under Referendum C ⁴	\$3,212.1	\$3,485.1	\$3,697.7	\$3,864.1
12 Fiscal Year Spending (<i>revenue available to be spent or saved</i>)	\$16,657.3	\$18,073.2	\$19,175.6	\$20,038.5
13 Outstanding Underrefund Amount ⁵	\$114.4			
14 Revenue Refunded to Taxpayers	\$3,683.1	\$1,777.0	\$1,792.6	\$2,013.2
15 TABOR Reserve Requirement	\$499.7	\$542.2	\$575.3	\$601.2

Totals may not sum due to rounding.

¹Revenue differs from the amount in the General Fund revenue summaries because of accounting adjustments across TABOR boundaries.

²Following each decennial census, the April 1 census population counts are used instead of July 1 population estimates for purposes of calculating the growth factors for the TABOR limit. Population estimates are used in all other years for purposes of the growth calculation.

³This forecast assumes that all enterprises will maintain enterprise status. If an enterprise is disqualified, both revenue subject to TABOR and the Referendum C cap will have equal upward adjustments.

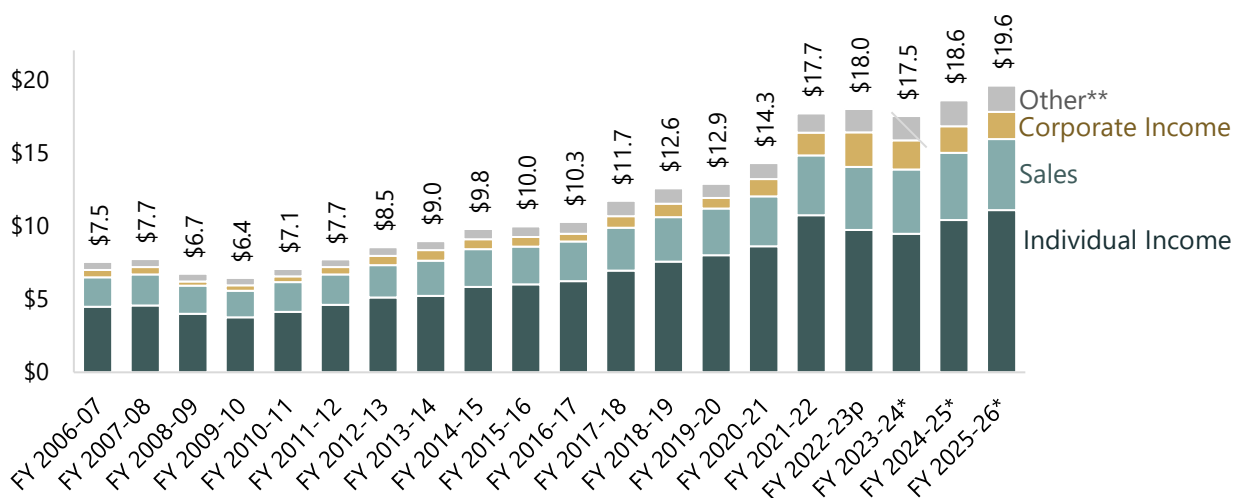
⁴Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.

⁵This amount represents under-refunds from prior years.

General Fund Revenue

This section presents the outlook for General Fund revenue, the state's main source of funding for discretionary operating appropriations. The three primary sources of General Fund revenue are individual income tax, sales tax, and corporate income tax collections. Other sources of General Fund revenue include excise taxes (retail marijuana, tobacco, and liquor), insurance premium tax, pari-mutuel tax, court receipts, and investment income. Table 10 on page 40 summarizes preliminary General Fund revenue collections for FY 2022-23 and projections for FY 2023-24 through FY 2025-26; these are also illustrated in Figure 6, below.

Figure 6
General Fund Revenue Sources
Billions of Dollars



*Forecast. Data for FY 2022-23 are preliminary.

**Other includes: use tax; retail marijuana special sales tax; cigarette, tobacco, and liquor excise taxes; Proposition EE tobacco taxes; insurance premium tax; pari-mutuel wagering tax; court receipts; investment income; and miscellaneous small sources that are not forecast independently.

Source: Office of the State Controller and Legislative Council Staff December 2023 forecast.

FY 2022-23 collections. Based on preliminary data from the State Controller, General Fund revenue collections in FY 2022-23 increased by 1.7 percent over FY 2021-22 levels to total \$18.0 billion. A decline in individual income revenue was more than offset by strong collections in sales tax revenue and corporate income tax revenue. Individual income tax receipts dropped by 6.5 percent, reflecting the income tax rate cut in Proposition 121, and declines from FY 2021-22 peak payments that reflected unusual taxpayer decision making in response to an uncertain economy and evolving tax policy environment. Corporate income tax revenue jumped 50.9 percent compared to the year prior, fully offsetting the decline in individual income.

Revenue forecast. General Fund revenue is expected to fall by 2.7 percent in FY 2023-24, as corporate revenue regresses from its 2022 peak, and then increase by 6.0 percent and 5.5 percent in FY 2024-25 and FY 2025-26, respectively. Individual income tax is the largest component of General Fund revenue and is expected to fall slightly in the current year, but bolster collections with strong growth through the rest of the forecast period. General Fund revenue is expected to reach \$19.60 billion in FY 2025-26.

Risks to the forecast. Risks to the General Fund revenue forecast are elevated as economic conditions remain uncertain, but downside risks continue to dissipate. Elevated inflationary pressures and stronger-than-expected wage gains could boost sales and income tax collections above the amounts projected in this forecast. Downside risks include monetary policy being a drag on business activity, consumer spending, and employment, which would result in lower General Fund collections.

Income Tax

Taxable income earned by all Colorado individuals and corporations is taxed at a flat rate of 4.4 percent. Proposition 121 reduced the income tax rate from 4.55 percent to 4.40 percent beginning in tax year 2022. Income tax revenue is credited to the General Fund and is subject to TABOR, except that:

- an amount equal to one third of one percent of taxable income is transferred to the State Education Fund (SEF) and exempt from TABOR under **Amendment 23**, approved by voters in 2000;
- beginning January 2023, an amount equal to one-tenth of one percent of taxable income is transferred to the State Affordable Housing Fund and exempt from TABOR under **Proposition 123**, approved by voters in November 2022; and
- beginning January 2023, an amount raised by requiring non-corporate taxpayers with adjusted gross incomes over \$300,000 to add back a portion of their federal standard or itemized deductions when computing their Colorado taxable income is credited to the General Fund, exempt from TABOR, and required to be spent for the healthy school meals program created in **Proposition FF**, approved by voters in November 2022.

This section presents forecasts separately for income taxes paid by individuals and non-corporate businesses, and for income taxes paid by C corporations.

Individual Income Tax

Individual income tax revenue is the largest source of General Fund revenue, accounting for about 57 percent of revenue to the General Fund in FY 2022-23, before accounting for the SEF and affordable housing transfers.

FY 2022-23. In FY 2022-23, individual income tax collections totaled \$10.95 billion before the SEF and affordable housing transfers, a decrease of 6.5 percent the year prior, as tax receipts receded from a high of \$11.72 billion reached in FY 2021-22. Throughout FY 2022-23, weak estimated payments, declining cash returns, and higher refunds brought down income tax revenue, despite healthy growth in wage withholdings from a strong labor market. Volatility in estimated payments, cash with returns, and refunds largely reflects the impacts of federal and state tax policy changes on taxpayers' decision-making and ability to anticipate tax liability in an evolving tax policy and economic environment.

Beginning in FY 2022-23, individual income tax revenue estimates include an upward adjustment for Proposition FF, which requires taxpayers with adjusted gross income over \$300,000 to add back a portion of their federal standard or itemized deductions. The additional revenue from this adjustment is TABOR-exempt General Fund revenue, and is required to be spent for the healthy

school meals program. This provision increased revenue by \$42.7 million in FY 2022-23 (a half-year impact), and is expected to bring in \$99.9 million in FY 2023-24.

Forecast for FY 2023-24. Individual income tax collections are expected to decline by 1.0 percent in FY 2023-24 to total \$10.84 billion before the SEF and affordable housing transfers. Expectations for revenue were increased by \$11.3 million relative to the September 2023 forecast. The revision reflects upward adjustments to estimated payments and cash with returns that more than offset downward adjustments to withholding. Through November 2023, fiscal year growth in wage withholding is 3.8 percent, compared with 9.2 percent during the same period last year. Moderating growth in wage withholding year-to-date is consistent with the impacts of Proposition 121, as well as moderating wage and salary growth, down to an estimated 5.8 percent in 2023, from 9.1 percent in 2022 (Figure 7 on page 36).

For most taxpayers, final payments for tax year 2022 were due on April 18, 2023. While data on final payments are incomplete, available data suggest that net tax receipts for the 2022 tax year were relatively flat compared with 2021. Table 9 presents net tax receipts for tax years 2021 and 2022, including forecast expectations for the remaining final payments for tax year 2022. As shown in Table 9, an increase in refunds and reduction in cash with returns was offset by increases in wage withholding and estimated payments. The preliminary estimate for income tax revenue for FY 2022-23 is less than estimated tax year 2022 payments because it includes accruals of anticipated tax revenue for tax year 2023.

Table 9
Individual Income Tax Receipts by Source, Tax Years 2021 and 2022¹
Dollars in Millions

	Tax Year 2021 Actual	Tax Year 2022 Estimated	Percent Change
Withholding	\$8,510	\$9,222	8.4%
Estimated Payments	\$1,965	\$2,484	26.4%
Cash With Returns ²	\$1,964	\$1,357	-30.9%
Refunds ²	(\$1,471)	(\$2,132)	44.9%
Total	\$10,968	\$10,931	-0.3%

Source: Office of the State Controller; Department of Revenue; and December 2023 Legislative Council Staff forecast.

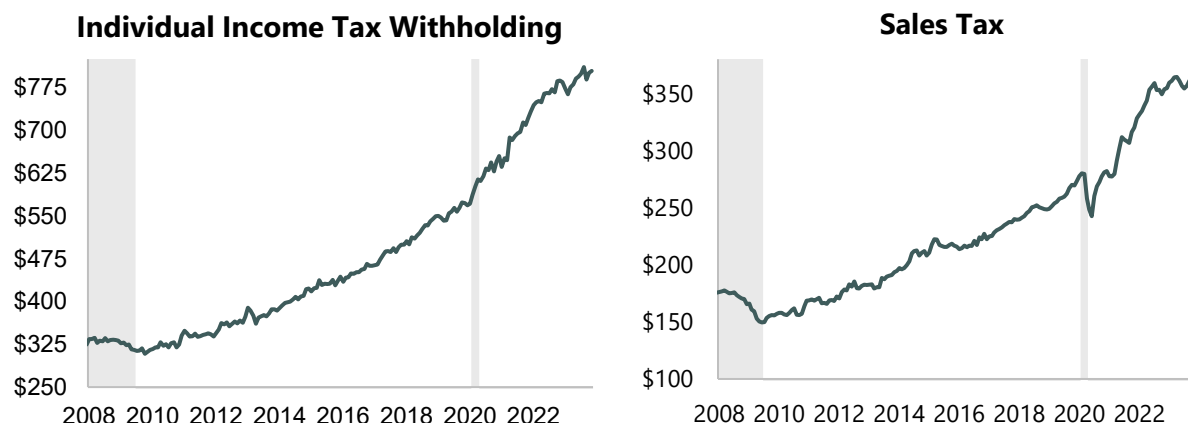
¹For illustrative purposes, withholding and estimated payments for a tax year show receipts between February of that year and January of the following year. Cash with returns and refunds for a tax year show transactions between January and December of the following year. Tax received during these time periods may be for the current or any prior tax year, but are assumed to be representative of the tax years indicated.

²Cash with returns and refunds for tax year 2022 include preliminary data for November 2023 and forecasted transactions for December 2023. TABOR refund amounts that reduced final payments are added to refunds.

Forecasts for FY 2024-25 and FY 2025-26. Individual income tax collections are expected to grow by 9.3 percent in FY 2024-25 to \$11.8 billion, and by 6.5 percent in FY 2025-26 to \$12.6 billion. Estimates for FY 2024-25 and FY 2025-26 were revised downward on net relative to the September 2023 forecast, reflecting lower expectations for wage and salary growth in 2025.

The revenue outlook is less certain than normal, owing to significant changes in state and federal tax policy compounding already-high uncertainty in the underlying economic outlook, with persistent inflation and tight monetary policy significantly raising risks to the outlook.

Figure 7
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 2023 collections are preliminary.

Legislative adjustments. This forecast includes significant adjustments for the future impacts of recent legislation passed by the General Assembly on individual income tax revenue. For tax year 2024, **House Bill 23-1112** expands the state Earned Income and Child Tax Credits.

House Bill 23-1272 establishes several new tax credits including for innovative motor vehicles and trucks, industrial clean energy, electric bicycles, heat pumps, geothermal energy, and sustainable aviation fuel. Eight bills enacted during the 2023 legislative session establish or extend income tax credits, and are expected to reduce income tax revenue by between \$136 and \$209 million annually during the forecast period. This forecast also includes adjustments for the federal tax treatment of retirement plans, which is expected to increase state tax revenue by between \$21 million and \$24 million in FY 2023-24 and FY 2024-25, respectively.

The forecast does not include an adjustment for **House Bill 23B-1002**, which increased the earned income tax credit for tax year 2023. The bill requires that the expanded credit amount be accounted as a TABOR refund, not a reduction in income tax revenue. The impact of the credit is shown as affecting TABOR refunds in the TABOR Outlook section of the forecast.

Anschutz v. Colorado Department of Revenue. This forecast assumes that the state will be required to pay retroactive state income tax refunds sought by the plaintiffs and other similarly-situated taxpayers pursuant to the November 2022 *Anschutz v. Colorado Department of Revenue* ruling, and incorporates downward adjustments for individual income tax revenue in FY 2023-24. Any additional refunds issued pursuant to the decision will reduce revenue relative to the forecast and therefore pose a significant downside risk to the income tax revenue outlook.

Corporate Income Tax

Every C corporation that has property, payroll, or sales in Colorado is subject to the state corporate income tax. Corporate income taxes have historically been a volatile revenue source because they are highly responsive to economic conditions and to federal tax policy. In addition, many corporations make strategic tax decisions about when and how to claim credits and deductions, which makes it harder to estimate the amount of corporate tax revenue. Colorado corporate income tax revenue has greatly exceeded expectations for the last two fiscal years, posting record highs in both years. This forecast anticipates that corporate income taxes will decline from their FY 2022-23 peak but remain well above trend levels from the 2010s. Recent volatility illustrates how sensitive corporate income tax collections are to policy changes and economic conditions, and points to elevated, bidirectional risk to the corporate income tax forecast.

FY 2022-23. Preliminary corporate income tax collections increased by a stunning 50.9 percent in FY 2022-23. The surge in corporate revenue nets out a reduction in tax revenue due to the rate cut enacted in Proposition 121, now estimated at about \$80 million.

Forecast for FY 2023-24. Corporate income tax collections are expected to fall in the current FY 2023-24, as consumer demand and inflationary pressure ease, but remain high by historical standards. Revenue is expected to total \$1.98 billion in FY 2023-24, a decline of about 16.5 percent from the prior year. Relative to the September forecast, revenue was revised upward by \$99.5 million.

Forecast for FY 2024-25 and FY 2025-26. Corporate income tax collections are expected to reach \$1.83 billion in FY 2024-25 and \$1.86 billion in FY 2025-26. Relative to the September forecast, revenue was revised upward by \$126.2 million in FY 2024-25 and \$88.0 million in FY 2025-26.

Why does corporate revenue continue to exceed expectations? Corporate income tax revenue has been surprisingly high in many states across the country. One reason is the ongoing impacts of the 2017 Federal Tax Cuts and Jobs Act, which made changes to federal corporate credits and deductions, increasing federal taxable income. Colorado's corporate taxable income is based on federal taxable income such that any changes to federal additions and deductions will flow through to Colorado's tax base. Data from the Colorado Department of Revenue show business reclassifications from sole proprietorships and pass-through entities, for which taxes are paid by individual business owners, to C corporations and partnerships, from which corporate income taxes are collected. Finally, some states report that corporations overpaid taxes for the 2022 tax year to reduce their future tax liability.

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 revenue grew at a healthy 5.2 percent rate in FY 2022-23 and is expected to grow at a more sluggish pace of 2.5 percent in FY 2023-24. Growth has likely been cooled by receding inflation, accompanied by high interest rates which contribute to tighter lending standards. Sales tax revenue growth is expected to pick up to 4.1 percent in FY 2024-25, but remain low by historical standards. Growth will be tempered in the near term as labor market conditions soften, inflation slowly cools, and household

finances are constrained. Sales tax revenue is expected to accelerate again in FY 2025-26 as the economy realizes a soft landing and restrictive monetary policy eases. Sales tax revenue positively correlates with real personal income, which grew in 2023 and is expected to post an even higher growth rate in 2024. Growth in personal income is expected to bolster growth in sales tax collections despite rising consumer trepidation over their financial situations.

Relative to the September forecast, expectations for sales tax revenue were revised down by \$62.6 million in FY 2023-24 and \$87.8 million in FY 2024-25. Downward revisions reflect persistently slow growth in sales tax collections over 2023, with collections falling short of prior forecast expectations in most months.

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. Use tax revenues recorded a weaker start to the fiscal year, posting seven consecutive months of decline through November 2023. Use tax revenues are expected to continue to decrease through FY 2023-24, ending the year down 6.9 percent, a reversal from the 8.0 percent growth rate posted in FY 2022-23. Use tax revenue is likely impacted by high interest rates, weighing on investment in the industries driving use tax revenues, such as oil and gas, construction, and manufacturing. Similar to sales tax revenue, growth in use tax revenue is expected to accelerate in FY 2024-25 and FY 2025-26 as monetary policy eases and the economy realizes a soft landing. Use tax is forecasted to grow at a 4.2 percent rate in FY 2024-25 and another 7.0 percent in FY 2025-26.

Like sales tax, use tax expectations were revised down relative to those published in the September forecast. Use tax receipts had fallen short of forecast expectations, with high interest rates taking a more severe toll on collections than previously expected. The forecast was downgraded by \$23.2 million for FY 2023-24 and \$33.8 million for FY 2024-25.

Proposition EE Cigarette, Tobacco, and Nicotine Taxes

Proposition EE increased cigarette and tobacco taxes, created a new tax on nicotine products, and created a minimum price for cigarette sales. Revenue from the new taxes is exempt from TABOR as a voter-approved revenue change. Proposition EE revenue is deposited in the General Fund, transferred to the 2020 Tax Holding Fund, and distributed to fund tobacco education programs, the General Fund and preschool programs.

Revenue from Proposition EE taxes totaled \$235.0 million in FY 2022-23, and is expected to fall to \$202.2 million in the current fiscal year primarily due to a smaller accounting adjustment compared to the previous year, as well as falling consumption in all three types of products. This is an upward revision from prior forecasts following the passage of Proposition II, as previous forecasts had assumed that the tax rates would be reduced by 11.53 percent compared to the rates that were outlined in Proposition EE. Table 10 shows expected revenue collections, while equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 6 on page 18.

Consumption of cigarettes, tobacco, and nicotine products fell in 2023 as consumers had less disposable income for nonessential products. **Cigarette** revenue is the largest portion of Proposition EE, making up 66 percent of total revenue in FY 2022-23. Cigarette use tends to decline over time, but consumption has fall more steeply than normal in FY 2023-24, down 13.9 percent this year compared to the same period in FY 2022-23, consistent with a nationwide trend. The minimum price for cigarettes is not expected to bring in additional sales tax revenue through the forecast period, as high inflation has resulted in very few cigarette sales being impacted by the price floor.

Nicotine is the next largest revenue stream, with revenue increasing due to an increased tax rate, despite falling sales. Nicotine revenue is expected to continue to increase over the forecast period but at a slower pace than previously expected, as nicotine consumption appears to be more price-sensitive to increasing tax rates than was previously anticipated. **Tobacco** makes up the rest of the Proposition EE revenue, bringing in \$12.1 million in FY 2022-23. Tobacco revenue is down 4.3 percent so far in the current fiscal year compared to the year prior, despite tobacco prices increasing nationally.

Table 10
General Fund Revenue Estimates
Dollars in Millions

Category		Preliminary FY 2022-23	Percent Change	Estimate FY 2023-24	Percent Change	Estimate FY 2024-25	Percent Change	Estimate FY 2025-26	Percent Change
Excise Taxes									
1	Sales	\$4,301.6	5.2	\$4,408.2	2.5	\$4,590.1	4.1	\$4,848.1	5.6
2	Use	\$251.2	8.0	\$235.5	-6.3	\$245.3	4.2	\$262.4	7.0
3	Retail Marijuana Sales	\$219.9	-15.0	\$206.2	-6.2	\$220.8	7.1	\$234.4	6.2
4	Cigarette	\$23.9	-7.9	\$22.1	-7.5	\$20.6	-7.1	\$19.6	-4.5
5	Tobacco Products	\$23.7	-11.0	\$21.8	-8.1	\$24.4	11.9	\$25.5	4.5
6	Liquor	\$56.3	-0.1	\$56.6	0.5	\$58.5	3.3	\$60.3	3.0
7	Proposition EE Tobacco Taxes	\$235.0	13.0	\$202.2	-14.0	\$240.6	19.0	\$239.3	-0.5
8	Total Excise	\$5,111.7	4.4	\$5,152.5	0.8	\$5,400.2	4.8	\$5,689.7	5.4
Income Taxes									
9	Net Individual Income	\$10,952.7	-6.5	\$10,838.3	-1.0	\$11,843.4	9.3	\$12,609.1	6.5
10	Net Corporate Income	\$2,366.7	50.9	\$1,976.7	-16.5	\$1,825.4	-7.7	\$1,861.5	2.0
11	Total Income Taxes	\$13,319.5	0.2	\$12,815.0	-3.8	\$13,668.8	6.7	\$14,470.6	5.9
12	Less: Portion diverted to the SEF	-\$1,066.4	7.3	-\$1,062.2	-0.4	-\$1,110.1	4.5	-\$1,167.0	5.1
13	Less: Portion diverted for Affordable Housing	-\$160.0	NA	-\$314.1	96.3	-\$333.0	6.0	-\$350.1	5.1
14	Income Taxes to the General Fund	\$12,093.1	-1.6	\$11,438.7	-5.4	\$12,225.7	6.9	\$12,953.4	6.0
Other Sources									
15	Estate	\$0.0	NA	\$0.0	NA	\$0.0	NA	\$0.0	NA
16	Insurance	\$516.7	32.4	\$625.0	21.0	\$689.2	10.3	\$732.5	6.3
17	Pari-Mutuel	\$0.3	-20.4	\$0.3	-1.5	\$0.3	-0.9	\$0.3	1.1
18	Investment Income	\$192.8	178.5	\$234.5	21.6	\$196.1	-16.4	\$165.3	-15.7
19	Court Receipts	\$3.1	30.6	\$3.1	-0.1	\$3.1	-0.4	\$3.1	-0.3
20	Other Income	\$84.5	85.3	\$69.5	-17.8	\$64.4	-7.4	\$57.4	-10.8
21	Total Other	\$797.4	57.0	\$932.4	16.9	\$953.1	2.2	\$958.6	0.6
22	Gross General Fund Revenue	\$18,002.2	1.7	\$17,523.6	-2.7	\$18,579.0	6.0	\$19,601.7	5.5

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

Cash Fund Revenue

Table 11 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, severance taxes, and gaming taxes. The end of this section also presents the forecasts for sports betting revenue, marijuana tax revenue, federal mineral lease payments, the Unemployment Insurance Trust Fund, and the family and medical leave insurance (FAMLI) program. These forecasts are presented separately because they are not subject to the state TABOR limit.

Table 11
Cash Fund Revenue Subject to TABOR
Dollars in Millions

	Preliminary FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Transportation-Related	\$1,266.8	\$1,455.8	\$1,546.7	\$1,595.0	
Percent Change	2.2%	14.9%	6.2%	3.1%	8.0%
Severance Tax	\$374.5	\$240.4	\$257.4	\$253.0	
Percent Change	15.2%	-35.8%	7.1%	-1.7%	-12.3%
Gaming Revenue ¹	\$121.3	\$123.5	\$125.8	\$128.3	
Percent Change	5.2%	1.8%	1.8%	2.0%	1.9%
Insurance-Related	\$26.5	\$23.5	\$22.9	\$22.3	
Percent Change	9.3%	-11.4%	-2.6%	-2.6%	-5.6%
Regulatory Agencies	\$89.4	\$90.7	\$92.0	\$93.3	
Percent Change	-3.1%	1.5%	1.4%	1.4%	1.4%
2.9% Sales Tax on Marijuana ²	\$7.2	\$7.0	\$6.7	\$6.7	
Percent Change	-39.2%	-2.3%	-4.0%	0.2%	-2.0%
Housing Development Grant Fund	\$71.7	\$72.4	\$75.0	\$79.3	
Percent Change	7.9%	0.9%	3.6%	5.8%	3.4%
Other Cash Funds ³	\$800.6	\$821.5	\$828.4	\$853.2	
Percent Change	1.2%	2.6%	0.8%	3.0%	2.1%
Total Cash Fund Revenue³	\$2,758.0	\$2,834.8	\$2,954.9	\$3,031.2	
Subject to the TABOR Limit	3.5%	2.8%	4.2%	2.6%	3.2%

Totals may not sum due to rounding.

*CAAGR: Compound average annual growth rate for FY 2021-22 to FY 2024-25.

¹Gaming revenue in this table does not include extended gaming revenue from Amendments 50 and 77, because it is not subject to TABOR.

²Includes revenue from the 2.9 percent sales tax collected from the sale of medical and retail marijuana. This revenue is subject to TABOR.

³For FY 2019-20 through FY 2021-22, 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 2022-23. Preliminary figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled \$2.76 billion in FY 2022-23, an increase of 3.5 percent from the prior fiscal year. All major cash fund categories grew, though there were declines in the 2.9 percent sales tax on marijuana and revenue from regulatory agencies. The two largest sources, transportation-related cash funds and other miscellaneous cash funds, grew by 2.2 percent and 1.2 percent, respectively. Together these categories made up about 75 percent of the total.

FY 2023-24. In the current fiscal year, total cash fund revenue subject to TABOR is expected to total \$2.83 billion, an increase of 2.8 percent from the prior year. Growth is expected to slow from last year primarily from lower revenue from severance taxes. The decline is expected as the value of oil and gas production falls and utilization of the ad valorem tax credit increases. Transportation-related revenue is expected to have a significant increase as legislative changes including the implementation of road usage fees, retail delivery fees, and the end of a temporary reduction in the road safety surcharge start to impact these cash funds. Relative to September, total cash fund forecasts for FY 2023-24 were relatively unchanged, with a downward revision of \$6.7 million.

FY 2024-25 through FY 2025-26. Total cash fund revenue subject to TABOR in the FY 2024-25 is expected to total nearly \$3.0 billion, an increase of 4.2 percent from FY 2023-24. By FY 2025-26, cash fund revenue is expected to come in just over \$3.0 billion. Relative to September, the forecast for total cash fund revenue subject to TABOR was revised downward by \$25.4 million for FY 2024-25. The larger \$150.2 million downward revision for FY 2025-26 is mostly due to correction of a misprint in the September forecast.

Transportation-related revenue subject to TABOR is expected to increase by 14.9 percent in FY 2023-24 following a 2.2 percent increase in FY 2022-23. The anticipated increase is driven primarily by legislative changes including the implementation of road usage fees, retail delivery fees, and the end of a temporary reduction in the road safety surcharge. Revenue is expected to increase by 6.2 percent in FY 2024-25 and 3.1 percent in FY 2025-26. The forecast for transportation-related revenue is presented in Table 12.

Motor fuel revenue is the largest component of transportation revenue, making up nearly half of total collections, followed by revenue from vehicle registrations. Collections for taxes on both gasoline and diesel fuel have been strong in recent months. Additionally, road usage fees were introduced in April 2023 at 2 cents per gallon, and increased to 3 cents per gallon in July 2023. These fees will increase by 1 cent per gallon in each fiscal year through the forecast period. Road usage fees are expected to bring in \$94.8 million in FY 2023-24, the first full year of implementation. While fuel consumption is expected to grow through the forecast period, improving vehicle fuel efficiency and permanent shifts to remote or hybrid work for some dampen expectations for growth.

Growing revenue from motor fuel and road usage fees is expected to be partially offset by reduced revenue from the safety surcharge through FY 2023-24. Senate Bill 21-260 and House Bill 22-1351 temporarily reduced the road safety surcharge by \$11.10 in calendar years 2022 and 2023, and it will return to its original rate on January 1, 2024. Due to the end of the rate reduction, revenue from the road safety surcharge is expected to increase by 53.6 percent in FY 2023-24 and another 37.6 percent in FY 2024-25.

Table 12
Transportation Revenue by Source
Dollars in Millions

	Preliminary FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	\$652.3	\$674.2	\$682.9	\$689.4	1.4%
Percent change	3.0%	3.4%	1.3%	1.0%	
Road Usage Fees	\$12.7	\$94.8	\$127.1	\$160.5	88.5%
Percent change	NA	645.6%	34.2%	26.3%	
Total Registrations	\$328.6	\$388.4	\$435.5	\$442.3	7.7%
Percent change	-15.3%	18.2%	12.1%	1.6%	
Registrations	\$219.9	\$235.1	\$239.7	\$243.3	2.6%
Road Safety Surcharge	\$72.4	\$111.2	\$153.1	\$155.8	21.13%
Late Registration Fees	\$36.3	\$42.1	\$42.7	\$43.2	4.4%
Other HUTF Receipts ¹	\$72.4	\$83.0	\$86.0	\$88.5	5.1%
Percent change	40.2%	14.7%	3.5%	2.9%	
Total HUTF	\$1,066.0	\$1,240.5	\$1,331.5	\$1,380.7	6.7%
Percent change	-0.6%	16.4%	7.3%	3.7%	
State Highway Fund (SHF) ²	\$27.5	\$30.5	\$29.8	\$26.6	-0.9%
Percent change	29.4%	10.8%	-2.4%	-10.8%	
Other Transportation Funds	\$173.3	\$184.8	\$185.4	\$187.7	2.0%
Percent change	19.1%	6.6%	0.3%	1.2%	
Aviation Fund ³	\$60.8	\$58.1	\$52.4	\$49.1	-5.18%
Multimodal Transportation Options Fund ⁴	\$12.3	\$13.9	\$15.3	\$16.7	7.99%
Law Enforcement-Related ⁵	\$7.3	\$6.4	\$6.3	\$6.1	-4.43%
Registration-Related ⁶	\$92.9	\$106.4	\$111.5	\$115.8	5.65%
Total Transportation Funds	\$1,266.8	\$1,455.8	\$1,546.7	\$1,595.0	5.9%
Percent change	2.2%	14.9%	6.2%	3.1%	

Totals may not sum due to rounding.

*CAAGR: Compound average annual growth rate for FY 2022-23 to FY 2025-26.

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

²Includes only SHF revenue subject to Article X, Section 20, of the Colorado Constitution (TABOR). Beginning in FY 2019-20, SHF re subject to TABOR no longer includes local government grants and contracts.

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

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

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

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

Lastly, retail delivery fees created by Senate Bill 21-260 went into effect on July 1, 2022. The retail delivery fees totaled 27 cents per delivery in FY 2022-23 and increased to 28 cents in FY 2023-24. This forecast includes only the portion of the retail delivery fee that is subject to TABOR. Of this amount, \$18.5 million was distributed to the HUTF and \$12.3 million to the Multimodal Transportation Mitigation Options Fund in FY 2022-23. Revenue from retail delivery fees is expected to grow by about 13 percent in FY 2023-24.

Most fuel taxes and vehicle registration fees are credited to the Highway Users Tax Fund (HUTF). From the HUTF, funds are disbursed to the Department of Transportation, State Patrol within the Department of Public Safety, the Division of Motor Vehicles within the Department of Revenue, the Department of Natural Resources, and to county and municipal governments. The State Patrol, Department of Revenue, and Department of Natural Resources receive HUTF funds through appropriations that are set in statute. The remaining revenue is allocated to the Department of Transportation (via the State Highway Fund), counties, and municipalities based on how much revenue is collected. Revenue is distributed based on multiple formulas that differ between revenue streams. The estimated distributions from the HUTF are shown in Table 13.

Table 13
Highway Users Tax Fund Distributions
Dollars in Millions

HUTF Distribution Forecast	Preliminary FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
Department of Public Safety ¹	\$181.9	\$196.4	\$196.4	\$196.4
Department of Revenue ²	\$4.7	\$4.2	\$4.2	\$4.2
Department of Natural Resources ³	\$0.3	\$0.3	\$0.3	\$0.3
State Highway Fund	\$539.7	\$637.3	\$690.4	\$720.2
Counties	\$218.5	\$237.5	\$257.4	\$268.8
Municipalities	\$153.6	\$168.4	\$184.4	\$193.1
Total HUTF Distributions	\$1,098.7	\$1,244.0	\$1,333.0	\$1,383.0
Total Nonexempt Revenue	\$1,066.0	\$1,240.5	\$1,331.5	\$1,380.7
Assumed Exempt Revenue	\$1.3	\$3.5	\$1.5	\$2.3
Transfers to HUTF	\$31.4	\$0.0	\$0.0	\$0.0

¹ Allocations for CDPS made "off-the-top", regardless of the amount of revenue collected.

² Revenue is appropriated to the Department of Revenue in the Long Bill. The actual amount distributed to the department is often different from the amount appropriated due to differences in revenue collections. The amount estimated in FY 2023-24 reflects the full appropriation.

³ The Department of Natural Resources receives an ongoing appropriation of \$300,000 for capital construction.

Severance tax revenue, including interest earnings, totaled \$374.7 million in FY 2022-23, an increase of almost \$50 million from the prior year. Severance tax revenue is expected to decline by 35.8 percent in FY 2023-24 as the value of oil and gas production falls and the ad valorem tax credit utilization increases. 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 14.

Severance tax collections from **oil and natural gas** reached historic levels in FY 2022-23, totaling \$347.1 million despite prices falling from highs posted in 2022. Collections are expected to decline in FY 2023-24 to \$217.5 million due to several factors. Despite improvement over the latter half of the year, natural gas prices remain well below 2022's peak levels. Oil production is expected to increase modestly and the price of oil is expected to be fairly steady; however, the rapid increase in production in 2022 is expected to increase credits from ad valorem taxes that will further weigh on oil severance tax collections. Downward pressures are expected to be partially offset by legislative adjustments beginning in tax year 2024. Higher natural gas prices

and legislative adjustments are expected to contribute to growing collections in FY 2024-25, before payments fall again on lower prices in FY 2025-26.

Table 14
Severance Tax Revenue Forecast by Source

Dollars in Millions

	Preliminary FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Oil and Gas	\$347.1	\$217.5	\$234.8	\$229.0	-12.9%
Percent Change	12.5%	-37.4%	8.0%	-2.5%	
Coal	\$4.5	\$4.5	\$4.3	\$4.2	-1.7%
Percent Change	38.6%	1.1%	-5.0%	-1.0%	
Molybdenum and Metallics	\$0.6	\$1.7	\$1.9	\$1.9	46.2%
Percent Change	-77.5%	183.1%	7.4%	2.9%	
Total Severance Tax Revenue	\$352.2	\$223.7	\$241.0	\$235.1	-12.6%
Percent Change	11.9%	-36.5%	7.7%	-2.4%	
Interest Earnings	\$22.5	\$16.7	\$16.4	\$17.8	-7.4%
Percent Change	117.7%	-25.7%	-1.5%	8.5%	
Total Severance Tax Fund Revenue	\$374.7	\$240.4	\$257.4	\$253.0	-12.3%
Percent Change	15.3%	-35.8%	7.1%	-1.7%	

*CAAGR: Compound average annual growth rate for FY 2022-23 to FY 2025-26.

After increasing by 38.6 percent in FY 2022-23 to \$4.5 million, **coal severance tax** revenue is expected to increase in FY 2023-24 by 1.1 percent, to \$4.5 million. Tax revenues over the first four months of the fiscal year have come in stronger than expected. Beginning in 2022 and continuing over the next few years, legislative adjustments are phasing out tax credits for underground mines and a tonnage exemption that will boost collections above what would be expected otherwise. In Colorado and nationally, coal production rose rapidly in 2022 on favorable prices emerging from the pandemic, increased electricity use due to weather, and global disruptions such as reduced Russian imports to European countries. However, market conditions have been less favorable and production is expected to decline through the forecast period. Production in Colorado is being shaped by the shift away from coal-fired electricity generation in the state. In FY 2024-25 and FY 2025-26, ongoing reductions in demand from the electricity sector are expected to contribute to declines, consistent with the longer-term trend.

Metal and molybdenum mines paid \$0.6 million in severance taxes on the value of minerals produced in FY 2022-23, a decline of 77.5 percent. Tax revenue is expected to rebound somewhat in FY 2023-24, reaching an estimated \$1.7 million. The market for metals and molybdenum are expected to contribute to further gains in FY 2024-25 and FY 2025-26, bringing tax collections closer to a long-term average.

Finally, **interest earnings** on severance tax revenue were approximately \$22.5 million in FY 2022-23 and are forecast to decrease to \$16.7 million in FY 2023-24. Interest earnings are forecast to decline 1.5 percent in FY 2024-25, before rising 8.5 percent in FY 2025-26.

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. The state does not collect gaming revenues from casinos on tribal lands in southwestern Colorado.

Gaming revenue is subject to TABOR except for revenue attributable to gaming expansions enacted under Amendment 50 and Amendment 77 (extended gaming), which is TABOR-exempt.

Senate Bill 22-216 modified how limited and extended gaming revenues are calculated beginning in FY 2021-22. In years of fast growth in gaming taxes, the portion of gaming tax revenue that is subject to TABOR grows more slowly than overall tax revenue. In this case, a greater share of revenue is directed to the state and local government programs that receive revenue through Amendment 50 and Amendment 77.

Following the COVID-19 recession, gaming revenues rebounded beyond pre-pandemic levels, posting double digit growth rates in FY 2020-21 through FY 2022-23. Total gaming revenue reached \$171.7 million in FY 2022-23, a robust increase of 34.3 percent from the prior fiscal year. However, this upward trend reversed through the first four months of FY 2023-24, signaling that pent-up demand from the pandemic-induced shutdowns and capacity restrictions may be diminished. Furthermore, recent construction on two highways going into Black Hawk and Central City may have contributed to lower proceeds for both gaming hubs in FY 2023-24 through October, year-over-year. Unfavorable consumer sentiment, lower-than-average household savings, slow decreases in inflation, and a relaxing labor market are likely additional contributors to the declining year-over-year growth posted in the first four months of FY 2023-24.

Tax revenue is expected to grow by 1.4 percent in FY 2023-24, a slowdown from the 6.5 percent growth rate that was anticipated in the September 2023 forecast. Tax revenue is expected to increase another 1.9 percent in FY 2024-25, and an additional 2.1 percent in FY 2025-26.

Sports betting was legalized after the passage of **Proposition DD** at the November 2019 election. Betting launched on May 1, 2020, and has grown significantly since its inception. Revenue collected from sports betting activity includes licensing fees, 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.

Sports betting revenue exempt from TABOR ended FY 2022-23 up 108 percent, totaling \$26 million. Despite the strong growth realized in FY 2022-23, FY 2023-24 year-to-date revenue is up only 21 percent, significantly less than the 44 percent FY 2023-24 growth rate estimated in the September 2023 forecast. As a result, sports betting revenue not subject to TABOR is now expected to increase by 19 percent in FY 2023-24.

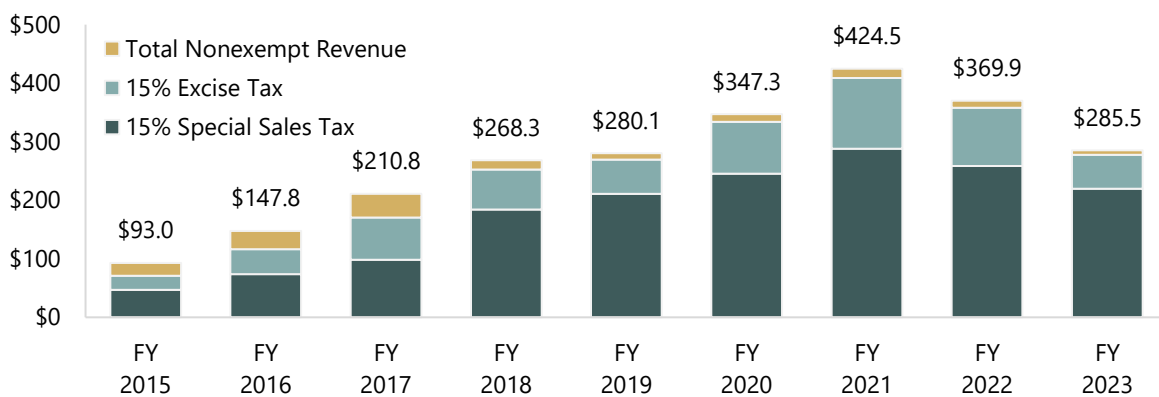
The previous forecast assumed that the recent introduction of sports betting to the Colorado economy paired with growing popularity in some Colorado sports teams would contribute to high growth rates in FY 2023-24. The current forecast maintains these expectations; however, after over three years since the legalization of sports betting, it is likely that the initial ramp-up period as a result of new implementation is largely over. For example, of the top 10 sports by total wagers, college football has seen the largest sports betting increase in FY 2023-24, growing over 32 percent year-over-year as of September 2023. This aligns with record-breaking

viewership for the University of Colorado football team in September 2023, hinting at the tax revenue's sensitivity to the general popularity of Colorado sports teams. Growth in TABOR-exempt sports betting revenue is expected to continue at a slowing rate through the forecast period, increasing 9 percent in FY 2024-25 and another 5.9 percent in FY 2025-26.

Sports betting fee revenue subject to TABOR ended FY 2022-23 down 3.5 percent from the prior fiscal year, hovering around \$2.3 million. Sports betting revenue subject to TABOR is expected to increase in future years and is included in the Other Cash Funds forecast in Table 11.

Marijuana tax revenue has declined substantially since peaking in August 2021, experiencing a 22.5 percent annual decline in revenue in FY 2022-23. The decline in marijuana tax revenue is largely due to a return to normal consumption patterns after surging during the COVID pandemic, alongside falling prices as the marijuana market matures. Revenue is expected to rebound slowly through the forecast period as prices and consumption return to normal.

Figure 8
Tax Revenue from Marijuana
Millions of Dollars



Sources: Colorado Office of the State Controller and Legislative Council Staff.

Prices for marijuana fell as pandemic-induced demand waned and as the market matured. Tax revenue from marijuana is falling across most states where recreational marijuana is legal due to declining demand after the surge during COVID-19, but states that legalized marijuana early (such as Colorado, Washington, and Oregon) are seeing the biggest declines in sales. When states first legalize marijuana, there is often a shortage of supply as cultivators slowly enter the market, which pushes up prices – a trend that contributed to the rapid growth seen in Colorado in FY 2014-15 through FY 2017-18. This trend is often then followed by oversaturation in marijuana production, resulting in falling prices which pushes out some producers until the market reaches equilibrium. Colorado had started to experience this trend in 2018 and 2019, demonstrated by falling prices and excise tax revenue.

At the start of the pandemic, wholesale prices increased by over 30 percent between January 2020 and January 2021 as pandemic-induced restrictions resulted in surging demand for marijuana products. Prices then fell by 63 percent in the two years following, reaching a low point in April of 2023, due to both falling demand as pandemic-related restrictions subsided and a continuation of the falling prices that were experienced before the pandemic. Prices have

started to rebound since April, up 14 percent year-over-year as of October, and are expected to continue to increase moving forward.

Marijuana tax revenue is expected to rebound in the second half of FY 2023-24 and FY 2024-25, albeit with slower growth rates than seen historically. The state's 15 percent excise tax and 15 percent sales tax, which make up the majority of the revenue from the marijuana industry, are voter-approved revenue exempt from TABOR. The 2.9 percent general state sales tax is assessed on medical marijuana and non-marijuana products sold at marijuana retailers, and is subject to the state's revenue limit. The marijuana tax revenue forecast is shown in Table 15.

Table 15
Tax Revenue from the Marijuana Industry

	Dollars in Millions				
	Preliminary FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Proposition AA Taxes					
Special Sales Tax	\$219.9	\$206.2	\$220.8	\$234.4	2.2%
State Share of Sales Tax	\$197.2	\$185.2	\$197.6	\$210.4	
Local Share of Sales Tax	\$21.9	\$20.6	\$22.0	\$23.4	
15% Excise Tax	\$57.8	\$59.5	\$66.7	\$70.5	6.9%
Total Proposition AA Taxes	\$277.7	\$265.7	\$287.5	\$305.0	3.2%
Percent Change	-22.5%	-4.3%	8.2%	6.1%	
2.9 Sales Tax (Subject to TABOR)					
2.9% Sales Tax on Medical Marijuana	\$5.6	\$4.9	\$4.5	\$4.4	-7.9%
2.9% Sales Tax on Retail Marijuana	\$2.1	\$1.9	\$2.1	\$2.2	2.1%
TABOR Interest	\$0.1	\$0.1	\$0.1	\$0.1	
Total 2.9% Sales Tax	\$7.8	\$7.0	\$6.7	\$6.7	-4.9%
Percent Change	-33.2%	-10.8%	-4.0%	0.2%	
Total Marijuana Tax Revenue	\$285.5	\$272.7	\$294.2	\$311.7	3.0%
Percent Change	-22.8%	-4.5%	7.9%	5.9%	

*CAAGR: Compound average annual growth rate for FY 2022-23 to FY 2025-26.

The **excise tax** is the second-largest source of marijuana revenue and is dedicated to the BEST Fund for school construction. The excise tax is based on the calculated or actual wholesale price of marijuana when it is transferred from the cultivator or manufacturer to the retailer. Therefore, the wholesale price is a significant determinant of excise tax revenue. Falling prices have contributed to falling excise tax revenue per unit, as well as falling sale volume as cultivators exit the market because prices are too low to support their businesses. The number of licensed cultivators has fallen by over 20 percent since peaking in July 2022.

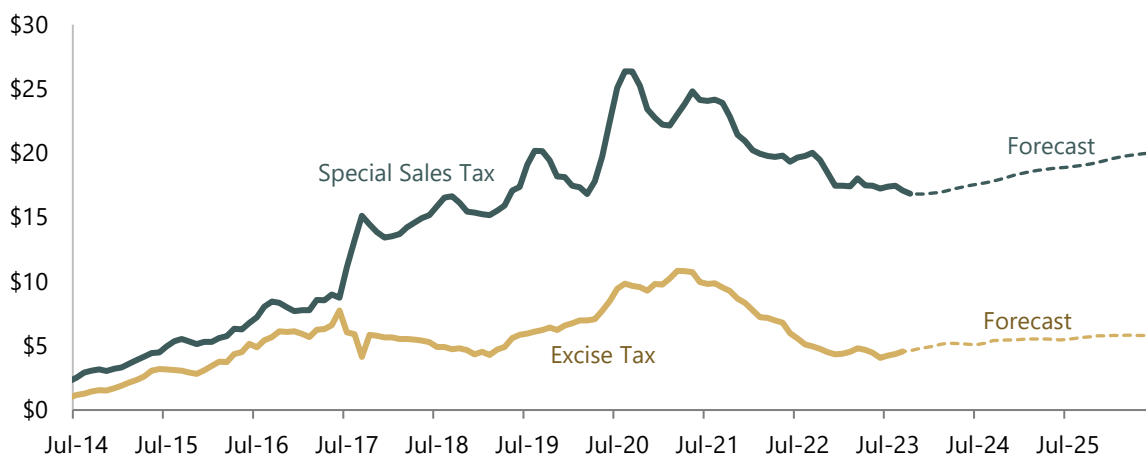
However, the wholesale price increased over the past two quarters – the first price increases since 2021. Rising prices have already contributed to some modest gains over the past three months, and are an indication that excise tax revenue is likely to pick up moving forward. Excise tax revenue collections are expected to grow modestly through the rest of FY 2023-24, for an annual gain of 4.1 percent over FY 2022-23. Revenue is expected to increase by 11.9 percent in FY 2024-25 as wholesale prices rebound to pre-pandemic levels, and settle to 5.9 percent growth in FY 2025-26.

The **special sales tax** is the largest source of marijuana revenue, assessed on transactions between retailers and consumers, and distributed to the Marijuana Tax Cash Fund, State Public

School Fund, General Fund, and local governments. Special sales tax revenue is down 12.1 percent so far in FY 2023-24 compared to the same period last fiscal year. Unlike excise tax revenue, sales tax revenue is not as well correlated with wholesale prices, so an increase in wholesale prices gives less of an indication of future increases in revenue, and we do not have an accurate measure of consumer prices at this time. Additionally, special sales tax revenue can be more volatile on a monthly basis than excise tax revenue, making it more difficult to predict. Shifts in consumer habits also impact retail sales revenue, as consumers switch to buying cheaper products due to high inflation reducing consumers' purchasing power.

Special sales tax revenue is expected to stop falling over the next few months, and begin showing year-over-year increases by the end of the fiscal year as rising wholesale prices begin to impact retail prices. Despite increases in the coming months, special sales tax revenue is expected to be 6.2 percent lower in FY 2023-24 compared to the prior year, before increasing by 6.7 percent and 6.5 percent in the two following fiscal years. This forecast estimates that the long run average growth will be near 6.5 percent, much slower than pre-pandemic as the market will be more mature, but faster than general sales tax growth.

Figure 9
Adult-Use Marijuana Revenue Forecast
Millions of Dollars, 3-Month Moving Average



Source: Colorado Department of Revenue and Legislative Council Staff forecast.

The **2.9 percent state sales tax** rate applies to medical marijuana and marijuana accessories purchased at a retail marijuana store. Revenue from the 2.9 percent sales tax is deposited in the Marijuana Tax Cash Fund and is subject to TABOR. The medical marijuana sales tax brought in \$5.6 million in FY 2022-23, a 38.8 percent decline compared to the year prior. The number of medical marijuana card holders has declined significantly in recent months, and is expected to result in falling medical marijuana tax revenue. Retail marijuana dispensaries also remitted \$1.1 million in general sales tax in FY 2023-24. Collections are expected to increase slightly in FY 2023-24 to \$1.3 million and increase modestly throughout the rest of the forecast period.

Based on the above forecasts, revenue to **the Marijuana Tax Cash Fund** is expected to fall by 6.5 percent in FY 2023-24 to \$140.2 million, before increasing to \$149.3 million in FY 2024-25.

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 negotiated between the federal government and mining companies. Since FML revenue is exempt from TABOR, the forecast is presented separately from other sources of state revenue.

As shown in Table 16, FML revenue totaled \$173.6 million in FY 2022-23, a 38.8 percent increase from FY 2021-22. In FY 2023-24, FML revenue is forecast to decrease about 38.4 percent to \$107 million. The rapid increase in natural gas prices that started in 2021 led to elevated FML revenues, though lower prices over the next year are expected to drive down revenue. As of November, prices were down significantly from the peak of \$8.81 per million BTU in August 2022, averaging about \$2.75 for the month. Prices are expected to average about \$2.67 in 2023. Prices are expected to increase beginning in 2024 and through the forecast period.

Table 16
Federal Mineral Lease Revenue Distribution
Dollars in Millions

	Preliminary FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
Total FML Revenue	\$173.6	\$107.0	\$125.5	\$139.1
Bonus Payments (portion of total revenue)	\$1.3	\$1.1	\$3.8	\$4.2
Local Government Permanent Fund	\$0.6	\$0.5	\$1.9	\$2.1
Higher Education FML Revenue Fund	\$0.6	\$0.5	\$1.9	\$2.1
Other (non-bonus) FML Revenue	\$172.4	\$106.0	\$121.8	\$135.0
State Public School Fund	\$83.3	\$51.2	\$58.8	\$65.2
Colorado Water Conservation Board	\$17.2	\$10.6	\$12.2	\$13.5
DOLA Grants	\$34.5	\$21.2	\$24.4	\$27.0
DOLA Direct Distribution	\$34.5	\$21.2	\$24.4	\$27.0
School Districts	2.9	1.8	2.1	2.3
Higher Education FML Revenue Fund	\$0.6	\$0.5	\$1.9	\$2.1

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.

Forecasts for **Unemployment Insurance (UI) Trust Fund** revenue, benefit payments, and year-end balances are shown in Table 17. Revenue to the UI Trust Fund is not subject to TABOR and is therefore excluded from Table 11. Revenue to the Employment Support Fund and Benefit Recovery Fund, which receive a portion of the UI premium surcharge, is subject to TABOR and is included in the revenue estimates for other cash funds in Table 11.

The UI Trust Fund began FY 2022-23 with a deficit of \$133.1 million, improved from a deficit of \$1.0 billion at the end of the previous fiscal year. The amount of UI benefits paid increased in FY 2022-23, to \$502.3 million, due to an uptick in the resolution of back payments along with increasing average benefits paid and growth in insured employment due to a strong state labor market. Revenue to the fund totaled \$922.0 million in FY 2022-23, leaving the fund with a balance of \$286.6 million on June 30, 2023, the first time the fund has ended the year with a positive balance since FY 2019-20.

Benefits paid are expected to decline in FY 2023-24 as back payments are resolved, before rising again, as average weekly wages continue to rise with inflation alongside continued growth in insured employment and an uptick in the unemployment rate. Revenues to the fund are expected to increase, as well, as increases in the chargeable wage base pursuant to **Senate**

Bill 20-207, estimated diversions to the UITF from the Employment Support Fund (ESF) pursuant to **Senate Bill 23-232**, and revenue from the solvency surcharge offset a lower employer premium rate schedule due to improving fund balances. Senate Bill 23-232 created a new cap on the amount of money in the ESF at the end of any fiscal year beginning in FY 2023- 24. The solvency surcharge will be applied and employers shifted down from the highest premium rate schedule on January 1, 2024. The solvency surcharge is expected to be applied throughout the forecast period, as fund balances are expected to fall short of the 0.7 percent of annual private wages threshold required to turn it off the following calendar year.

The UI Trust Fund is expected to end FY 2023-24 with a balance of \$683.0 million. The fund balance is expected to improve throughout the forecast period, meeting the thresholds to shift to a lower premium rate schedule in calendar year 2026 and to turn the solvency surcharge off in calendar year 2027.

Table 17
Unemployment Insurance Trust Fund
Revenues, Benefits Paid, and Fund Balance
Dollars in Millions

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Beginning Balance	(\$133.1)	\$286.6	\$683.0	\$1,180.7	
Plus Income Received					
UI Premium	\$807.2	\$805.1	\$835.1	\$809.8	0.1%
Solvency Surcharge	\$0.0	\$89.9	\$170.1	\$179.3	
Interest	\$1.1	\$6.9	\$11.5	\$23.6	
Other**	\$113.7	\$51.0	\$22.0	\$30.0	
Total Revenues	\$922.0	\$952.9	\$1,038.6	\$1,042.7	4.2%
Percent Change	-32.4%	3.4%	9.0%	0.4%	
Less Benefits Paid	(\$502.3)	(\$556.5)	(\$540.9)	(\$593.3)	5.7%
Percent Change	3.8%	10.8%	-2.8%	9.7%	
Private Loan Repayment	(\$110.1)	\$0.0	\$0.0	\$0.0	
Ending Balance	\$286.6	\$683.0	\$1,180.7	\$1,630.1	
Solvency Ratio					
Fund Balance as a Percent of Total Annual Private Wages	0.17%	0.38%	0.61%	0.81%	

Totals may not sum due to rounding.

*CAAGR: Compound average annual growth rate for FY 2022-23 to FY 2025-26.

**Other income includes private loans applied to federal loans outstanding, and estimated diversions from the Employment Support Fund; the Employment, Training and Technology Fund; and the Benefit Recovery Fund pursuant to SB 23-232.

Family and Medical Leave Insurance. Proposition 118, approved by voters at the November 2020 election, created a paid family and medical leave insurance (FAMLI) program for Colorado employees that provides up to 12 weeks of paid leave for eligible employees to care for themselves or a family member. Starting January 1, 2023, employers and employees were required to begin paying a payroll premium for FAMLI benefits, which eligible employees may use beginning January 1, 2024. Employers were required to remit payments by April 30, 2023, to the FAMLI Fund administered by the Colorado Department of Labor and Employment (CDLE). The fund balance in September 2023 was \$717 million. Revenue to the fund is exempt from TABOR.

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School Enrollment Projections

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 18 summarizes current and projected enrollment for the 2023-24 through 2025-26 school years by forecast region. Figure 10 on page 55 shows enrollment growth projections by school district for the 2024-25 school year.

- **FY 2023-24.** Enrollment for the current school year totals 835,739 student FTE across Colorado's public schools, down 3,328 FTE or 0.4 percent from the previous year. This decline is likely due to low birth rates and high housing prices resulting in smaller cohorts of students moving through the system.
- **FY 2024-25 and FY 2025-26.** Statewide K-12 enrollment is projected to decline in the next school year, decreasing by 4,614 student FTE or 0.6 percent. Enrollment in the 2025-26 school year is projected to decline by 3,900 student FTE or 0.5 percent. This forecast assumes that Colorado will continue to see declining enrollment through the forecast period.

Table 18
K-12 Public School Enrollment
Full-time equivalent (FTE) students

Region	Actual 2023-24	Percent Change	Estimated 2024-25	Percent Change	Estimated 2025-26	Percent Change	Average Growth*
Colorado Springs	123,275	0.4%	123,717	0.4%	124,294	0.5%	0.4%
Eastern Plains	25,239	0.6%	25,605	1.5%	25,926	1.3%	1.4%
Metro Denver	470,517	-0.4%	466,055	-0.9%	462,265	-0.8%	-0.9%
Mountain	23,964	-2.3%	23,710	-1.1%	23,621	-0.4%	-0.7%
Northern	92,474	0.1%	92,779	0.3%	93,017	0.3%	0.3%
Pueblo	31,350	-2.3%	31,044	-1.0%	30,718	-1.1%	-1.0%
San Luis Valley	6,886	-1.0%	6,861	-0.4%	6,819	-0.6%	-0.5%
SW Mountain	13,027	-2.4%	12,954	-0.6%	12,870	-0.6%	-0.6%
Western	49,010	-1.2%	48,403	-1.2%	47,698	-1.5%	-1.3%
Statewide Total	835,739	-0.4%	831,126	-0.6%	827,226	-0.5%	-0.5%

Source: Colorado Department of Education and Legislative Council Staff.

*Compound average annual growth rate between 2023-24 and 2025-26.

Forecast Comparison

Relative to the Legislative Council Staff forecast published last December, actual enrollment in the 2023-24 school year was 1,061 FTE, or 0.1 percent, lower than expected. The prior year forecast projected a slight decline in enrollment, assuming that steeper declines would be somewhat offset by some students returning to the public school system after the COVID-19 pandemic. Actual enrollment declined by more than anticipated, likely due to heightened

impacts of birth rates and housing affordability combined with fewer students returning to public schools after the pandemic.

Risks to the Forecast

There are both upside and downside risks for the forecast. To the upside, there are three primary risks to the forecast:

- There is significant upside risk to the forecast for extended high school enrollment. Since the cap on enrollment in Accelerating Students in Concurrent Enrollment (ASCENT) program was removed in 2022, enrollment has grown from the cap of 500 FTE to 1,238 FTE in the current 2023-24, including an 86 percent increase from 2022-23 to 2023-24. Additionally, enrollment has increased as the Teacher Recruitment Education and Preparation (TREP) program has become more established in its third year. It is anticipated that enrollment will continue to increase in both programs, and new districts are expected to begin offering the programs to their students. The forecast accounts for growth in extended high school programs, but there is risk that more students and districts will participate than anticipated.
- The State Demography Office is forecasting that the state population of five year olds will slightly increase in 2025, creating some upside risk to the forecast of kindergarteners in FY 2025-26.
- There continues to be upside risk if students who left public education during the COVID-19 pandemic return to public education as they get older and reach transition points such as entering middle school or high school.

To the downside, high housing costs are likely to continue causing regional shifts in enrollment as young families seek affordable housing. Birth rates in Colorado have declined in recent years, resulting in smaller cohorts moving through the system. Downside risk exists to the extent that cohorts are smaller than expected.

Current Enrollment Trends

Colorado's public school enrollment significantly decreased at the height of the COVID-19 pandemic in 2020-21, but has since returned to the prior trend of moderately declining enrollment. The forecast expects that enrollment will continue to decline, by 0.6 percent in 2024-25 and 0.5 percent in 2025-26. Enrollment is not expected to return to pre-pandemic levels during the forecast period.

- **Kindergarten.** Total kindergarten enrollment decreased by 1,273 student FTE, or 2.2 percent, in the 2023-24 school year. This reflects the pre-pandemic trend of declining enrollment. Kindergarten enrollment is expected to continue to decline in 2024-25, and remain flat in 2025-26, although there is some upside risk to the forecast in 2025-26 as the State Demography Office is forecasting a small increase in five year olds in 2025.
- **Grades 1-12.** Total enrollment in grades 1-12 fell by 0.3 percent (2,055 FTE) this year, with brick and mortar enrollment declining by 0.6 percent, offset by increases in enrollment in online schools and state Charter School Institute (CSI) schools. Small student cohorts are

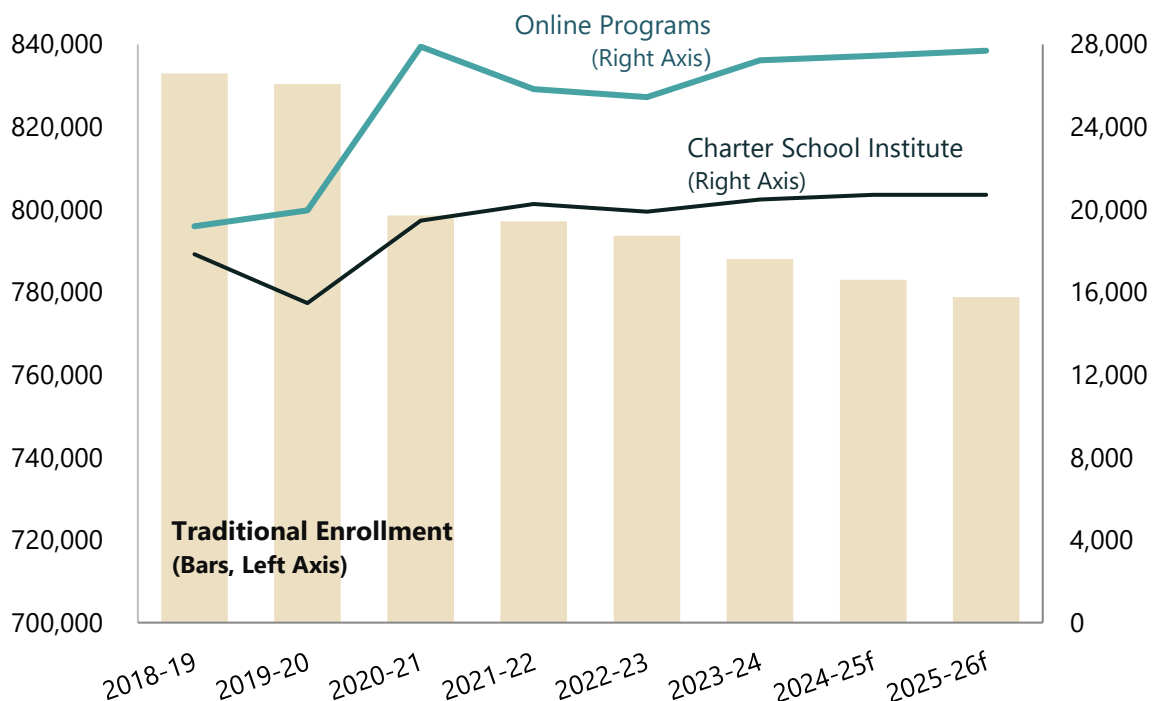
moving through the system, replacing larger graduating cohorts. Enrollment in grades 1-12 is expected to decline by 0.5 percent in the 2024-25 and 2025-26 school years.

- **Extended high school.** Enrollment in extended high school programs significantly increased in 2023-24, growing by 87 percent over the prior year. This increase is largely driven by growth in the ASCENT program, which nearly doubled in 2023-24, growing from 624.5 FTE to 1,238 FTE. Additionally, the TREP program grew from 43 students to 79 students in its second year of existence. This increase is the result of the recent policy changes that removed the cap on participation in ASCENT and created the TREP program.

Enrollment in these programs is expected to grow by an additional 34 percent in 2024-25, as school districts continue to grow their programs, and new districts begin offering these programs. Based on what districts have reported to Legislative Council Staff and the Colorado Department of Education, the forecast anticipates that 23 new districts will offer the ASCENT program in 2024-25, 11 will start TREP programs, and 1 will start a Pathways in Technology Early College High School (p-tech) program. As noted above, there is significant upside risk to this forecast.

- **Comparison of education models.** Figure 10 below shows recent and forecasted brick and mortar, CSI, and online enrollment. Brick and mortar education declined 0.6 percent in the 2023-24 school year, while online enrollment increased 7.0 percent and CSI enrollment increased 2.9 percent.

Figure 10
K-12 Public School Enrollment
Full-time equivalent (FTE) students



- **Online.** Enrollment in multidistrict online schools increased by 7.0 percent in the current school year, largely driven by one new school opening, and the shift of some single-district online schools to multi-district online schools in 2023-24. Enrollment is expected to remain relatively flat throughout the forecast period, with one new school opening and one single-district online school converting to a multi-district school in 2024-25.
- **CSI.** Enrollment in CSI charter schools increased by 2.9 percent in the current year, likely driven by new schools opening and increased enrollment in existing schools. Enrollment is expected to grow by 1.1 percent in 2024-25, as three new CSI schools are expected to open in Mesa County and Commerce City. The forecast for CSI enrollment contains some downside risk due to forthcoming reauthorizations for two schools.

Long-Term Enrollment Trends

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

- **Birth rates and fertility rates.** A decline in the number of births starting with the Great Recession continues to constrain enrollment growth in Colorado. According to the State Demography Office (SDO), birth rates in Colorado fell each year between 2008 and 2013, and between 2017 and 2019, resulting in smaller cohorts entering the K-12 system. Births slightly increased in 2020, before declining again in 2021.

Fertility rates have also declined among females in their twenties, and increased among females in their thirties, meaning that women are waiting until later to have children. Colorado has a large number of women reaching the ages with higher fertility rates, and can also expect in-migration among this age group to increase due to labor force demands.

As a result, the State Demography Office is projecting an increase in five-year-olds in 2025, along with increasing births throughout the forecast period, resulting in the possibility of some increase, or a slower decline, in the population of school-age children in future years.

- **Housing affordability.** High housing costs are influencing the distribution of enrollment across the state. Housing prices in the Metro Denver area have pushed families with school-age children to relocate to the exurbs or more affordable metro areas. In the mountain region, expensive housing has pushed families to move into relatively more affordable areas outside resort communities. Many of these shifts are contributing to previously more affordable districts becoming more expensive for families. Additionally, many rural areas are facing housing shortages.
- **In-migration.** In-migration to Colorado has slowed in recent years, but has started to rebound. People moving to Colorado tend to be younger and childless, but this may slowly reverse as the population ages and retirements open up job opportunities for younger workers who may bring families with them or be at the age to start a family. Arrival of immigrants with higher fertility rates may boost enrollment, and increased remote work possibilities may also boost in-migration to Colorado through the forecast period.

Enrollment by Region

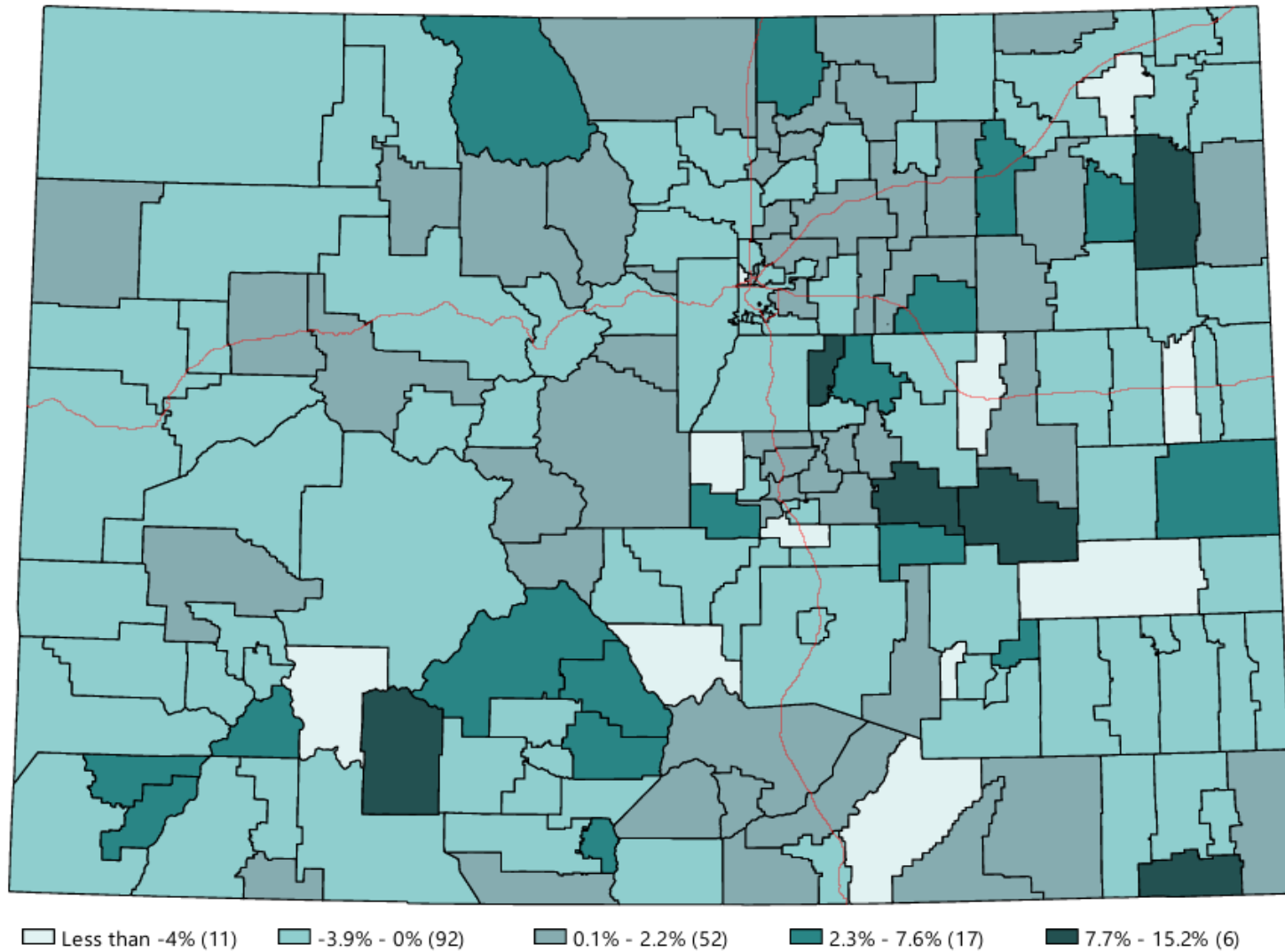
The following briefly summarize enrollment trends for school districts in the nine forecast regions of the state.

- **Metro Denver.** Total enrollment declined by 0.4 percent in the current school year, with declines in urban and suburban school districts, and growth for some exurban districts. The continued decline is likely due to high housing prices making it challenging for families to afford homes, as well as low birth rates. Total enrollment is expected to decline 0.9 percent in 2024-25, and 0.8 percent in 2025-26, as housing costs continue to be a challenge and large cohorts graduate. Two new CSI schools are expected to open in Commerce City. There is a slight risk to this regional forecast due to recent arrivals of immigrants in Denver, and uncertainty about the retention of immigrant students and the arrival of additional immigrant students.
- **Northern.** Total enrollment in the Northern region increased 0.1 percent in 2023-24. The region has seen new housing developments that attract young families, and remains relatively affordable compared to the Metro Denver area. However, housing affordability is becoming more of a concern, and enrollment growth has slowed in some districts in the region. Total enrollment is expected to increase by 0.3 percent throughout the forecast period.
- **Colorado Springs.** Colorado Springs saw an increase in total enrollment at 0.4 percent in the 2023-24 school year, posting its third year in a row of positive enrollment growth. Declines in brick-and-mortar and CSI enrollment were more than offset by an increase in online enrollment, an anticipated outcome following the opening of two new online schools in the region this year. Although housing affordability continues to be an issue across the state, the region's growth in housing prices is among the lowest across the state for 2023, which will likely contribute to a slight upward trend in enrollment for 2024-25 and 2025-26.
- **Pueblo-Southern Mountains.** Total enrollment in the Pueblo-Southern Mountains region declined 2.3 percent in 2023-24, and is expected to continue to decline throughout the forecast period, by 1.0 percent in 2024-25 and 1.1 percent in 2025-26. This is attributable to long term trends including an aging population, fewer jobs, and in-migration by a largely older population with few young families.
- **Eastern Plains.** Enrollment in the Eastern Plains region grew by 0.6 percent in 2023-24, driven by growth in districts in Elbert and Morgan counties. In more remote areas, enrollment remained relatively flat or declined, the result of low birth rates, housing affordability issues, and lack of job opportunities. Total enrollment is expected to grow by 1.5 percent in 2024-25 and 1.3 percent in 2025-26, with trends among exurban and remote districts continuing. A new multi-district online school is expected to open in Elizabeth School District in 2024-25, and one single district program in Holyoke School District will be converting to a multi-district online school.
- **San Luis Valley.** Total enrollment in the San Luis Valley has declined for several years, and continued to decline by 1.0 percent in 2023-24. It is expected to continue to decline by 0.4 percent in 2024-25 and 0.6 percent in 2025-26. As a rural region, many districts are

challenged by an aging population, declining births, and lack of job opportunities for families.

- **Mountain.** After declining by 0.3 percent in 2022-23, enrollment in the Mountain region declined by a further 2.3 percent in 2023-24. High housing costs are a key concern for families in the region. Enrollment is expected to continue to decline through the forecast period, by 1.1 percent in 2024-25 and 0.4 percent in 2025-26. A growing kindergarten age cohort and affordable housing developments coming online in some areas are expected to contribute to a slower decline.
- **Western.** Total enrollment declined by 1.2 percent in 2023-24 and is expected to post similar declines through the remainder of the forecast period. The decrease in 2023-24 brick-and-mortar enrollment was tempered by a new charter school in the region, leading to double-digit growth rates in CSI enrollment for the year. A new CSI school is also expected to open in Mesa County in 2024-25. Overall, the region is facing lower birth rates, leading to declining enrollment that is exacerbated by housing affordability issues in some districts.
- **Southwest Mountain.** Total enrollment in the Southwest Mountain region declined by 2.4 percent in 2023-24, as a result of decreasing brick-and-mortar and online enrollment, only partially offset by an increase in CSI enrollment. The lack of affordable housing in the region paired with ongoing job pressures is expected to continue to limit enrollment through the forecast period, with an estimated decline of 0.6 percent per year.

Figure 11
Forecast Percent Change in Enrollment by School District
FY 2023-24 to FY 2024-25



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Assessed Value Projections

This section provides an estimate of assessed values for residential and nonresidential property in Colorado for the 2023 property tax year, and projections of assessed values through 2026. Property values and assessment rates determine assessed values, the taxable portion of a property's value to which mill levies are applied. 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 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 formula funding and their local share. More information on school finance can be found starting on page 21.

2023 Assessed Values

Every two years, county assessors determine new values for most classes of property as part of the reassessment process. The 2023 reassessment cycle was characterized by a historic increase in property values for both residential and nonresidential property classes. The increase was boosted further by a surge in oil and gas valuations, reflecting both growing production and a spike in prices during 2022.

In contrast to prior years, this year's assessed value forecast includes an estimate for the current property tax year. Typically, the forecast reports abstract data from the Division of Property Taxation (DPT) in the Department of Local Affairs that reflect final county and school district valuations. However, residential assessed values were further shaped this year by policy adjustments from Senate Bill 23B-001 that passed in the November special session of the General Assembly and are not reflected in DPT reporting.

In 2023, residential values increased by an estimated 27.5 percent, reflecting a historic increase in property value that was partially offset by a lower assessment rate and value reductions included in SB 22-238 and SB 23B-001. Nonresidential property values increased by an estimated 22 percent, reflecting broad, double-digit increases in vacant, commercial, and industrial property values as well as the aforementioned surge in oil and gas. Overall, assessed valuation in 2023 increased by an estimated 24.6 percent and reached \$187.1 billion (Table 19).

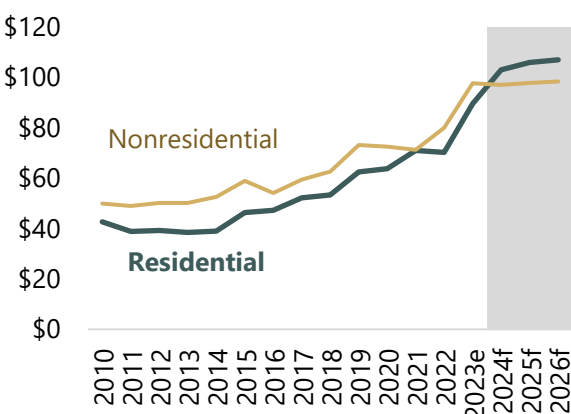
Senate Bill 23B-001 had a large impact on residential property values in 2023. In addition to a temporarily lower assessment rate for 2023, the bill increased actual value reductions from \$15,000 to \$55,000, further lowering assessed values. Absent the legislation, residential values would have increased by an estimated 36.4 percent, faster than the 26.5 percent increase forecast last year by nearly 10 percentage points. Nonresidential values outpaced the December 2022 expected growth rate, which was 19 percent, by about 3 percentage points.

Assessed Value Forecast

The forecast for assessed values is presented in Figure 12 and Table 19. Assessed values are expected to increase 6.9 percent in property tax year 2024, an intervening year. Assessed values are expected to increase 1.9 percent in the 2025 reassessment year, and then by an additional 0.8 percent in 2026, another intervening year.

Expectations incorporate temporary reductions in assessment rates for the 2024 property tax year for certain property subclasses pursuant to Senate Bill 22-238, and the end of the temporary assessment rate reductions in 2024 and 2025. Policy adjustments are described in more detail below. Inclusion of these adjustments increases the growth rate for 2024 and 2025, relative to what would be expected otherwise.

Figure 12
Statewide Assessed Values
Billions of Dollars



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

Table 19
Residential and Nonresidential Assessed Values
Millions of Dollars

Year	Residential		Nonresidential		Total	
	Assessed Value	Percent Change	Assessed Value	Percent Change	Assessed Value	Percent Change
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%
2022	\$70,180	-1.1%	\$79,986	12.2%	\$150,166	5.5%
2023e	\$89,483	27.5%	\$97,598	22.0%	\$187,081	24.6%
2024f	\$102,936	15.0%	\$96,960	-0.7%	\$199,896	6.9%
2025f	\$105,868	2.8%	\$97,793	0.9%	\$203,661	1.9%
2026f	\$106,955	1.0%	\$98,353	0.6%	\$205,309	0.8%

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

After a decrease during the 2022 intervening year resulting from cuts to the residential assessment rate in Senate Bill 21-293, **residential values** jumped during the 2023 reassessment cycle, which captured appreciation in market values between June 30, 2020, and June 30, 2022. This is consistent with home price increases following the pandemic in Colorado and nationally, owing to supply constraints, increased costs for building materials and labor, low interest rates, strong labor markets, and elevated household savings. Growth in residential values were offset in part by additional changes to property valuation pursuant to Senate Bill 23B-001, including a lower residential assessment rate in 2023 along with a subtraction of up to \$55,000 from the actual value of each residential property before application of the assessment rate.

In intervening years such as 2024, assessed values change primarily due to new construction and certain property types that are assessed annually, including oil and gas, mining, and state assessed properties. In 2024, positive growth is expected from new construction for many areas of the state, albeit at a rate that is expected to be slower than recorded in 2022 overall. However, for nonresidential specifically, positive gains from new construction will be offset by an expected decline in the value of oil and gas that will heavily impact districts in Weld, Garfield, La Plata, and Mesa counties, among others.

The outlook for 2024 is also shaped by several policy changes. For residential, the expiration of a temporary \$55,000 value reduction from the actual value of each property, and higher assessment rates for multifamily and other types of residential, will result in a faster-than-usual increase in assessed value compared with other intervening years. For nonresidential, a similar \$30,000 value reduction for lodging and commercial properties is also set to expire, and the assessment rate for most types of nonresidential property is set to return to the permanent rate of 29 percent. For many districts, these policy changes will also result in faster-than-usual increases in nonresidential assessed values.

In the 2025 reassessment year, market conditions are expected to slow growth in both residential and nonresidential valuations, a cycle that captures changes in value between June 30, 2022, and June 30, 2024. For several areas of the state and for many property classes, peak property values were recorded in the spring of 2022. Since 2022, home values have broadly declined in many areas due to higher interest rates that have impacted affordability and demand. Vacant, commercial, and industrial nonresidential property types have also been impacted by higher interest rates and, in the case of offices, by a continued shift to remote work. While improvements in market conditions are expected over the next six months, values in many districts may remain below peak. However, negative market impacts on valuation will be partially or entirely offset in many cases by a return of residential assessment rates to their permanent 7.15 percent level, and return to the permanent 29 percent rate for agricultural and renewable energy property.

For the 2026 intervening year, growth in new construction is expected to contribute to growing values at a modest pace. Residential construction is expected to improve but remain below peak levels following the pandemic. Nonresidential is expected to record steady increases. In the longer term, population growth is slowing in Colorado, which will dampen demand for new residential units.

Residential and Nonresidential Assessment Rates

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 a constitutional ratio between residential and nonresidential assessed values. Based on a 2021 analysis, 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. The downstream impacts of Amendment B on policy decisions and market valuations are less clear due to subsequent policy changes, including Senate Bill 21-293, Senate Bill 22-238, Senate Bill 23B-001, and economic decisions made by property taxpayers. As a result, Legislative Council Staff is 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.

Table 20
Residential and Nonresidential Property Assessment Changes

Property Tax Year		2023	2024	2025	2026
Residential					
	Multifamily	6.7% after \$55,000 ¹ reduction	6.8%	7.15%	7.15%
	Other residential	6.7% after \$55,000 ¹ reduction	7.061% ²	7.15%	7.15%
Nonresidential					
	Lodging	27.9%	29%	29%	29%
	Commercial	27.9% after \$30,000 ¹ reduction	29%	29%	29%
	Industrial, state assessed, vacant	27.9%	29%	29%	29%
	Agricultural and renewable energy producing property	26.4%	26.4%	29%	29%

¹A reduction up to this amount, or the amount that reduces a property's assessed value to \$1,000. The commercial subtraction applies only to improved property.

²Current law requires the Property Tax Administrator to determine the 2024 assessment rate for residential property other than multifamily property so as to accomplish a cumulative \$700 million property tax reduction attributable to Senate Bill 22-238 over the 2023 and 2024 property tax years. Based on 2022 mill levies and assessed value data, this rate is projected at 7.061%.

In the 2022 session, the General Assembly adopted **Senate Bill 22-238**. The bill extended some of the changes in Senate Bill 21-293 while also temporarily reducing the assessment rates for other types of nonresidential and residential property, impacting the 2023 and 2024 property tax years. Then, in the 2023 special session, the General Assembly adopted **Senate Bill 23B-001**, further reducing assessments for the 2023 property tax year. The changes under both bills are summarized in Table 20 and listed below:

- the assessment rate for residential property was reduced to 6.7 percent in 2023;

- for 2023 only, before application of the assessment rate, \$55,000 is subtracted from the actual value of residential property;
- the assessment rate for multifamily residential property was reduced to 6.80 percent in 2024;
- the 2024 assessment rate for all other residential property was set at a level to be determined by the state property tax administrator, such that the projected total revenue reduction attributable to the changes in SB 22-238 is \$700 million over the 2023 and 2024 property tax years;
- the assessment rate for nonresidential property, except for oil and gas, producing mines, agricultural, and renewable energy, was reduced to 27.9 percent from 29.0 percent in 2023;
- for 2023 only, before application of the assessment rate, \$30,000 is subtracted from the actual value of improved commercial property; and
- the assessment rate for agricultural and renewable energy producing property was set to temporarily remain at 26.4 percent for 2024, a level that was adopted with SB 21-293.

This forecast estimates the 2024 residential assessment rate for residential property other than multifamily property at **7.061 percent**, an upward revision from the 6.976 percent rate estimated in the 2022 forecast. The actual rate will be determined by the property tax administrator in early 2024.

For 2025 and subsequent years, the residential assessment rates return to 7.15 percent. For nonresidential property types assessed at 27.9 percent during the 2023 property tax year, the assessment rate returns to 29.0 percent in 2024 and subsequent years. For 2025 and subsequent years, the assessment rate for agricultural and renewable energy producing property returns to 29.0 percent.

For the 2023 property tax year only, SB 22-238 and SB 23B-001 each require the state to reimburse a portion of the property tax revenue loss to local governments attributable to the assessment rate and valuation reductions in the bills. In each bill, the amount of the reimbursement to local governments depends on their specific characteristics, including the type of district, the amount of lost revenue, their year-over-year growth in assessed values for 2023, and the population of the county in which they are located. For SB 22-238, this forecast estimates the reimbursement requirement at **\$237.1 million** in FY 2023-24, as shown in Table 5, General Fund Rebates and Expenditures, on page 17. The bill requires that up to \$240 million of this reimbursement be administered as a TABOR refund to property taxpayers for the 2023 property tax year and paid from the FY 2022-23 state TABOR surplus.

For SB 23B-001, the bill requires additional reimbursements for a portion of lost property tax revenue under the bill for certain jurisdictions, but under different criteria than SB 22-238. Reimbursements will be paid from the General Fund, up to \$54 million. This forecast estimates the reimbursements will reach the cap of **\$54 million** in FY 2023-24, as shown in Table 5, General Fund Rebates and Expenditures, on page 17.

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 21 shows estimated 2023 assessed value by region and the expected change throughout the forecast period, while Table 22 on pages 68 and 69 includes discussion of specific regional trends.

The maps on page 72 show estimated year-over-year growth in assessed values by region and school district for the 2023 reassessment year, and the maps on page 73 show forecasted year-over-year growth by region and school district for the 2024 intervening 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 21
2023 Estimated Assessed Values and Forecast Changes

Millions of Dollars

Region	Assessed Value Estimate 2023	Year-Over- Year Change	Forecast Changes Year-Over-Year			3-Year Annual Average
		2023	2024	2025	2026	
Colorado Springs	\$12,767	22.1%	14.3%	2.8%	1.4%	6.0%
Eastern Plains	\$3,971	12.3%	8.2%	4.2%	1.3%	4.5%
Metro Denver	\$98,165	20.7%	10.0%	-0.3%	0.9%	3.4%
Mountain	\$20,925	43.3%	9.7%	3.7%	2.4%	5.2%
Northern	\$29,861	30.6%	-7.9%	5.5%	-0.4%	-1.1%
Pueblo	\$3,747	10.9%	16.1%	6.7%	1.2%	7.8%
San Luis Valley	\$851	10.6%	15.8%	5.1%	2.2%	7.6%
Southwest Mountain	\$3,754	23.2%	3.0%	2.8%	1.7%	2.5%
Western	\$13,041	28.3%	2.5%	4.9%	-1.1%	2.1%
Statewide Total	\$187,081	24.6%	6.9%	1.9%	0.8%	3.1%

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

2023 reassessment year. All regions experienced significant growth in actual residential and nonresidential property values, mirroring the rapid increases in home sales prices, the rise in value of oil and gas production, and broad-based increases across other property types such as vacant, commercial, and industrial from 2020 to 2022. Resort communities recorded some of the largest gains in the state, reflected largely in the mountain region where assessed values increased by an estimated 43.3 percent. Regions with greater shares of oil and gas also recorded a rapid pace of growth, with the Northern (+30.6 percent) and Western (+28.3 percent) regions recording the second and third fastest growth rates in the state, respectively. Gains in some regions were dampened more heavily by the policy changes in SB 22-238 and SB 23B-001, particularly regions where home values are lower and the actual value subtractions had a larger relative impact. This included the Eastern Plains, Pueblo-Southern Mountains, and San Luis Valley regions that are all expected to have assessed value growth between 10 and 13 percent.

2024 intervening year. Regional valuations are expected to vary in 2024 depending on the mix of property classes. Regions that are largely residential and commercial are expected to experience unusually rapid growth for an intervening year as assessment rates rise and value reductions expire. This includes Colorado Springs, Eastern Plains, Metro Denver, the Pueblo-Southern Mountains, and San Luis Valley regions. Regions with large amounts of oil and gas are expected to record slow to negative growth reflective of the substantial decrease in oil

and gas prices in 2023. The outlook for 2024 will also be influenced by new construction activity that is expected to contribute to a modest increase in value.

2025 reassessment year. Regional growth is expected to continue as temporary assessment rate reductions under Senate Bill 22-238 expire. Weaker-than-usual growth is expected for regions with heavy concentrations of residential and commercial property as significantly slower home price growth and commercial real estate market conditions are expected compared with the 2023 reassessment. This includes the Metro Denver region, which is expected to record a slight loss in value. The current outlook is also influenced by a modest increase in the forecast for oil and gas production, deviations from which could positively or negatively impact the forecast.

2026 reassessment year. The outlook for 2026 is largely influenced by new construction activity that is expected to contribute to a modest increase in value for most regions. The outlook is also influenced by a decrease in the forecast for oil and gas production that is impacting the forecast for the Northern and Western regions. Changes in the oil and gas outlook will positively or negatively impact the forecast for these regions.

Risks to the Forecast

The outlook for assessed values is less certain than usual due to an evolving property tax policy environment. In particular, the forecast relies on estimates of assessed values for the current 2023 property tax year. Further uncertainty arises in the assessed values for 2024. Expectations for next year rely on the assumed assessment rate for residential property other than multifamily property, which will be set by the property tax administrator depending on local governments' reported revenue loss in property tax year 2023. Any error in expectations for lost revenue in 2023 will propagate additional error in the estimate of the assessment rate and assessed values in 2024.

Property tax valuations for 2025 depend on market conditions as of June 30, 2024. For many areas of the state, this forecast assumes that declines in the housing market in late 2022 and early 2023 will be offset by improvements in late 2023 and early 2024, leading to positive, but slow appreciation over the two-year reassessment cycle. Further, slow but positive growth in vacant, commercial, and industrial property classes is also expected for most areas. If values fail to improve as forecast through mid-2024, 2025 values will be lower than estimated. Some areas are not expected to recover to peak values recorded in the spring of 2022 and are forecast to record a loss in 2025. If values for these areas appreciate more than anticipated, 2025 values will be higher than estimated.

Typical of most years, volatility in oil and gas represents another risk to the forecast. The current forecast anticipates a large decline in 2024, followed by a partial rebound in 2025, and then a modest contraction in 2026. Many areas are heavily influenced by oil and gas valuations and deviations from the outlook may significantly affect the forecast for these parts of the state.

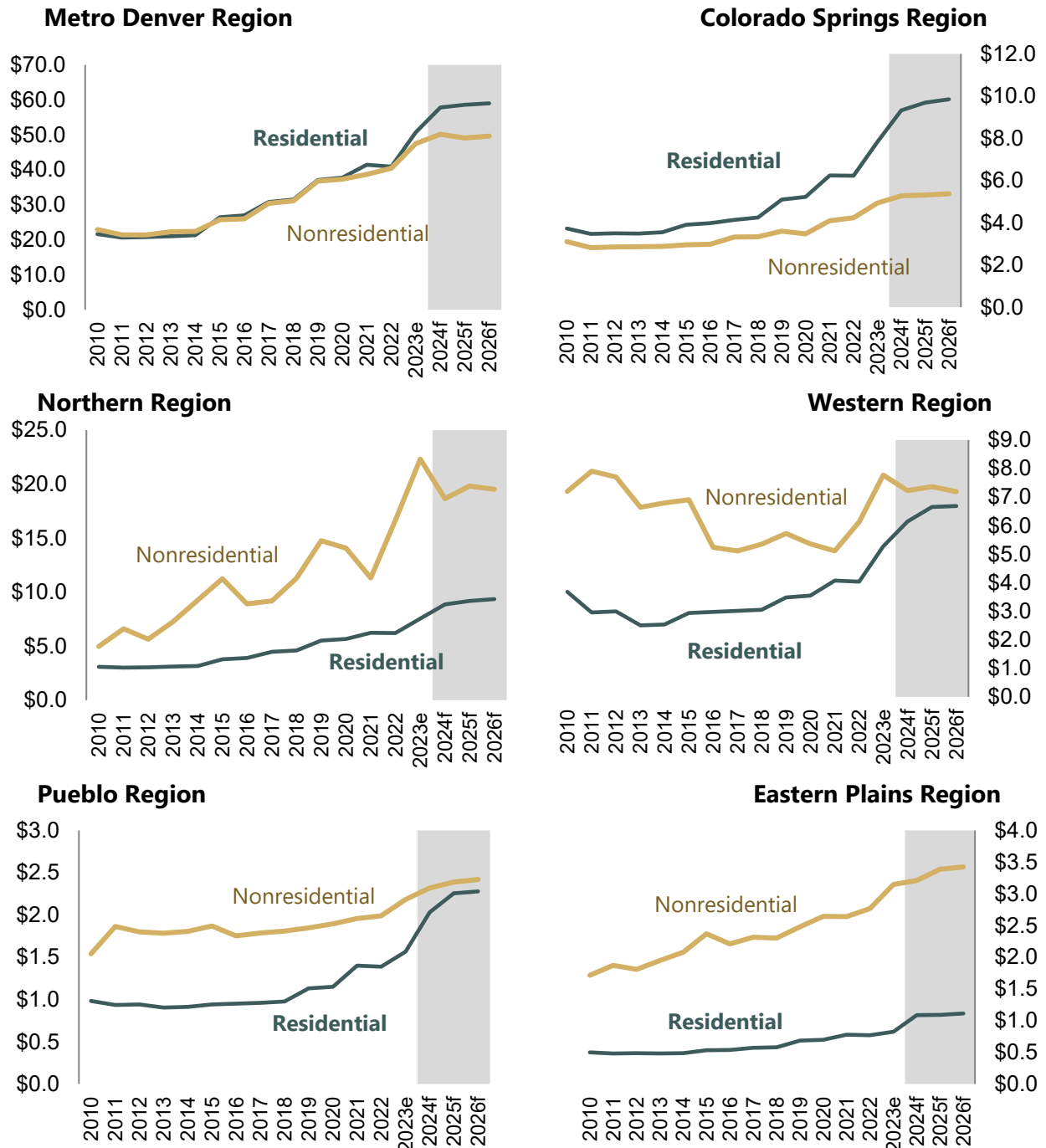
Table 22
Regional Trends in Assessed Values

Region	Residential Trends	Nonresidential Trends
Metro Denver	• Policy adjustments to boost 2024 growth. • Slower construction expected in most of the metro area in 2024 compared with prior years, with higher activity continuing in the northern, eastern, and southern suburban and exurban areas. • Slower construction and downward price pressures will impact value in the 2025 reassessment cycle.	• Policy adjustments for vacant, commercial, and industrial classes expected to boost growth in 2024. • Slower construction, higher interest rates, and market conditions will impact value in the 2025 reassessment cycle with some property types, such as offices, more significantly impacted.
Colorado Springs	• Policy adjustments to boost 2024 growth. • Continued price appreciation for areas accompanying population growth and new construction, but slower than prior years. • Slower growth expected in southern and eastern areas competing with lower prices in neighboring regions.	• Larger boost from policy adjustments in 2024 in northern and central areas with concentrations of commercial activity. • Slower growth in areas with large amounts of state assessed property and limited new development.
Northern	• Robust construction still expected for many areas, although at a slower pace than prior years. • Policy adjustments to boost 2024 growth. • Positive, but slower value growth expected for most areas in 2025.	• Contraction in oil and gas will significantly impact Weld County and parts of Larimer in 2024, but a partial rebound is expected in 2025. • Policy adjustments to boost 2024 growth in vacant, commercial, industrial, and state assessed property.
Western	• Limited new construction in 2024, but value will be boosted from 2024 policy adjustments. • Home price appreciation across the region in 2025.	• Decrease driven by a decline in oil and gas values in Garfield and Mesa counties • Moderate growth in commercial and vacant land in 2025.
Pueblo – Southern Mountains	• Larger relative impact of policy adjustments in 2023 will significantly boost 2024 growth more than typical for an intervening year. • Moderate home price appreciation in Pueblo, Cañon City, and Florence driving small gains in 2025. • Strong residential construction, particularly in Pueblo, also expected.	• Appreciation in state assessed and industrial buildings, particularly in Pueblo and Fremont counties. • Areas with significant oil and gas production are expected to decline in 2024 and partially rebound in 2025. • New construction expected to boost 2024, particularly in Pueblo County.

Table 22 (Cont'd)
Regional Trends in Assessed Values

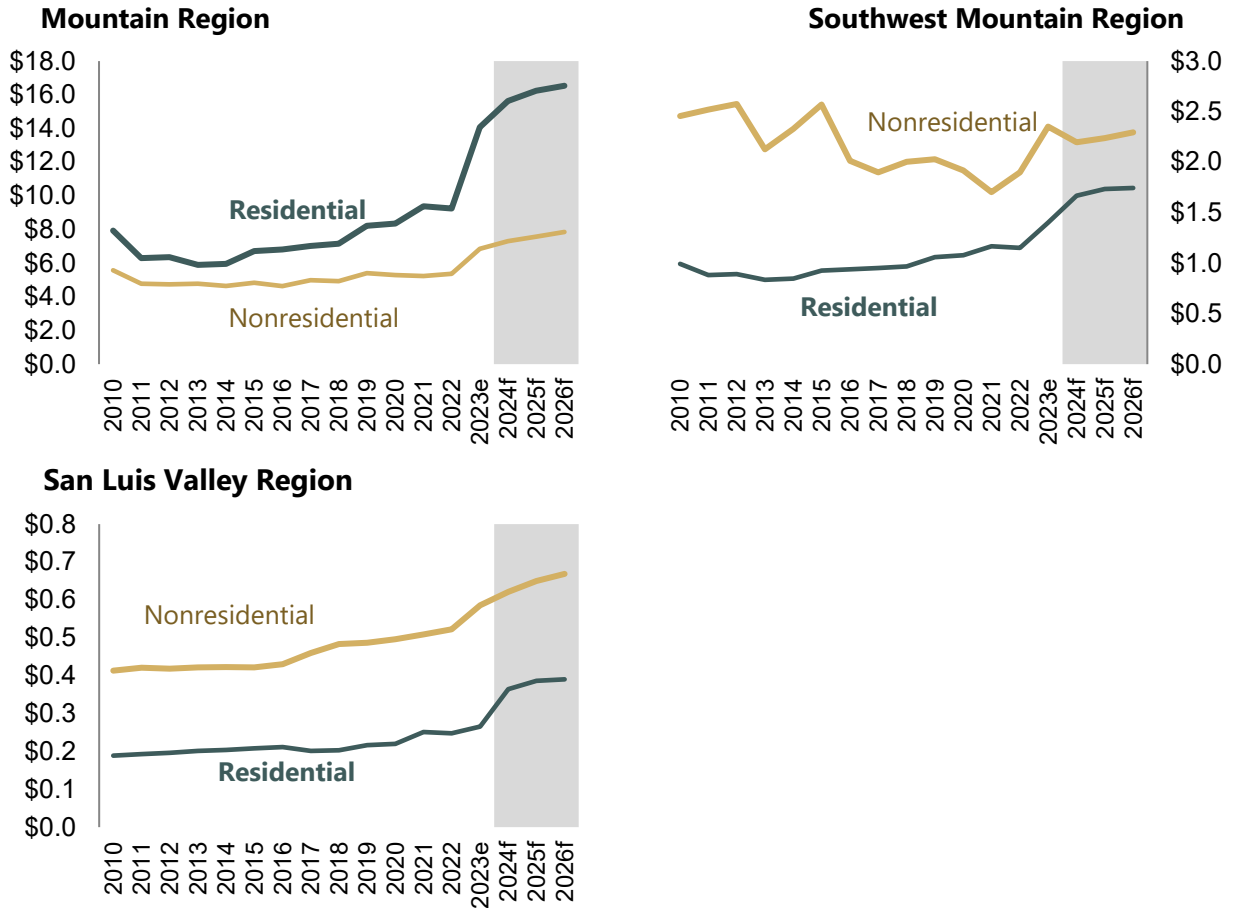
Region	Residential Trends	Nonresidential Trends
Eastern Plains	• Larger relative impact of 2023 policy adjustments will significantly boost 2024 growth more than typical for an intervening year. • New construction still expected in areas adjacent to Front Range communities such as along the I-76 and I-70 corridors. • Despite slow to no growth, moderate price appreciation is expected overall in 2025.	• Moderate appreciation in state assessed land values, new renewable projects could boost some areas. • Areas with large percentages of oil and gas are expected to decrease in 2024, with a partial rebound expected in 2025.
Mountain	• Home price appreciation still expected in both resort and non-resort areas following strong post-pandemic demand adding to growth from 2024 policy adjustments.	• Policy adjustments to boost 2024 growth in commercial and vacant land values. • Sluggish production expected for producing mines in Clear Creek, Lake, and Teller Counties.
Southwest Mountains	• Policy adjustments to boost 2024 growth. • Some new construction in Silverton in 2024. • Slow home price appreciation in La Plata and San Juan counties and declining prices in Montezuma County in 2025.	• Decrease in oil and gas values due to lower energy prices. • Appreciation in state assessed and commercial values, boosted further by 2024 policy adjustments.
San Luis Valley	• Larger relative impact of 2023 policy adjustments will significantly boost 2024 growth more than typical for an intervening year. • Slowing price appreciation after strong growth in 2023. Price appreciation is expected to be stronger in Saguache County. • Moderate new construction in 2024, particularly in Del Norte and Creede.	• Vacant property is maintaining value while state assessed property and commercial are increasing modestly. Policy adjustments to boost 2024 growth. • Changes in the value of agricultural land will also have an impact on some districts.

Figure 13
Assessed Values by Region
 Billions of Dollars



Source: Department of Local Affairs, Division of Property Taxation.
 Legislative Council Staff forecast in 2024 through 2026.

Figure 13 (Cont'd)
Assessed Values by Region
 Billions of Dollars



Source: Department of Local Affairs, Division of Property Taxation.
 Legislative Council Staff forecast in 2024 through 2026.

Figure 14
Estimated Percent Change in Total Assessed Values by Region and School District
2023 Reassessment Year (FY 2023-24)

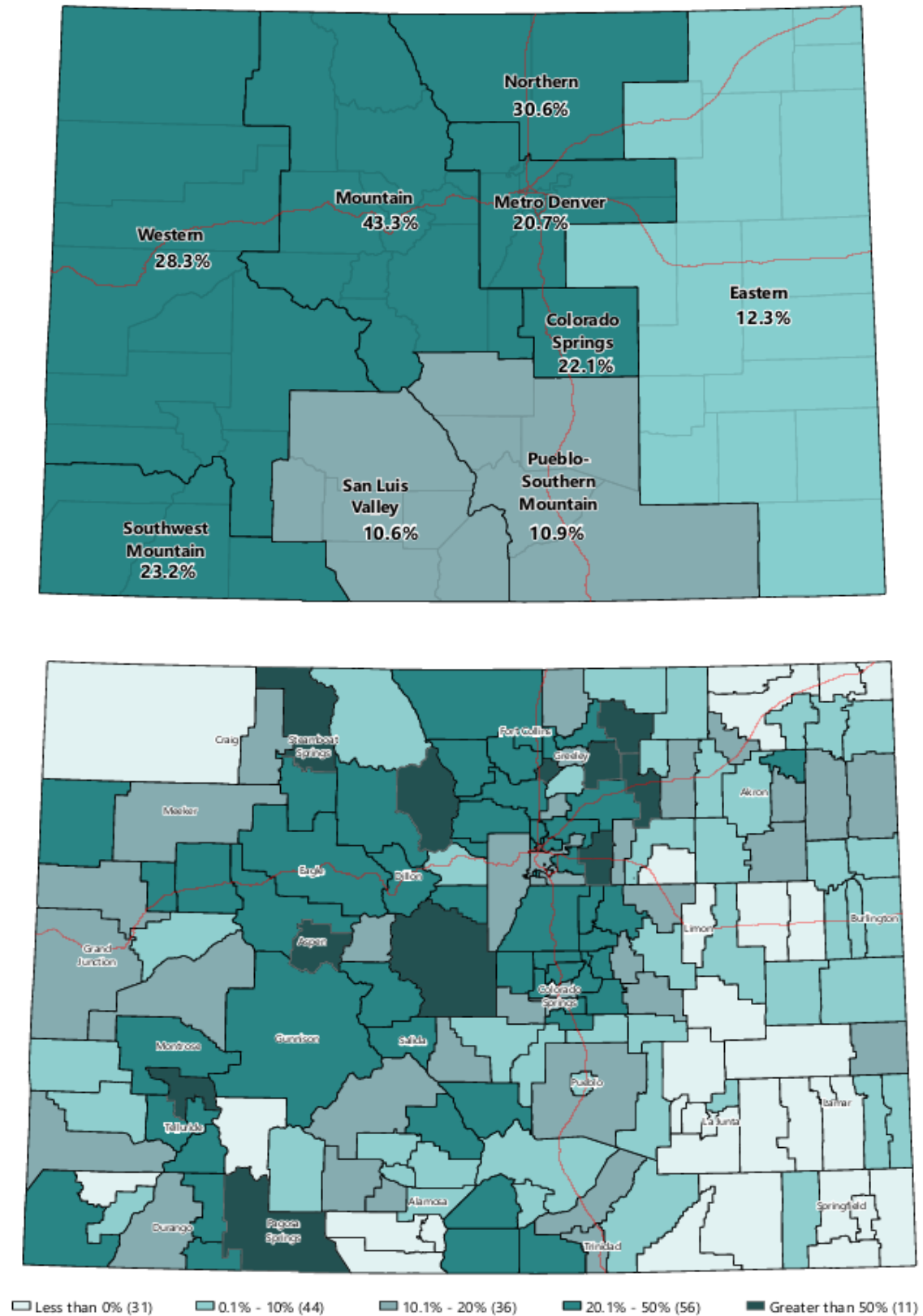
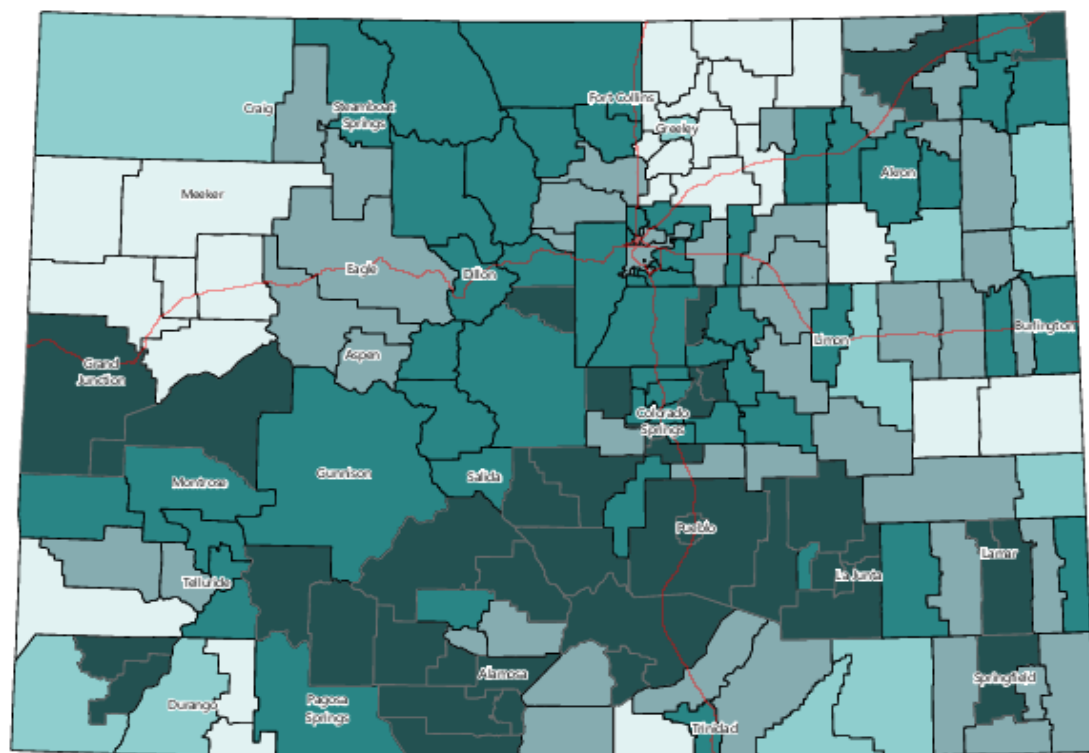
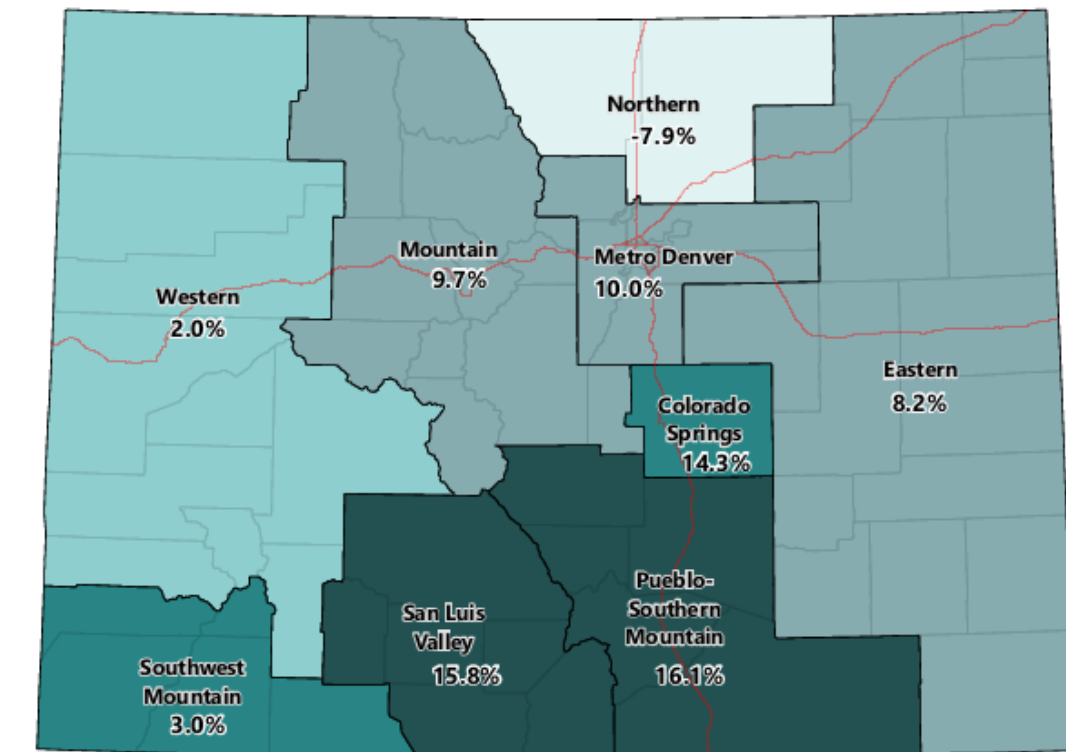


Figure 15
Forecast Percent Change in Total Assessed Values by Region and School District
2024 Intervening Year (FY 2024-25)



Less than 0% (25) .01% - 5% (11) 5.1% - 10% (46) 10.1% - 15% (57) Greater than 15.1% (39)

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Adult Prison Population and Parole Caseload Projections

This section presents projections of the state's adult prison population and parole caseload for FY 2023-24 through FY 2025-26. It includes a discussion of the historical and current trends affecting these populations, changes to expectations since the December 2022 forecast, and relevant recent legislation. It concludes with an analysis of risks to the forecast.

Key Findings

After several years of fluctuation due to significant legislative changes affecting sentencing and parole, and the aftermath and recovery from the COVID-19 pandemic, the criminal justice system has stabilized, with post-pandemic patterns appearing to have emerged more clearly over the past fiscal year, and with the current trajectory largely expected to continue.

Population increase slows. The Department of Corrections (DOC) jurisdictional population ("prison population") declined by 22.6 percent from FY 2018-19 to FY 2020-21, reaching an all-time low of 15,434 in June 2021. Since then, it has been increasing, with growth of 6.0 percent in FY 2021-22 slowing to 4.2 percent in FY 2022-23, ending the fiscal year with a count of 17,054, an increase of 693 offenders. The June 30, 2023, prison population was below the December 2022 forecast by 420 offenders, or 2.5 percent.

The prison population has continued to rise at a slowing rate in the first five months of FY 2023-24, by a further 1.1 percent, or 192 inmates between June 30 and November 30.

Parole decline reverses. The June 30, 2023, in-state parole population was 7,300, a decrease of 7.2 percent, or 562 from the previous year. In comparison, the December 2022 forecast anticipated a smaller decline of 7.0 percent, to 7,315 offenders. As a result, the June 30, 2023, in-state parole population was below last year's forecast by 15 offenders, or 0.2 percent. The domestic parole population shows signs of an upward drift since December 2022, and is up by 0.6 percent, or 41 offenders in FY 2023-24 through November.

Forecast summary. As shown in Table 23 on page 81 (prison population) and Table 24 on page 84 (parole caseload), the outcomes described below are anticipated over the forecast period.

- **Overall population.** The prison population is expected to increase to 17,457 inmates as of June 30, 2024, an increase of 2.4 percent during FY 2023-24, or an increase of 1.2 percent relative to the most recent population count on November 30. The forecast assumes that the population will be largely influenced by the longer-term impacts of legislative changes as

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.

the effects of the COVID-19 pandemic have dissipated, with the exception of still-elevated but waning staffing shortages and turnover rates impacting operations in some areas.

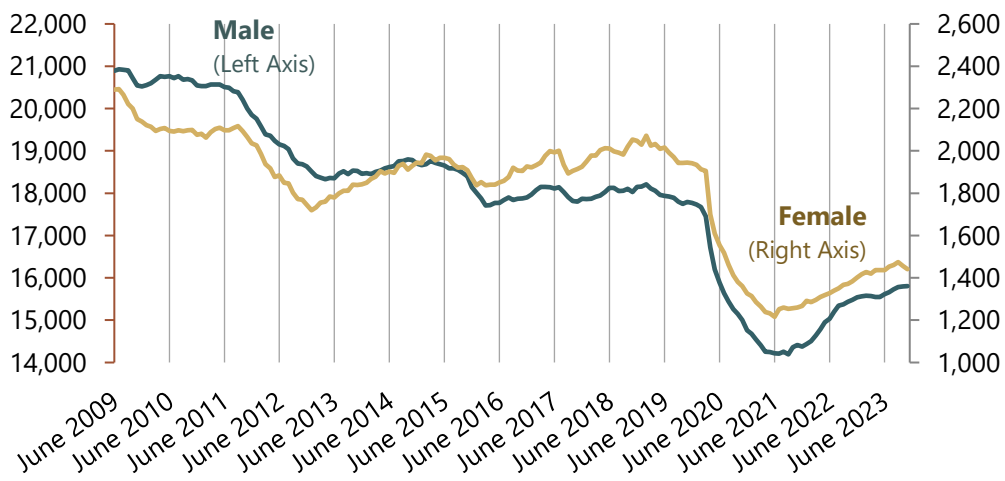
The forecast assumes that both admissions and releases will continue to increase through the forecast period, but at a slowing rate. Releases, which remained subdued for longer than admissions, will increase at a higher rate, but remain below admissions on average. The prison population is expected to grow by 1.5 percent in FY 2024-25, to 17,715 inmates by June 30, 2025, and to grow a further 1.4 percent in FY 2025-26, to 17,954 inmates by June 30, 2026. The prison population forecast for FY 2023-24 and FY 2024-25 has been revised down, reflecting recent trends.

- **Male population.** After increasing by 3.9 percent in FY 2022-23, the male prison population is expected to increase by 330 inmates, or 2.1 percent, to 15,948 inmates on June 30, 2024. It is expected to increase a further 1.4 percent, to 16,174 inmates on June 30, 2025. Trends driving changes in the male population are similar to those for the overall state inmate population.
- **Female population.** After increasing by 8.1 percent in FY 2022-23, growth in the female population is expected to slow and will increase by 73 inmates, or 5.1 percent, to 1,509 inmates in June 2024. It is expected to increase a further 2.1 percent, to 1,541 inmates in June 2025. The share of the female population in the total prison population is expected to increase from 8.4 percent in June 2023, to 8.7 percent in June 2025.
- **Parole caseload.** After declining by 7.1 percent to 7,300 in June 2023, the in-state parole caseload is expected to increase by 1.1 percent, to 7,382 in June 2024 and by 1.5 percent, to 7,494 in June 2025. The parole population is expected to increase slowly, following the pattern of expected releases from the prison population.

Prison Population Forecast

Recent trends. The prison population has been rising from a low of 15,434 reached in June 2021. It increased by 6.0 percent, or 927 inmates, in FY 2021-22, the largest percentage increase in over a decade, and by 4.2 percent, or 693 inmates in FY 2022-23. The prison population has continued to rise at a slowing rate in FY 2023-24, by a further 1.1 percent, or 192 inmates in the first five months of the fiscal year.

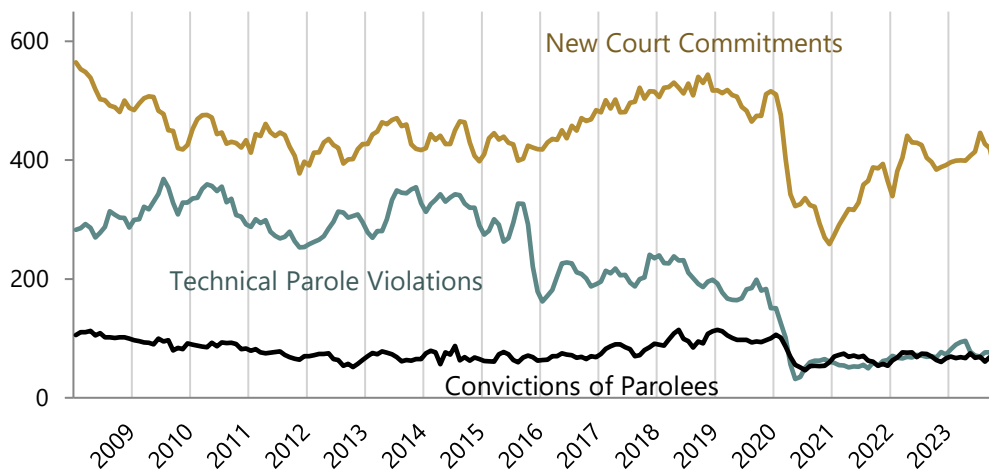
Figure 16
Prison Population by Sex
 June 2009 to November 2023



Source: Colorado Department of Corrections.

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 17
State Prison Admissions by Source*
 Three-Month Moving Average



Source: Colorado Department of Corrections.

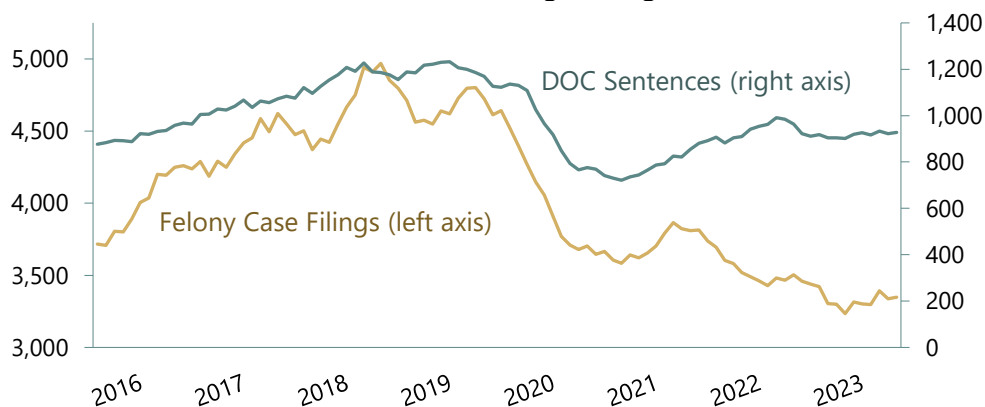
*Omits admissions for returns from prior releases to probation, court order discharge or appeal bond, interstate compact, and youthful offender system terminations. The omitted categories produced a combined average of seven admissions per month over the sample period.

Trends in prison admissions are presented in Figure 17. Monthly admissions have generally trended up since reaching a low of 337 in November 2020, but remain low compared to historical levels. Year-to-date through November 2023, monthly admissions have averaged 556 and are up by 2.6 percent compared to the 2022 monthly average, but they are still down by 18.8 percent from the 2019 monthly average of 781. The decline in new court commitments accounted 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 2023, while technical parole violations and admissions of parolees for new crimes remain suppressed. 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.

During 2020 and 2021, **court commitments** were subdued due to a jury trial moratorium, reduced court capacity, and other changes in court operations due to the pandemic and related public health measures. While courts have returned to operating at normal capacity, felony case filings are still below pre-pandemic numbers.

While the pandemic was partially responsible for some of these shifts, legislative changes are likely a key factor in the reduction in case filings and sentences. 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. **House Bill 19-1263** reclassified several existing drug felonies as drug misdemeanors for offenses committed on or after March 1, 2020. **Senate Bill 21-271** reclassified the offense level for several felony offenses, including scaling back some felony offenses to misdemeanors. The reclassifications likely had a larger impact on case filings than on DOC sentences, as many of these cases would not have carried DOC sentences prior to the legislation. As seen in Figure 18, while felony case filings continue to trend downward, DOC sentences have remained at similar levels since 2022, resulting in an increased rate of felony cases carrying a prison sentence.

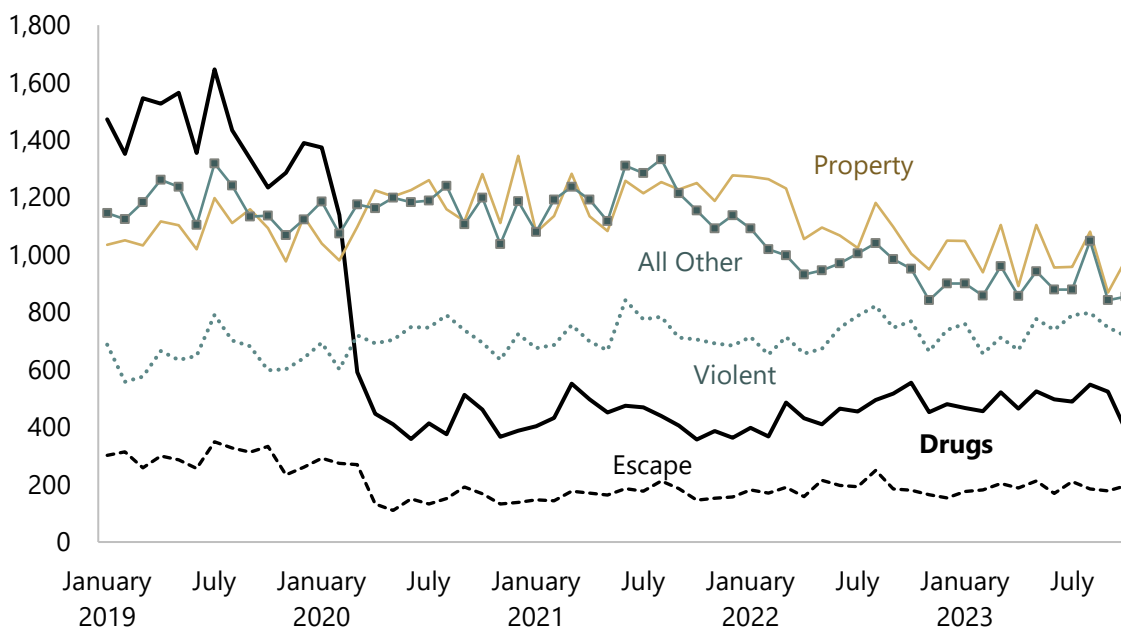
Figure 18
State District Court Felony Case Filings and DOC sentences
Six-month Moving Average



Source: Judicial Branch, State Court Administrator's Office and Colorado Department of Corrections. Data through October 2023.

As shown in Figure 19, the decline in case filings was driven largely by the decline in drug filings, with both drug and escape filings declining significantly in 2020, by 60 and 39 percent, respectively. By comparison, felony case filings for all other types of crimes fell by 1 percent in the same period. The effective date of House Bill 19-1263 initially made its effects difficult to distinguish from the consequences of the pandemic, but as the pandemic's impacts have waned, the longer-term legislative influence has more clearly emerged as felony drug case filings remain suppressed. In addition, property crimes have fallen, averaging 993 cases per month in 2023 through October from a high of 1,198 cases per month in 2021, a decrease of 17 percent. This may be attributable to the passage of SB 21-271, which reclassified some property offenses from felonies to misdemeanors and took effect March 2022. Other crime types have fallen since a peak in 2021 of 1,195 cases per month to 902 cases per month in 2023 through October, a 24 percent decrease. Details of legislative changes are discussed further below.

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 October 2023.

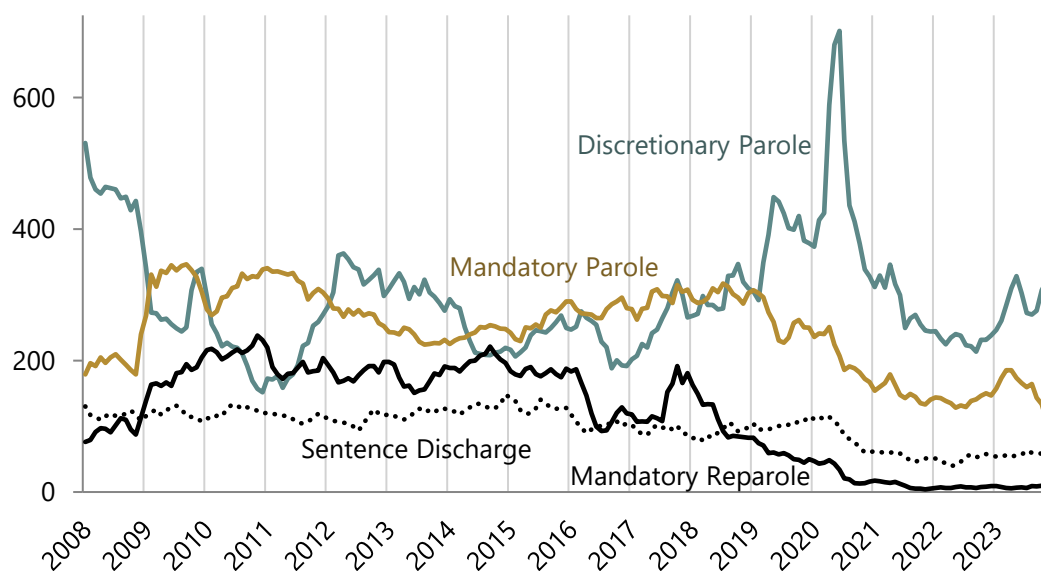
Releases. Inmates may be released from incarceration in three primary ways: discretionary parole, mandatory parole or reparole, and sentence discharge. *Discretionary parole* releases occur when the State Board of Parole (Parole Board) chooses to release an offender who would otherwise remain incarcerated. 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 the offender 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 20 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 20
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 17 releases per month over the sample period.

The COVID-19 pandemic saw a surge, then a decline, in discretionary releases as social distancing measures resulted in fast-tracked releases along with subdued admissions. Releases declined from the surge in April and May 2020, reflecting a smaller population of parole-eligible offenders following accelerated releases, fewer admissions of newly convicted offenders, and fewer readmissions of parolees. Releases remained subdued for longer than admissions, beginning to rise again in the fall of 2022, with the increase in discretionary releases offset by a decline in mandatory releases. Through November 2023, an average of 527 offenders were released from prison each month in 2023, an increase of 21.4 percent from the 2022 monthly average of 434 offenders, which represented a 14.2 percent decline from the same period the year prior. The increase in releases slightly outpaced forecast expectations, resulting in a smaller

prison population. While releases are expected to increase over the forecast period, they are not expected to return to pre-pandemic levels following implementation of HB 19-1263 and other legislation as discussed above and below. The increase in discretionary parole releases is a major contributor to the increase in parole caseload.

Prison population forecast. A confluence of legislative and pandemic-related factors drove the DOC jurisdictional inmate population to its lowest level—15,434 inmates—in June 2021, with the inmate population rising since then. This forecast anticipates that the inmate population will continue to increase, with DOC sentences modestly outpacing releases as sentencing rates continue to stabilize. Policy changes affecting drug and escape sentences have reduced admissions, 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 2025-26.

The DOC population will increase 2.4 percent during FY 2023-24 to total 17,457 offenders in June 2024. The pace of growth will slow through the forecast period, growing a further 1.5 percent during FY 2024-25 to total 17,715 offenders in June 2025, and 1.4 percent during FY 2025-26 to reach 17,954 offenders in June 2026. The female population fell faster than the male population in FY 2020-21 and FY 2022-23, and has rebounded more quickly. This difference is expected to continue through the forecast period, but women are expected to make up a smaller share of incarcerated persons than before the pandemic.

Table 23
Adult Prison Population by Sex

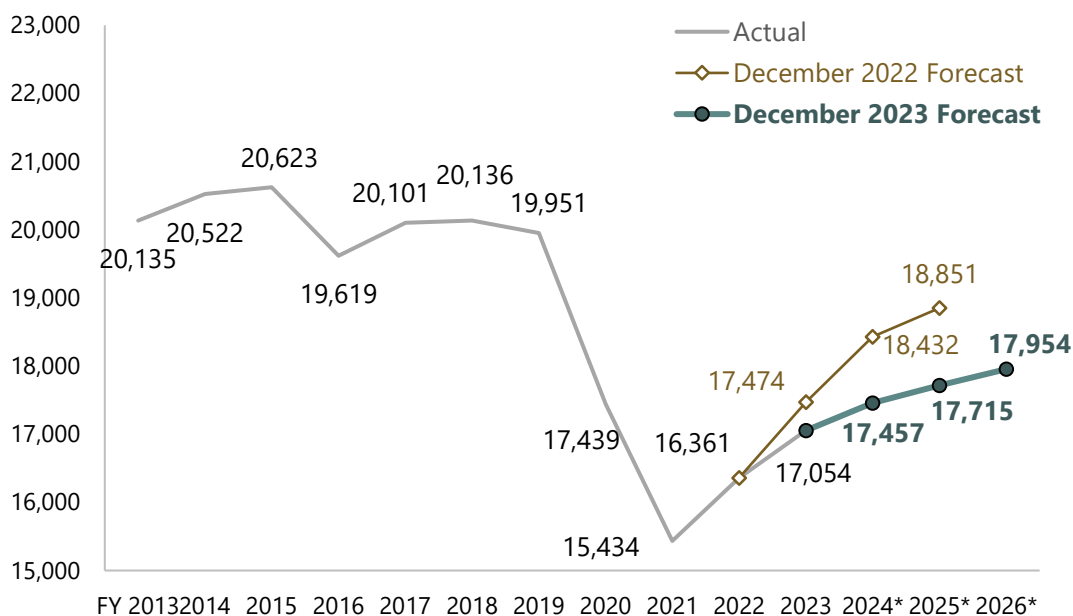
As of June 30 each Fiscal Year

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%	1,553	-23.0%	17,439	-12.6%
FY 2020-21	14,218	-10.5%	1,216	-21.7%	15,434	-11.5%
FY 2021-22	15,033	5.7%	1,328	9.2%	16,361	6.0%
FY 2022-23	15,618	3.9%	1,436	8.1%	17,054	4.2%
FY 2023-24*	15,948	2.1%	1,509	5.1%	17,457	2.4%
FY 2024-25*	16,174	1.4%	1,541	2.1%	17,715	1.5%
FY 2025-26*	16,389	1.3%	1,564	1.5%	17,954	1.4%

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

Adjustments to the forecast for total population. Figure 21 illustrates the inmate population forecasts published in December 2022 and December 2023. The June 2023 population fell short of the December 2022 forecast by 420 inmates, or 2.5 percent. Reflecting slower expected growth, this forecast makes downward revisions to the expected populations throughout the forecast period.

Figure 21
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 2022-23. *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

implementation 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.

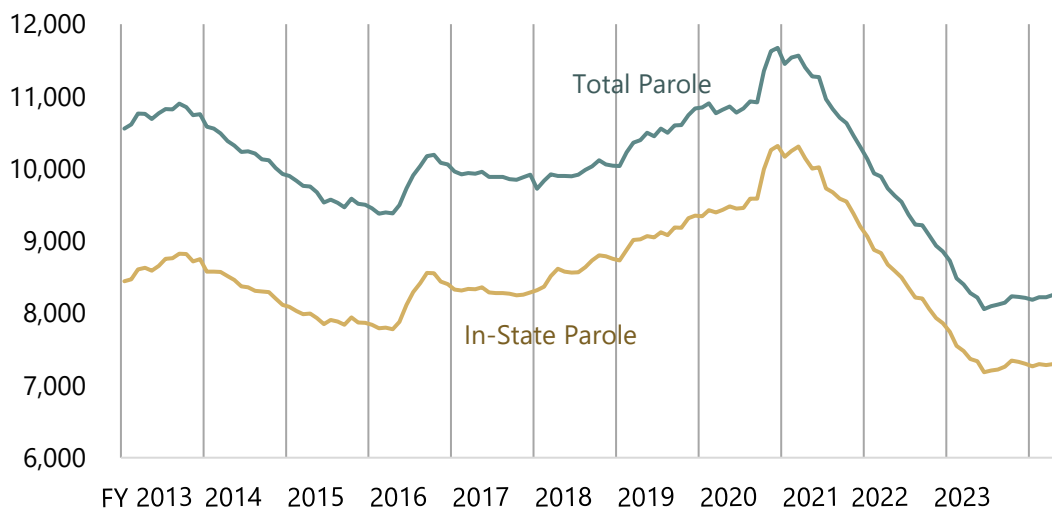
For these reasons, the prison and parole populations are intertwined. This forecast uses the assumptions already identified for the prison population as determinants of parole caseload. For example, an inmate who is granted parole is assumed to add to the parole population, and a parolee who is readmitted 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 in-state parole population increased 6.9 percent in FY 2018-19 and a further 2.5 percent over the first nine months of FY 2019-20, before the initial COVID-19 outbreak in Colorado.

COVID-19 impacts. Releases surged in April and May 2020 due to expedited releases in response to the pandemic outbreak, bringing the parole population to an all-time high of 10,315 in-state parolees, excluding absconders, in June 2020. With fewer parole-eligible offenders deemed sufficiently low risk for release, the parole population continued to decline until bottoming out at an all-time low of 7,183 in December 2022.

Post-pandemic trends. Since the start of 2023, releases have risen to an average of 527 per month between January and November, an increase of 21.4 percent from the 2022 monthly average of 434 offenders. This is still well below the rate of 820 per month seen in 2019. Figure 22 shows the parole population's steep decline and slight recovery. The June 30, 2023, in-state parole population was 7,300, a decrease of 562, or 7.1 percent, from the previous year. The domestic parole population has increased slightly during the first five months of FY 2023-24, by 41 offenders, or 0.6 percent.

Figure 22
Colorado Parole Caseload



Source: Colorado Department of Corrections. Omits absconders.

Parole caseload forecast. This forecast anticipates slow but positive growth in the parole caseload throughout the forecast period, reflecting recovering, but still subdued, releases. Table 24 presents the parole population forecast, which is discussed below.

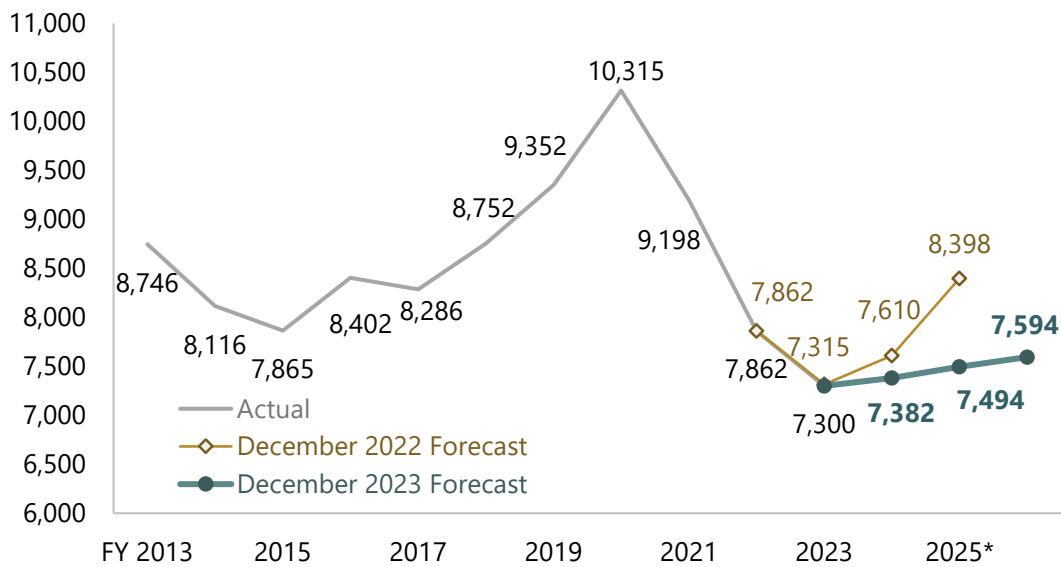
Table 24
Parole Population
As of June 30 each Fiscal Year

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	7,862	-14.5%	992	-10.3%	8,854	-14.1%
FY 2022-23	7,300	-7.1%	912	-8.1%	8,212	-7.3%
FY 2023-24*	7,382	1.1%	971	6.5%	8,352	1.7%
FY 2024-25*	7,494	1.5%	933	-3.9%	8,427	0.9%
FY 2025-26*	7,594	1.3%	940	0.8%	8,535	1.3%

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

Adjustments to the parole caseload forecast. Figure 23 illustrates the in-state parole caseload forecasts published in December 2022 and December 2023. The June 2023 parole population fell short of last year's expectations by 15 offenders, or 0.2 percent. While the December 2022 forecast anticipated an increase in parole caseload during FY 2022-23, it expected a more rapid return of absconders to the supervised parole population. The number of absconders has remained elevated after jumping up during the pandemic, declining more slowly than anticipated. Higher absconder counts offset a more rapid increase in releases than expected, resulting in a smaller supervised parole population than forecast. The forecast anticipates a slow increase in parole caseload during the forecast period, as the gap between releases to parole and parole discharges continues to widen.

Figure 23
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 2022-23. *Current forecast period.

House Bill 19-1263, which reclassified most felony drug possession charges as misdemeanors, is expected to limit increases in the parole caseload. Even before the passage of HB 19-1263, defendants convicted of level 4 drug felonies for drug possession were often not sentenced to incarceration. For defendants convicted of felony drug possession before the bill's passage, 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.

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 been erratic since then. While it has declined slightly, the number of absconders still averaged 1,235 offenders per month in FY 2023-24 through November, compared with an average of 799 offenders per month in FY 2019-20. **House Bill 20-1019** may be playing a role in the persistently high population of absconders, along with staff turnover and shortages in policing and parole. This forecast assumes that the absconding population will continue to decline slowly, but remain above pre-pandemic levels through the forecast period, limiting growth in the parole caseload.

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 3.0 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.

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 (called transition placements). Admission of an offender to a community corrections facility occurs at the discretion of the local board that oversees that facility. These boards' willingness and capacity 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. Over the past several years, the General Assembly has enacted bills that may impact the state prison population and/or parole caseload. 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 estimated to have substantially reduced felony filings for drug offenses, and to have reduced the prison and parole population.

Impacts on the prison population are 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 are estimated to 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 estimated to have reduced the prison population and increased 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 has resulted in increased releases of inmates to special needs parole, these provisions of the bill are estimated to have minimally reduced the prison population and increased the parole population.
- **Senate Bill 21-271** reclassifies the offense level for several felony offenses. The bill is estimated to have offsetting impacts on the prison population so that the overall impact is minimal while reducing felony case filings.
- **House Bill 23-1037** provides earned time to inmates sentenced for a nonviolent felony offense who complete a higher education degree or certificate. The bill is expected to reduce the DOC prison population and increase the parole population if more inmates receive additional earned time.
- **House Bill 23-1293** increases several felony offenses, including second degree kidnapping, impersonating a police officer, false reporting of explosives, and aggravated cruelty to animals; decreases several felony offenses, notably criminal possession of stolen financial devices; modifies some offenses; removes certain offenses; adds the new crime of aggravated retaliation against a witness or victim; and removes mandatory sentences for certain felony offenses. The bill is expected to decrease the prison and parole populations on net in future years.
- **Senate Bill 23-097** reclassifies and modifies motor vehicle theft offenses. The bill is expected to increase the amount of time certain offenders are sentenced to the DOC, thereby increasing the prison and decreasing the parole population within the forecast period.

Risks to the Forecast

At the time of the December 2022 forecast, a key area of uncertainty stemmed from the difficulty in differentiating between the lasting effects of permanent policy changes and the temporary effects of the pandemic on the trajectory of the prison population. The pattern of long-term legislative impacts has emerged more clearly over the past year as the impacts of pandemic-related disruptions have mostly abated, with the exception of still-elevated levels of staff shortages and turnover still impacting some areas of operation. While this forecast assumes that these recently emerged patterns and relationships will continue to hold, the possibility of further transition remains a key risk to the forecast. Small shifts in timing and magnitudes of relationships between felony case filings, DOC sentences, new court commitments, prison admissions, releases, and parole discharges can contribute to substantial deviations in the prison and parole populations above or below those forecast.

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 a panoply of decision-makers, including would-be offenders, law enforcement officials, 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 DHS are youths committed to custody, previously committed youths serving a period of parole, and youths in DHS detention.

Summary

The DHS-administered commitment and parole populations are expected to decline through FY 2025-26. The detention population is expected to continue to rise, albeit at a slower pace than in the previous two years. Expectations for the commitment population have been revised to reflect a slower decline in FY 2023-24 year to date, which is expected to moderate the decline in the parole population as well. Expectations for the detention population have been revised upward, reflecting continued increases in this population, against long-term trends and prior year expectations. 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 256 youths in FY 2022-23 to 221 youths in FY 2025-26.
- The **average daily parole population will correspondingly decrease**, from 106 youths in FY 2022-23 to 95 youths in FY 2025-26.
- The **DYS detention population will increase** from an average daily population of 180 youths in FY 2022-23, to 210 youths in FY 2025-26.

Juvenile Offender Sentencing Options

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

Commitment. Depending on age and offense history, a youth may be committed to the custody of the DHS 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 youth to a detention facility if the youth 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 typically do not exceed 45 days, and most youths remain in detention for less than a month. Juvenile offenders awaiting adjudication with lengthy trials or being prosecuted as adults and awaiting trial in an adult court may also be part of the detention population. In these cases, the average length of stay in detention is generally much longer, exceeding 200 days.

County jail or community corrections. Individuals between 18 and 21 years of age 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 youth 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 youth 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 case filings increased consistently during the 1990s, peaking in 1998 and falling after that until stabilizing in FY 2016-17. Filings fell again during the COVID-19 pandemic. They have resumed their increase in the last two fiscal years but remain below pre-pandemic levels. 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 practices have led to the rise of alternative sentencing options, which have correspondingly reduced the population of detained and committed youths. Limited availability of these options post-pandemic has contributed to a slower decline in the commitment population and an increase in the detention population.

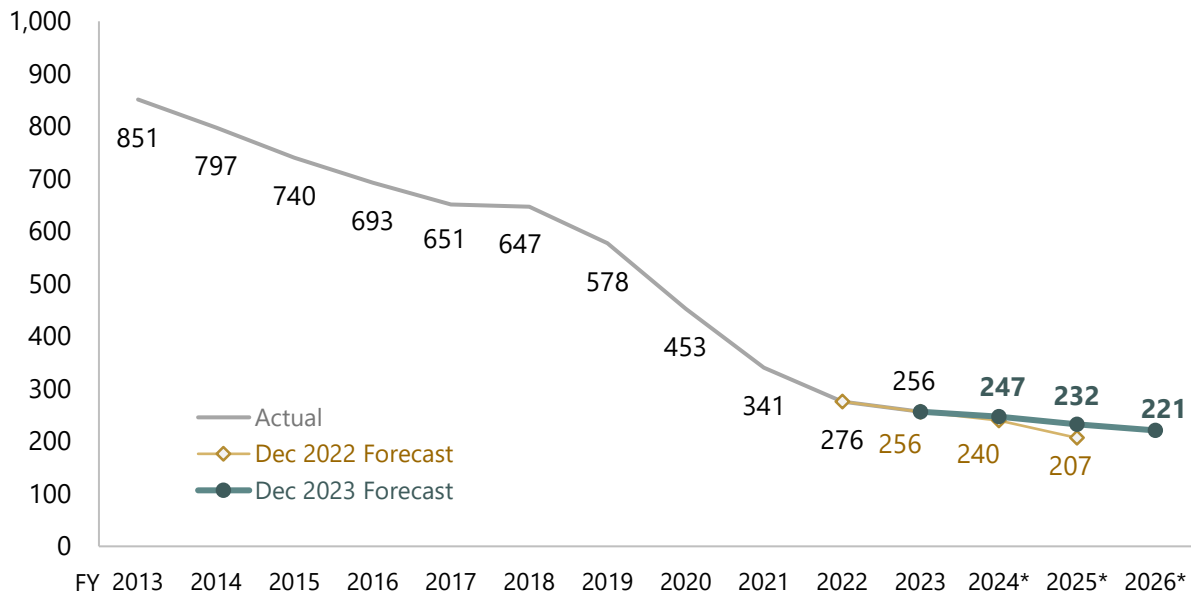
Legislative action. Policies affecting sentencing alternatives for adjudicated youths affect the size of the detention, commitment, and parole populations. These include the creation of diversionary programs as alternatives to incarceration, mandated caps on sentence placements, and changes to parole terms. **Senate Bill 21-071** reduced the detention bed cap from 327 to 215 beds, while **House Bill 23-1307** allows DYS to administer an additional 22 temporary emergency detention beds statewide.

Composition of youth offender admissions. The proportion of detainees and committed youth with violent charges has increased in the post-pandemic period, increasing the time these youth stay in DYS facilities. For example, of the 3,780 youths admitted to detention in FY 2018-19, 29 percent were detained for violent offenses, while of the 2,828 youths detained in FY 2022-23, 42 percent were detained for violent offenses.

Division of Youth Services Sentencing Placements and Population Forecast

Commitment. The commitment population consists of youths adjudicated for a crime and committed to DYS custody. In FY 2022-23, the average daily commitment population was 256 youths, representing a 7 percent decline from the prior year. The average daily commitment population was exactly as forecasted in December 2022. The decline in the commitment population is expected to moderate, dropping by 3.6 percent in FY 2023-24, by 6.1 percent in FY 2024-25, and by 4.9 percent in FY 2024-25, to 221 youths by the end of the forecast period. This trend reflects the continued impacts of long-term shifts toward diversion programs, alternative sentencing, and a decrease in commitments to the DYS. With a flattening downward trend, expectations for the commitment population have been revised upward throughout the forecast period, as shown in Figure 24.

Figure 24
Comparison of DYS Average Daily Commitment Population Forecasts

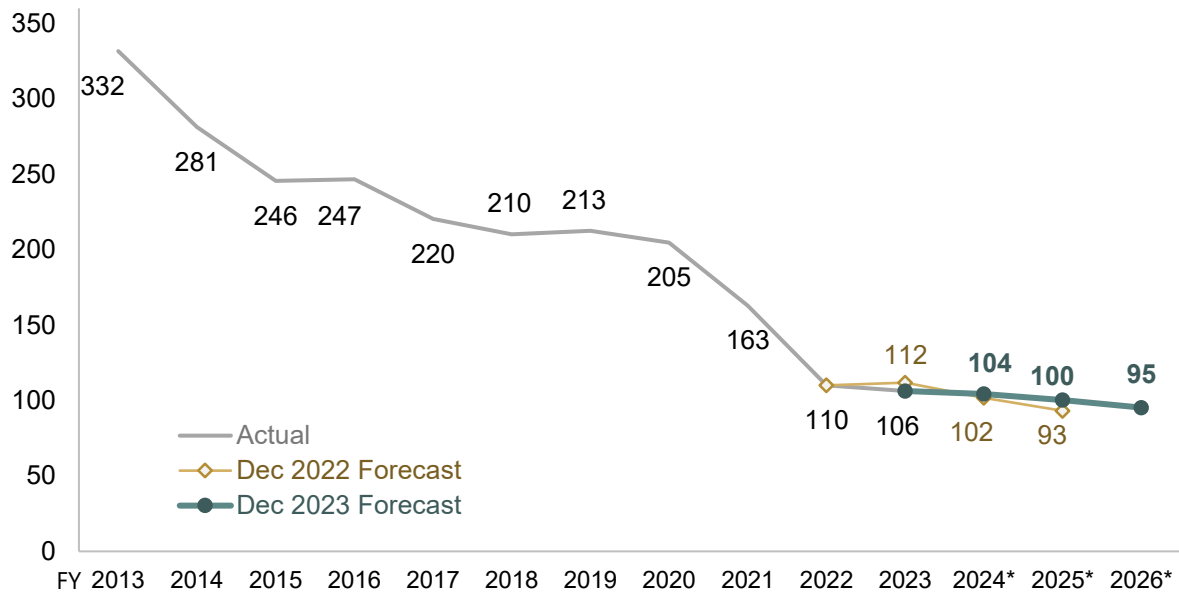


Source: Colorado Department of Human Services Division of Youth Services and Legislative Council Staff.
 *Forecast.

Parole. Youths who have served their commitment sentence are usually granted release to community parole upon approval of the Juvenile Parole Board. All youths serve a parole period of at least six months, although the board may extend the parole period for certain offenders.

The juvenile parole population averaged 106 youths in FY 2022-23, a decline of 3.3 percent from FY 2021-22, and was 6 youths below the December 2022 forecast, as shown in Figure 25. The parole population is expected to decline in line with the commitment population, dropping by 1.9 percent in FY 2023-24, to 104 youths, by 3.9 percent in FY 2024-25, and by 5.0 percent in FY 2025-26, reaching 95 youths by the end of the forecast period as the releases from commitment facilities continue to drop off. Expectations have been revised upward relative to last year's forecast.

Figure 25
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, with an additional 22 temporary emergency detention beds allowed under House Bill 23-1307. Relative to the commitment and parole populations, the detention population is more volatile because of the short sentences served by most detained youth, and has risen from a low of 132 youths reached in April 2021, to a post-pandemic high of 201 youths in October 2023. The detention population averaged 180 youths in FY 2022-23, a 13 percent increase over FY 2021-22 following a 9 percent increase in that year. The FY 2022-23 population was above the December 2022 forecast by 3 youths. As shown in Figure 26, the detention population is expected to increase throughout the forecast period, to 210 youths in FY 2025-26. Expectations for the detention population have been revised upward from those in the December 2022 forecast, reflecting the greater uptick in the population year-to-date.

Figure 26
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 forecast assumes that the commitment, detention, and parole populations will continue to follow patterns that have newly emerged in the post-pandemic period, with a slowing decline in commitments mirrored in the parole population along with rising detentions. Pandemic-related disruptions to the DYS system have largely dissipated, with remaining impacts one source of forecast risk. Staff turnover and shortages continue, albeit not at the intensity seen at the time of the December 2022 forecast. Nevertheless, staffing influences the pace and outcome of operations, with the extent of the impact on the juvenile commitment, detention, and parole populations unclear.

Likewise, the availability of diversion programs and alternative sentencing options has declined since the pandemic, with continuing declines requiring judges to place more offenders under DYS supervision than anticipated in this forecast, partially reversing contemporary trends in sentencing practices which have contributed to long-term declines in the commitment, parole, and detention populations.

Further attitudinal or operational changes that may increase or decrease the future numbers of youths placed in DYS custody are not accounted for here and may result in smaller or larger populations than those forecast. The detention population is particularly volatile, and has reached the bed cap of 215 on some days in recent months. This forecast does not anticipate the detention population will exceed 215 youths on a daily average basis over the year, however it does anticipate exceeding the bed cap on average in several months during the forecast period, with the volatility of the detention population and the emerging upward trend in this population increasing the upside risks to this forecast.

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Economic Outlook

The U.S. economy surpassed expectations throughout 2023. The nation avoided a downturn, largely due to real consumer spending growth that endured even when challenged with high inflation. The labor market has cooled in response to monetary policy intervention, but unemployment remains low and wages continue to rise at a robust pace. This forecast anticipates slower growth in 2024, but expects that the economy has negotiated a soft landing with reduced risk of a near-term recession.

While the economy is growing, numerous challenges remain. Surging consumer prices diminished household savings rates, and debt is on the rise. The high interest rate environment has resulted in job losses in industries sensitive to borrowing conditions, like financial activities and construction. Real estate transactions have slowed as expensive mortgages dampen demand among would-be homebuyers. High rates raise headwinds for both consumer activity and business investment, and are expected to contribute to slower economic growth over the coming year.

Like their peers around the country, Coloradans are benefiting from rising incomes and a strong labor market. The state's current economic position differs from the nation's in a few key ways. Most notably, housing costs, especially for renters, continue to rise more quickly in Colorado than around the country, resulting in more stubborn inflation here than elsewhere. Colorado's oil and gas industry has not recovered from pandemic-era price troughs, leading to industry rebalancing along the northern Front Range and on the Western Slope. Published labor market data show weaker employment gains, though these are expected to be revised with data revisions in the spring of 2024. This forecast anticipates that Colorado's growth trend will follow the nation's, but that inflation pressures will remain higher for longer here than in other states.

The economic forecast for the United States and Colorado is presented in Tables 25 and 26 on pages 120 and 121, respectively. A history of published economic data is provided in the Appendix on pages 156 and 157.

Gross Domestic Product

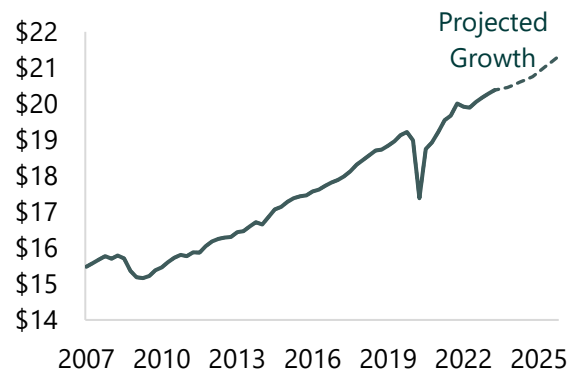
U.S. real gross domestic product (GDP), the broadest measure of economic output, continues to exceed expectations. In the third quarter of 2023, real GDP grew at a robust seasonally adjusted annualized rate of 5.2 percent, the biggest gain since the fourth quarter of 2021. Annualized growth in the first and second quarters came in at 2.2 percent and 2.1 percent, respectively. Despite higher borrowing costs and prices, consumers have continued to spend at a strong pace. Businesses increased their investments in nonresidential structures and equipment, and residential investment increased for the first time in over two years. Finally, international trade and government spending continued to support economic growth in the third quarter.

- Real U.S. GDP growth is expected to increase by 2.5 percent in 2023, bolstered by strong consumer spending. As spending slows in the coming year, real economic output is projected to increase at rates of 2.2 percent in 2024 and 2.4 percent in 2025.

Consumer spending continues to support economic growth, accelerating in the third quarter of 2023.

Despite higher borrowing costs and prices, real consumer spending, which makes up more than two-thirds of total economic activity, grew at an annualized rate of 3.6 percent in the third quarter of 2023. The third quarter growth rate was the highest since the fourth quarter of 2021. A strong labor market and increasing wages continue to support consumer activity. In the third quarter, spending on goods increased by 4.7 percent, while spending on services increased by 3.0 percent in the same period. Durable goods, which include items such as vehicles, home appliances, and furniture, grew at a robust 6.8 percent pace after declining in the previous quarter. This forecast expects consumer activity to slow slightly as household finances weaken.

Figure 27
U.S. Real Gross Domestic Product
Trillions of Dollars



Source: U.S. Bureau of Economic Analysis and Legislative Council Staff December 2023 forecast. Data reflect seasonally adjusted annual rates.

Business investment continues to increase. Business investment is an important contributor to GDP, but tends to be volatile quarter to quarter. In the third quarter of 2023, total business investment increased by a healthy 10.5 percent. Businesses continue to spend on new structures and invest in intellectual property. Investment in structures has been propped up in recent quarters because of federal fiscal stimulus, including from the 2021 Infrastructure Investment and Jobs Act and the 2022 CHIPS and Science Act. Outlays on private nonresidential structures like gas and oil wells continue to help boost total business investment.

After declining in each period since the second quarter of 2021, residential investment picked up in the third quarter of 2023, growing by 6.2 percent from the previous quarter. Residential investment was aided by an increase in construction of single-family homes. Inflation-adjusted residential outlays had been steadily declining as rising mortgage rates and borrowing costs have dampened demand for new and existing housing units.

International trade is expected to face headwinds. Net exports, calculated as total exports minus total imports, are expected to continue to aid U.S. economic growth, though a strong U.S. dollar and weakening global demand are expected to raise headwinds for exports over the next year. In the third quarter of 2023, spending on U.S. exports increased by 6.0 percent after declining by 9.3 percent in the previous quarter. Spending on U.S. imports increased by 5.2 percent in the third quarter, after declining by 7.6 percent in the second quarter.

Government spending increased in the third quarter. Total government outlays have been steadily increasing since the third quarter of 2022. In the third quarter of 2023, total government expenditures increased by 5.5 percent, after increasing by 3.3 percent in the prior quarter. Federal expenditures were up 7.0 percent in the third quarter, with most of the contribution coming from national defense spending. State and local expenditures were up 4.6 percent, after increasing by 4.7 percent in the prior quarter.

Colorado's economic growth in perspective. Prior to the pandemic-induced recession, Colorado had experienced more than a decade of strong economic growth, outpacing most other states in employment growth, personal income, and other indicators. Coming off a period of very strong increases, economic growth in Colorado is expected to trend closer to the national average. This forecast anticipates that Colorado's economy will modestly outperform the U.S. economy through 2025, with faster income growth, more employment growth, and lower unemployment rates balanced against higher inflation.

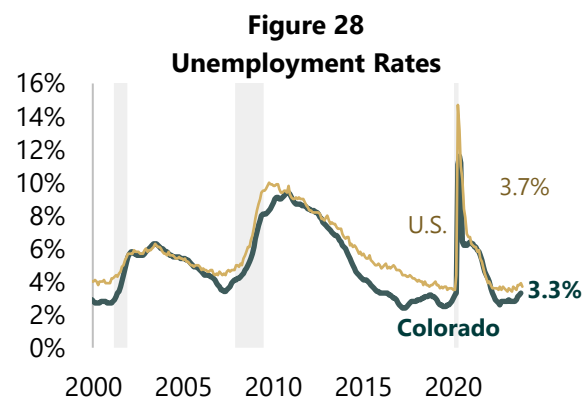
Labor Markets

Labor markets in Colorado and the nation show signs of cooling, with slower job growth and nominal wage growth alongside low but rising unemployment rates. A slowing labor market is consistent with a soft landing as the effects of tight monetary policy slow economic activity. Near-term employment growth is expected to continue to slow for both Colorado and the nation. The impacts of the slowdown are expected to continue to be uneven, with unemployment rates, wage growth, and job growth varying significantly across workers and industries. Additionally, expected revisions to nonfarm employment data muddy the picture of the state's job market.

- U.S. nonfarm employment is expected to end 2023 with 2.2 percent growth and to slow to 1.4 percent in 2024. The U.S. unemployment rate is expected to average 3.7 percent in 2023, before increasing to 4.0 percent in 2024.
- In Colorado, employment growth is expected to decelerate throughout the forecast period, with increases of 2.3 percent in 2023 and 1.5 percent in 2024. The Colorado unemployment rate is expected to average 3.0 percent in 2023, before rising to 3.3 percent in 2024.

Colorado's unemployment rate continues

to rise despite declining labor force. The state's unemployment rate continued its upward trajectory in October, ticking up to 3.3 percent, driven by a larger decline in household employment (down 8,000) than the decline in the labor force (down 5,600), both of which are signs of a cooling labor market. Colorado's unemployment rate is about average among states, tied for the 26th lowest rate along with Louisiana, Mississippi, and Tennessee. Maryland has the lowest unemployment rate (1.7 percent), while the highest rate continues to belong to Nevada (5.4 percent).

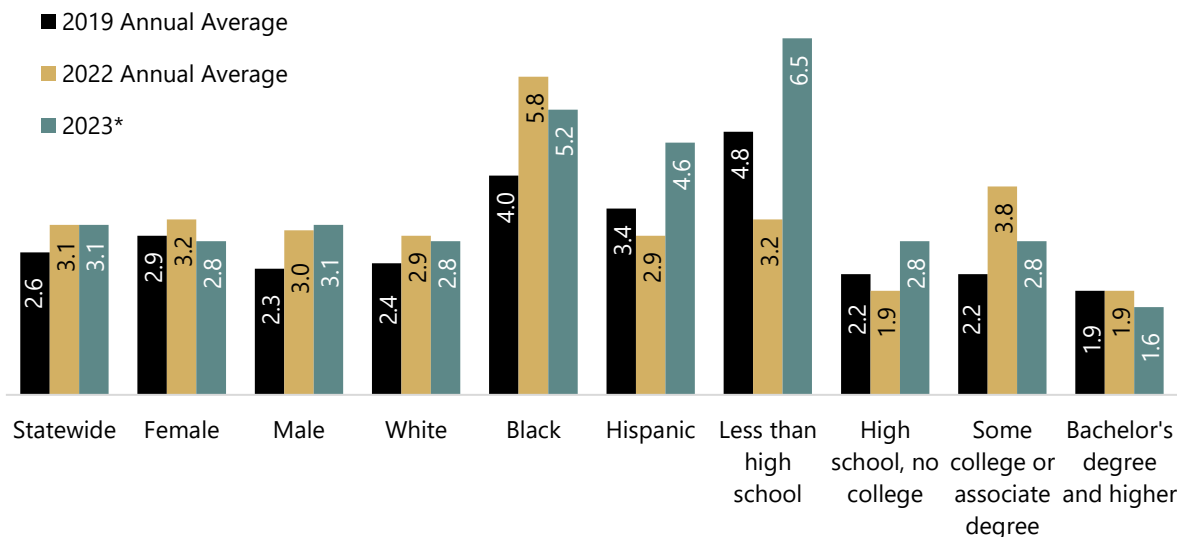


Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. U.S. data are through November 2023. Colorado data are through October 2023.

Colorado unemployment rates vary by demographic group. The impact of a slowing labor market is uneven across demographic groups, with wider disparities by race, ethnicity, and educational attainment in 2023 compared to pre-pandemic, as people of color and those without a high school diploma continue to experience higher unemployment rates than other demographics (Figure 29). Hispanic workers and those with lower educational attainment have

experienced an increase in average unemployment rates in 2023. However, small sample sizes may reduce the statistical significance of these patterns in some cases.

Figure 29
Colorado Unemployment Rates by Demographic Group



*2023 is a twelve-month average, November 2022 to October 2023.

Source: U.S. Bureau of Labor Statistics, Current Population Survey, retrieved from the Colorado Department of Labor and Employment. Data are not seasonally adjusted. Unemployment rates by educational attainment include individuals 25 and over; all other unemployment rates include individuals 16 and over. Unemployment rates shown in the chart are calculated differently than the official estimates of unemployment and should not be compared directly.

Colorado's labor force participation rate declined to 68.4 percent in October, down from the post-pandemic high of 68.7 percent that held throughout the summer, but still well above the national rate of 62.7 percent in October. Among the 50 states, Colorado has the fifth highest labor force participation rate, behind Utah (69.6 percent), North Dakota (69.2 percent), Nebraska (69.1 percent), and Minnesota (68.5 percent).

Mississippi has the lowest labor force participation rate at 53.9 percent. Colorado real average hourly earnings were down 1.7 percent year-over-year in October 2023.

Colorado employers added 1,600 nonfarm jobs in October, up from a loss of 100 in September, for an average monthly gain of 2,780 jobs this year. A slowdown in job gains has occurred since May 2022, which roughly coincides with the start of the Federal Reserve's interest rate hikes. Average monthly job gains were 2,800 between May 2022 and October 2023, compared to average monthly gains of 12,500 in the

Figure 30
Change in Colorado Nonfarm Employment
Thousands of Jobs



May 2021 Nov 2021 May 2022 Nov 2022 May 2023

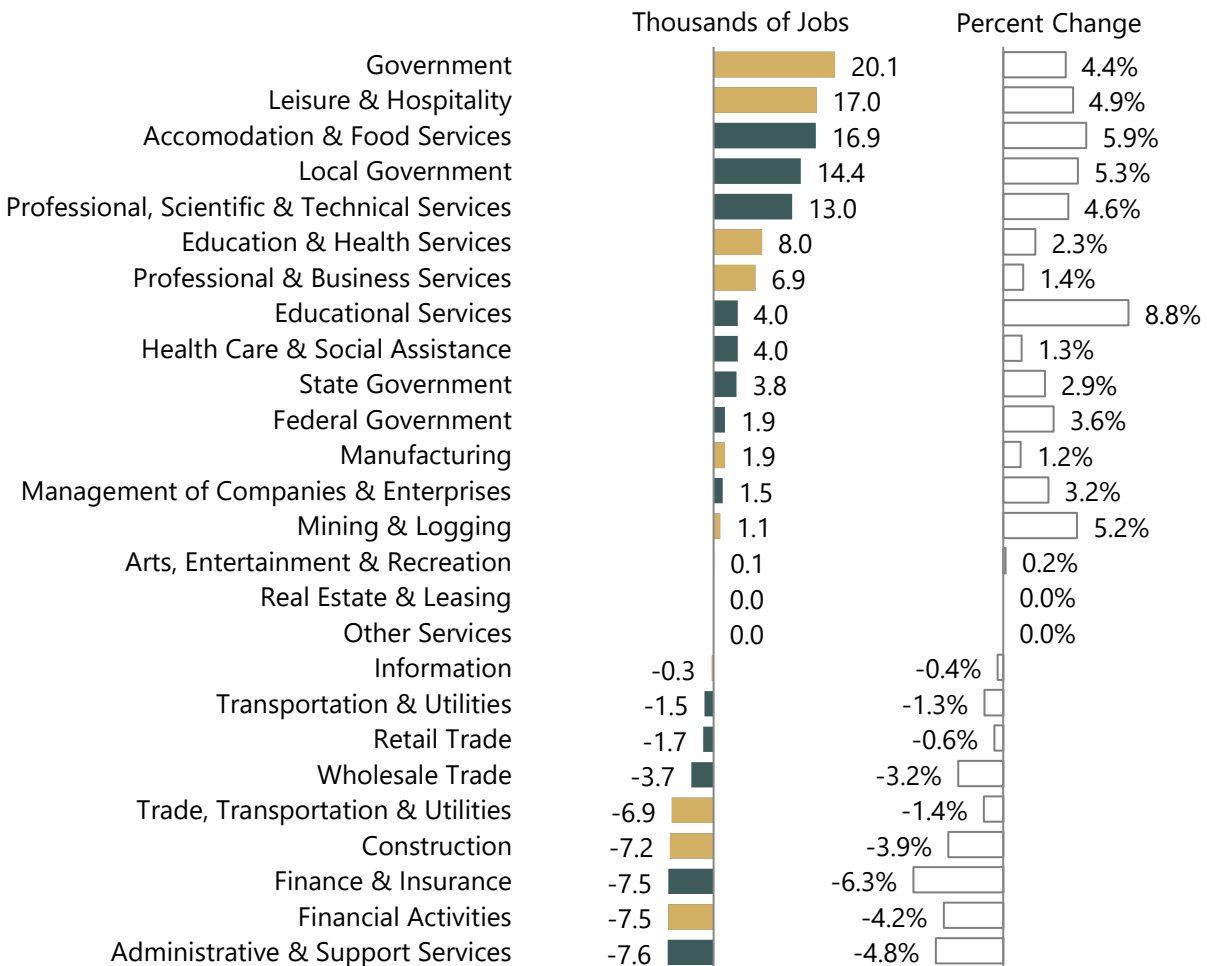
Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted and through October 2023.

12 months prior (Figure 30). Although average monthly job gains since July 2022 are expected to be revised up in the annual benchmarking process (as discussed below), a similar but more muted pattern is expected to remain.

Job growth continues to vary across sectors, with revisions expected to shift some patterns. Year-over-year, statewide job growth in October was 1.1 percent (2.4 percent with expected revisions, as discussed below). Year-over-year job growth was mixed across industries, with the largest gains continuing in those supersectors hardest hit by pandemic job losses, including government, up by 4.4 percent (20,100 jobs) and leisure and hospitality, up by 4.9 percent (17,000 jobs) (Figure 31). Sectors with job losses year-over-year in October 2023 include those most sensitive to interest rates, such as financial activities, down by 4.2 percent (7,500 jobs); construction, down by 3.9 percent (7,200 jobs); and information, down by 0.4 percent (300 jobs). Job losses in administrative and support services, down by 4.8 percent (7,600 jobs), likely reflects the post-pandemic shift toward remote work, which has reduced the need for office support staff.

As discussed below, expected revisions in the March 2024 benchmarked job series may alter some of these results. For example, the magnitude of job losses in the information supersector is expected to be larger with revisions and those in financial activities and construction smaller but still negative. Current published data indicating job losses in the trade, transportation, and utilities supersector are expected to be revised upward to reflect year-over-year gains.

Figure 31
Colorado Job Gains and Losses by Industry
 Year-over-Year Change, October 2023



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Gold shading indicates a supersector, while teal shading indicates a subsector.

Real wage growth continues, with nominal wage growth continuing to moderate.

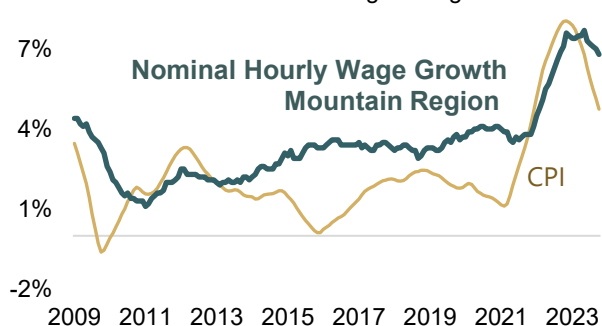
According to the Atlanta Federal Reserve Wage Growth Tracker, the 12-month moving average of median nominal wage growth (not adjusted for inflation) for the mountain region, which includes Colorado, was 6.8 percent year-over-year in October 2023, compared to 5.8 percent nationwide, and down from a peak of 7.7 percent in May 2023. Average inflation was 4.8 percent, down from a peak of 8.1 percent in November 2022. Average inflation exceeded average nominal wage growth from November 2021 to March 2023, resulting in a declining real wage and the erosion of purchasing power for more than 50 percent of workers during that period (Figure 32). Nominal wage growth has exceeded inflation since April.

Wage growth has picked up in public administration, reaching 6.8 percent, the highest among the seven industry groups. Education and health wages are experiencing the least growth,

5.2 percent. At 5.8 percent in October 2023, wage growth in leisure and hospitality has cooled since reaching 7.2 percent in January 2023.

Wage growth also varied across groups of workers, with workers aged 55 and over, job stayers, and those with an associate's degree experiencing the slowest wage growth at 4.5 percent, 5.3 percent, and 5.5 percent, respectively, while workers aged 16 to 24 and job switchers experienced the highest wage growth at 9.1 percent, 6.6 percent, respectively. However, the premium for job switching has declined by 41 percent since its peak in late 2022. Workers in the mountain region experienced the highest wage growth among the nine U.S. regions in October 2023, followed by the Pacific region and New England, each with 6.1 percent wage growth. There is wide variation in wage growth across individuals within these groups, but in general, workers who are in groups with the highest median wage growth are more likely to have positive real wage growth.

Figure 32
Median Nominal Hourly Wage Growth and CPI Inflation
Twelve-Month Moving Average



Source: Atlanta Fed Wage Growth Tracker. Data are through October 2023.

Expected revisions to nonfarm employment. Due to an undercount of employment impacting the 2022 employment benchmark in March 2023, corrected Quarterly Census of Employment and Wages (QCEW) results for the third quarter of 2022 through the second quarter of 2023 indicate that nonfarm payroll job estimates will be revised up for these periods with the March 2024 benchmark. The revision is expected to be larger than in prior years, with expected revisions of 40,900 jobs to the published June 2023 data, for example. Extending these revisions through October 2023 brings the year-over-year job growth in October to 2.4 percent, up from 1.1 percent in current official data (Figure 33).

Figure 33
Nonfarm Employment and Expected Revisions
Jobs in Thousands

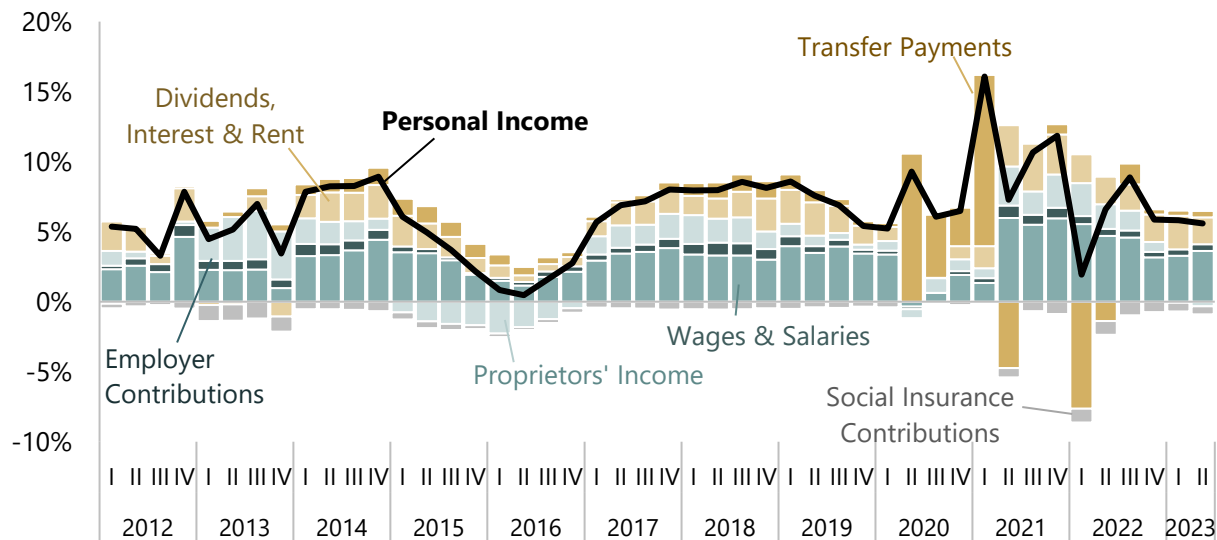


Source: Colorado Department of Labor and Employment.

Personal Income

Personal income growth has remained steady, continuing to grow at a healthy pace in both Colorado and the nation. Personal income measures the aggregate amount of income received by individuals and households from wages and salaries, business ownership, investments, and other sources. Personal income influences state revenue streams such as household contributions to income tax revenue, and foreshadows consumer spending and contributions to sales tax receipts. A history of year-over-year growth in nominal personal income in Colorado is shown in Figure 34.

Figure 34
Colorado Nominal Personal Income and Its Contributions
 Contributions to Percent Change, Year-over-Year



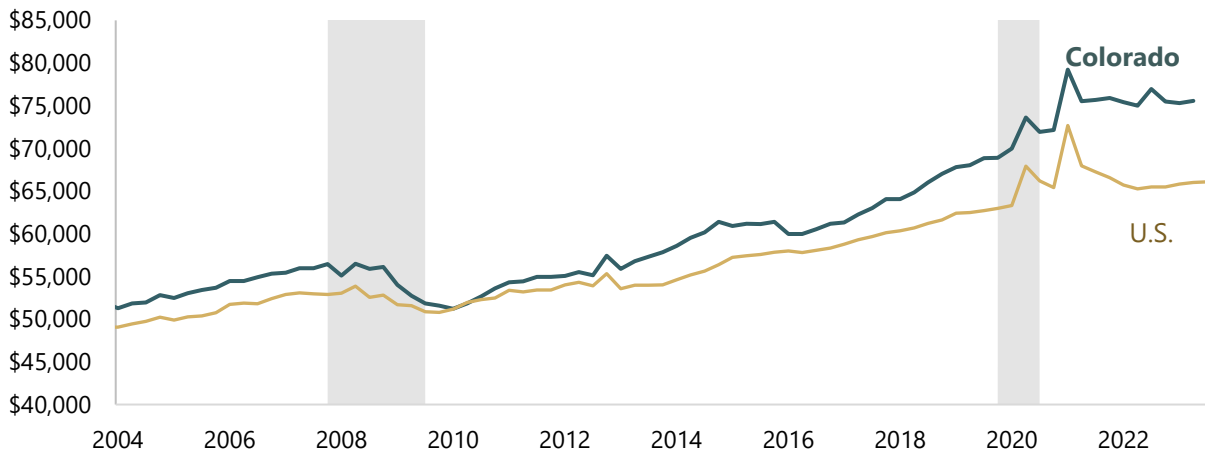
Source: U.S. Bureau of Economic Analysis with Legislative Council Staff calculations. Data are seasonally adjusted through 2023Q2.

Total Colorado personal income was 5.6 percent higher in the second quarter of 2023 compared to a year prior. Wages and salaries are the largest source of personal income, and were up 7.1 percent compared to one year prior, similar to the average rate of growth before the pandemic. Dividends, interest, and rent were up 8.6 percent as rents and interest rates rose. Nonfarm proprietors' income was down slightly, but employer contributions contributed to positive gains in total personal income.

- Personal income is expected to end 2023 up 5.2 percent nationally and 5.1 percent in Colorado. In 2024, growth is expected to accelerate to 5.4 percent nationally and 5.7 percent in Colorado.
- Wages and salaries are outpacing other sources of personal income and are expected to end 2023 up 6.3 percent nationally and 5.8 percent in Colorado. These are expected to moderate slightly to 5.8 percent nationally and 5.7 percent in Colorado in 2024.

Although growth in nominal personal income has been consistently strong, households have also had to contend with persistent high inflation. Figure 35 shows per-capita personal income in Colorado and the U.S., adjusted for inflation. After adjusting for population and inflation, personal incomes have been roughly flat in Colorado since mid-2021, aside from a bump from TABOR refund payments in 2022. The second quarter of 2022 was up 0.8 percent compared to one year prior. Real per-capita personal income in the U.S. fell throughout 2021 and early 2022, but has increased for three consecutive quarters, up 0.9 percent over the past year. With inflation expected to slow through the forecast period, real personal income is expected to accelerate for both the U.S. and Colorado in 2024.

Figure 35
Real Per-Capita Personal Income
 Constant 2022 Dollars

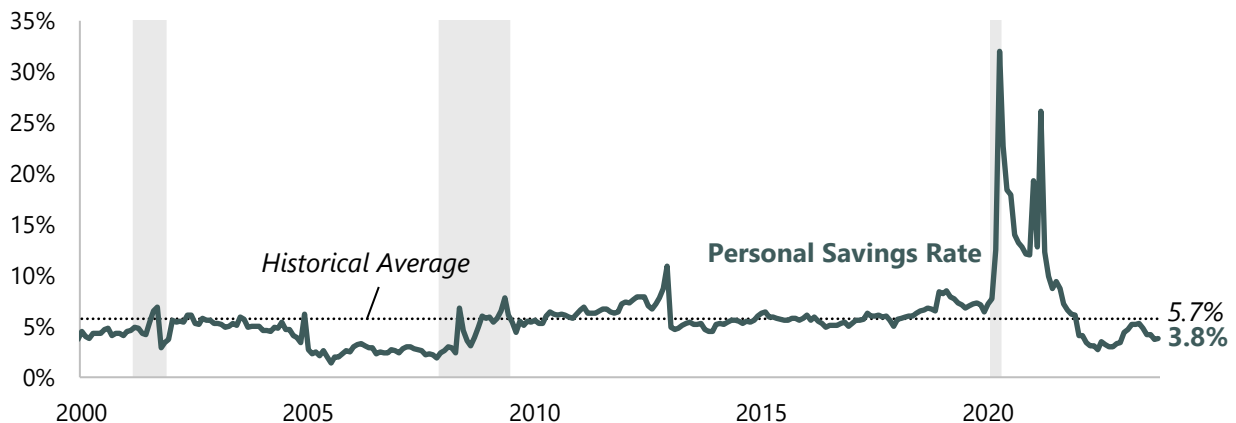


Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, and LCS calculations. Data are adjusted for inflation using the national PCE price index.

Household Finance and Debt

Personal savings are low by historical standards. The personal savings rate remains below the historical average and has continued to fall throughout 2023, a concerning sign for household finances. The personal savings rate has been below the historical average for all of 2022 and 2023, after spiking in the two years prior. During the pandemic, household balance sheets were bolstered by government transfer payments, strong nominal wage and salary growth, and reduced spending due to COVID-19 restrictions, resulting in exceptionally high personal savings. Some of these excess savings may still be bolstering household finances, although most have likely been spent down.

Figure 36
U.S. Personal Savings Rate*
 Percent



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

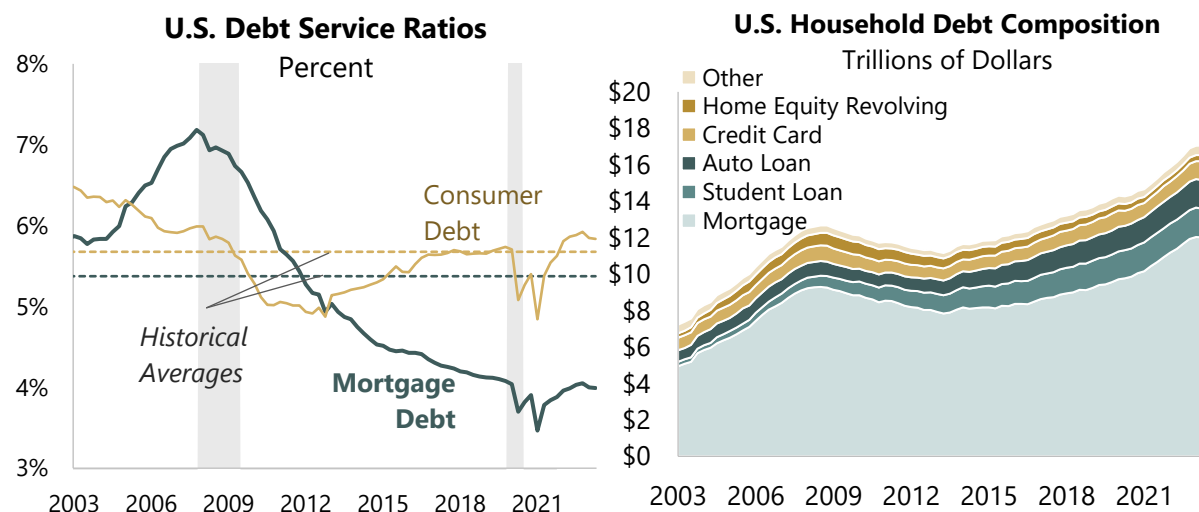
*The personal savings rate is calculated as the ratio of personal saving as a percentage of disposable personal income. The historical average is the average from 2000 to present.

The savings rate reached a trough of 2.7 percent in June 2022, its lowest level since 2005. Personal savings rebounded through May 2023, reaching 5.3 percent. However, the personal savings rate fell over the second half of 2023, down to 3.8 percent in October, well below the historical average of 5.7 percent. A low savings rate signals that residual inflation continues to impact the purchasing power of household incomes, and that wage and salary growth has slowed compared to 2022, causing households to spend a higher percentage of their incomes for comparable levels of real consumption. This is one sign that household finances may be strained.

Despite low savings, the level of household debt is consistent with a healthy economy.

Debt service ratios measure the percentage of households' disposable income that is obligated toward mortgage payments and consumer debt. Higher ratios imply that households will have a lower percentage of their incomes available to spend on additional goods and services, and may be more likely to reduce spending or default on debt due to financial stress. Consumer debt as a percentage of disposable income rose through 2022 after dropping substantially during the pandemic in 2020. After peaking in late 2022, consumer debt as a percentage of disposable income declined very slightly during the first half of 2023 and stands at a level similar to the historical average and pre-pandemic levels. Mortgage debt fell steadily between the 2008 financial crisis and the 2020 pandemic-induced recession. Similar to consumer debt, the mortgage debt ratio reached a peak in 2022 and has declined slightly through the first half of 2023. Unlike consumer debt, the mortgage debt ratio remains well below the historical average. Overall, this signals that households have more financial obligations than during the early days of the pandemic, but that borrowing remains at a healthy level.

Figure 37
Household Debt



Source: Federal Reserve Board of Governors. Data are through 2023Q2 (left) and 2023Q3 (right).

Consumer Activity

Consumer spending is the main driver of the U.S. economy and remains relatively stable amidst lower household savings, higher interest rates, tightening credit conditions, and inflationary pressures. Consumer activity tends to respond to labor market tightness and the health of

household balance sheets, both of which have weakened slightly through the year. Total real consumer spending continues to grow, despite stalling real spending in retail and food services.

Although consumer confidence has largely trended upward since mid-2022, it remains significantly below pre-pandemic levels, and consumer expectations for a recession remain elevated. Low consumer confidence and declining personal savings pose downside risks to consumer activity. Overall, real personal consumption expenditures are expected to grow at a slowing rate in 2024.

Real U.S. consumer spending continues to grow despite low consumer confidence. In the third quarter of 2023, real (inflation-adjusted) personal consumption expenditures rose at an annualized rate of 3.6 percent, the second highest growth rate posted since the period immediately following relaxation of COVID health restrictions.

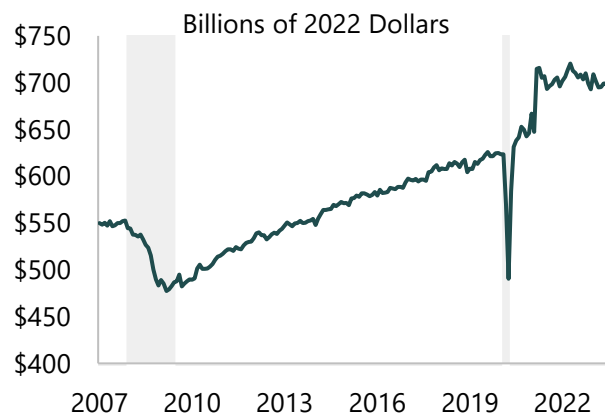
When the pandemic spread in early 2020, a decline in spending on services was partially offset by an increase in spending on goods as consumers were discouraged from leaving their homes, and service spending was therefore limited. As pandemic restrictions lifted, spending on services increased from 2021 through 2023 due to pent-up demand and a rebound in employment. On the other hand, growth in goods spending flat-lined in 2022, indicating a shift in consumer preferences from goods to services as the economy recovered from the pandemic. Through the third quarter of 2023, year-over-year growth in real personal consumption expenditures was positive for both goods and services, indicating strong consumer activity despite high interest rates and a stable yet loosening labor market.

Durable goods spending has been particularly strong compared to nondurable goods spending, with year-over-year growth rates of 4.7 percent and 1.3 percent, respectively, in the third quarter of 2023. The largest component of durable goods spending is recreational goods and vehicles, which grew at 8.3 percent in the third quarter of 2023 compared to a year prior. In contrast, growth slowed in spending on food and beverages purchased for off-premises consumption, which accounts for nearly 35 percent of nondurable goods spending. Real services spending grew by 2.2 percent year-over-year in the third quarter of 2023 and was positive for every subservice. Health care services advertising had the highest growth rate, and housing and utilities services had the lowest growth rate.

Inflation outpaced retail sales through most of 2023. Despite continued positive growth in overall real consumption, sales in retail trade and food services have failed to keep up with inflation. As of October 2023, nominal sales were up 2.5 year-over-year, but after adjusting for inflation, real retail sales were down 0.7 percent.

Nominal year-over-year sales were down in areas such as furniture and home furnishing stores; gasoline stations; building, garden, and

Figure 38
Real U.S. Retail and Food Service Sales



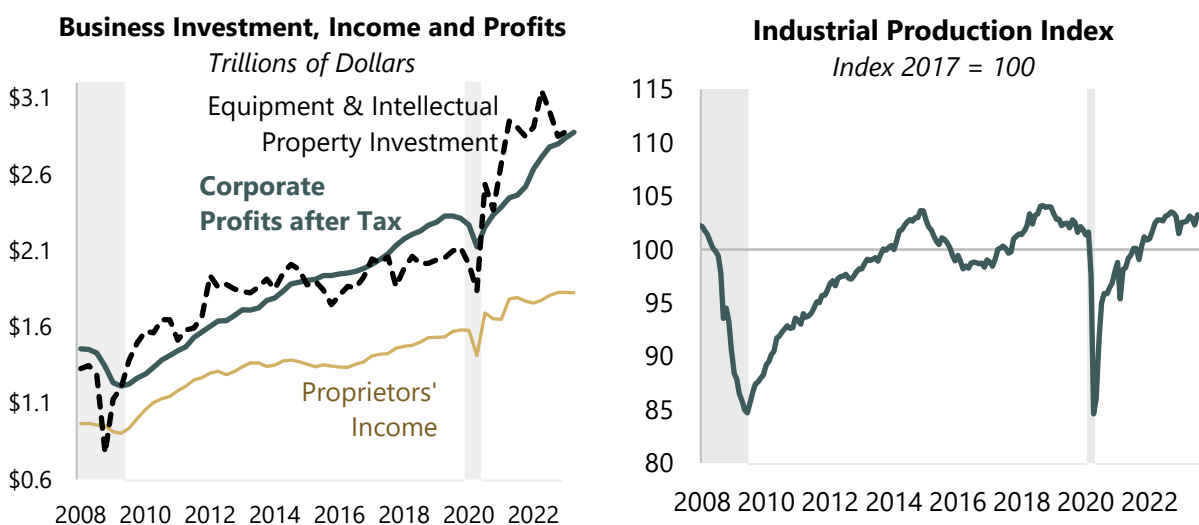
Source: U.S. Census Bureau. adjusted for inflation using the consumer price index for all urban areas (CPI-U) to the dollar value of most recent month of data. U.S. data are seasonally adjusted. Data through October 2023.

supplies dealers; and department stores. In contrast, spending continues to grow in areas such as health and personal care stores and food services and drinking places, which realized year-over-year growth rates of 9.6 percent and 8.6 percent, respectively, in October 2023.

Business Activity

Business activity shows slowing positive growth, but many downside risks dampen the outlook moving forward. Labor shortages and high input prices pose drags, but appear to be easing slightly. Waning demand may become a bigger concern for businesses as inflation reduces the purchasing power of many households and reduces excess savings. Additionally, higher interest rates have increased the cost of corporate investment and expansion while further dampening demand.

Figure 39
Selected U.S. Indicators of Business Activity



Source: U.S. Bureau of Economic Analysis. Data are not adjusted for inflation and are through the third quarter of 2023.

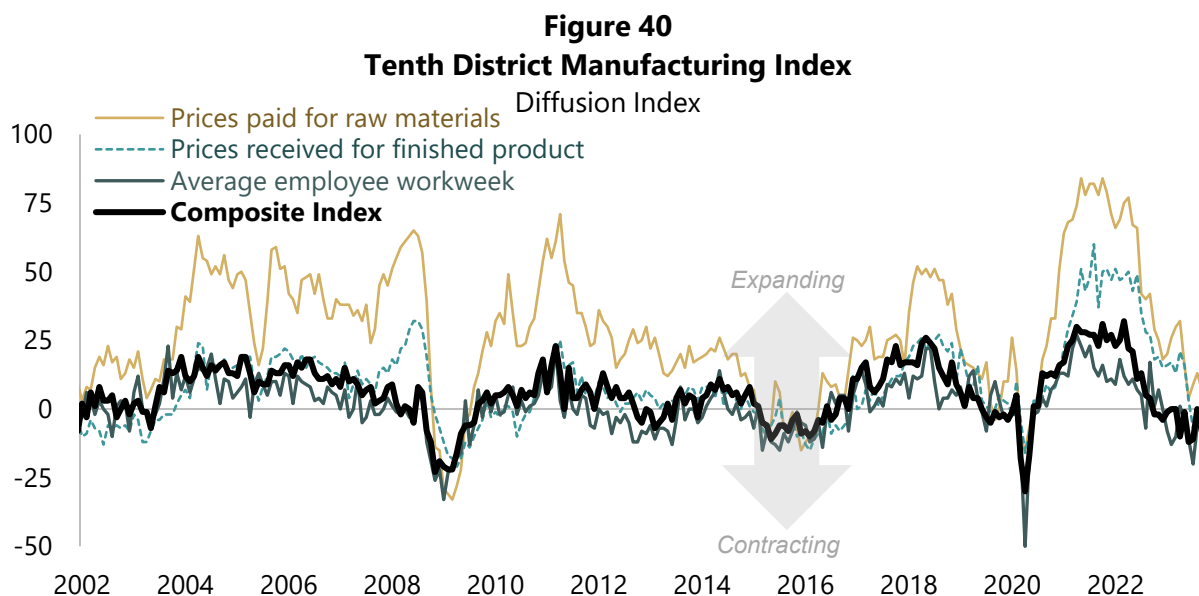
Source: Federal Reserve Board of Governors. Data are through October 2023.

Despite headwinds, business income and profits continue to expand. Business incomes, including corporate profits and nonfarm proprietors' incomes, have continued to grow in 2023, even after reaching record highs in 2022 (Figure 39, left). Corporate profits rose by 4.4 percent in the third quarter of 2023 compared to the same quarter one year ago, despite high input costs. The industrial production index, which measures real output from manufacturing, mining, and utilities compared to output in 2017, stayed relatively flat in 2023. The index was down 0.7 percent in October 2023 compared to October 2022 (Figure 39, right). This slight decline was primarily due to labor strikes that affected several major manufacturers of motor vehicles in the fall of 2023, resulting in an estimated 10 percent drop in the output of motor vehicles.

Supply chain disruptions have dissipated. Supply chain disruptions stalled deliveries and increased prices across the globe as a result of labor shortages and restrictions from the COVID-19 pandemic, but have dissipated in 2023, reaching an all-time low in October. The Federal Reserve Bank of New York's index of global supply chain pressures measures the impact

of global transportation costs, delivery times, and backlogs. The index reached a record high in December 2021, but fell to its lowest reading on record in May 2023.

Manufacturing activity is stalling. Manufacturing activity has contracted mildly in recent months. The Federal Reserve Bank of Kansas City produces a monthly manufacturing index for the Tenth District region, which includes Colorado and several surrounding states (Figure 40). In October 2023, the composite index was mildly negative, indicating contracting manufacturing activity. Respondents were more likely to report decreases than increases in production, volume of shipments, and volume of new orders. More firms reported that backlogs of orders were decreasing than increasing, and prices paid for inputs were more likely to have decreased than increased for the first time since the spring of 2020.



Source: Federal Reserve Bank of Kansas City. Data are seasonally adjusted. A value above zero indicates expansion; below zero indicates contraction.

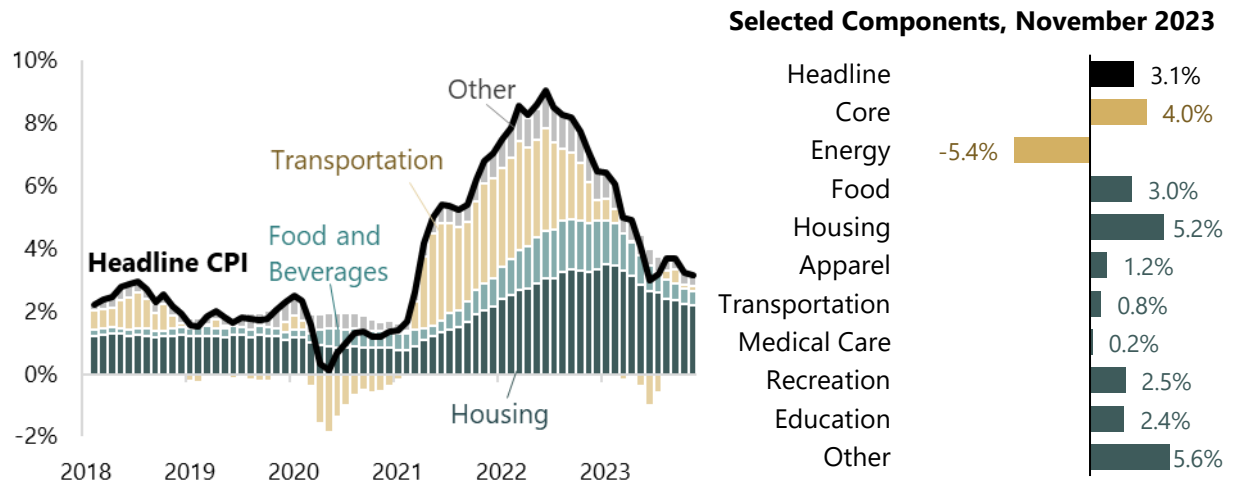
Despite headwinds, new business filings are strong in Colorado. New business filings in the third quarter of 2023 pulled back from record levels, decreasing by 20 percent over the quarter, but still up 0.6 percent from the same quarter last year. A fee credit that reduced limited liability filing fees to one dollar likely contributed to the surge in filings that occurred in 2022.

Inflation

Inflation remains elevated nationwide, but is falling gradually. Inflation has slowed significantly since its historic surge in 2022, but remains higher than its historical average. As measured by the U.S. city average consumer price index (CPI-U), the average change in the price of goods and services faced by consumers peaked in June 2022, with prices 8.9 percent higher than they were in June 2021. Inflation has moderated considerably since, to 3.1 percent year-over-year, but remains higher than it was before the pandemic (Figure 41, left).

- Headline inflation for U.S. urban consumers is expected to slow throughout the forecast period to 3.0 percent in 2024 and 2.8 percent in 2025.

Figure 41
Contributions to U.S. Consumer Price Index (CPI-U) Inflation
 Percent Change in Prices, Year-over-Year



Source: U.S. Bureau of Labor Statistics.

Headline inflation includes all products and services. Transportation includes new and used vehicles, vehicle parts, and motor fuel. Housing includes the cost of rent, homeowner rental equivalent, utilities, and other housing costs.

High year-over-year inflation is still driven primarily by rising housing costs. Housing is by far the largest component of the CPI and currently makes up about 44 percent of U.S. consumer prices. The housing component includes costs for rent payments (or for homeowners, the cost a homeowner would pay to rent their home), utilities, and other housing-related goods and services. Because the housing component of the CPI includes rents (or owner equivalent rents) paid by all households rather than rental prices actively on the market, the housing component tends not to change quickly in aggregate, as most renters' payments are not subject to change on a monthly basis.

Housing costs are up 5.2 percent year-over-year in November, much higher than the typical rate of housing inflation before the pandemic, which was about 2.7 percent. A May 2022 study found that over half of the surge in rental and home prices in 2020 and 2021 was attributable to the increase in remote work due to the pandemic.² Remote work increases demand for housing because working at home requires more space. Because the shift to remote work has become permanent for many, demand for housing is likely to stabilize at this new, higher level. This means that prices are not likely to come back down, but rather are expected to increase at a slower rate moving forward. Additionally, rent inflation is more sensitive to tight labor market conditions than other components of inflation, as job and wage gains push up demand for rental units.³ A cooling labor market is also expected to contribute to slowing housing inflation in 2024.

² Housing Demand and Remote Work. John A. Mondragon & Johannes Wieland. Working Paper 30041. <http://www.nber.org/papers/w30041>

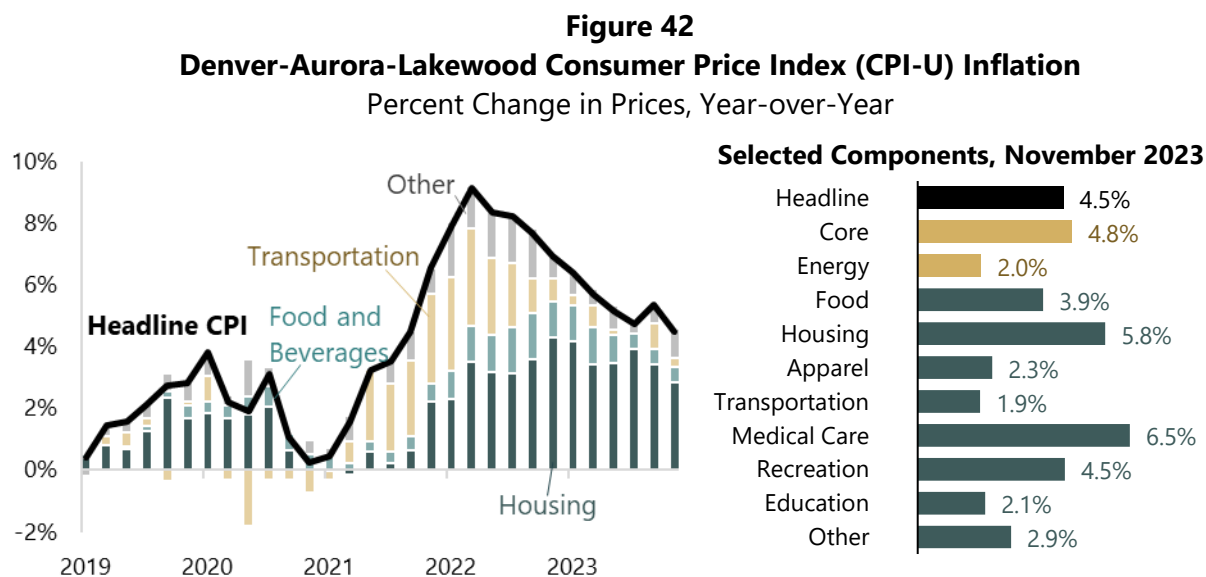
³ Bundick et al. "A Tight Labor Market Could Keep Rent Inflation Elevated". *Federal Reserve Bank of Kansas City, Economic Bulletin*. March 1, 2023. <https://www.kansascityfed.org/Economic%20Bulletin/documents/9384/EconomicBulletin23BundickSmithVanderMeer0301.pdf>

Inflation in Denver-Aurora-Lakewood is higher than the nation, and falling more slowly.

Inflation in Colorado peaked early last year and has fallen since, but is dissipating more slowly than at the national level. Figure 42 (left) shows the recent path of headline inflation and inflation among select components, as measured by the Denver-Aurora-Lakewood consumer price index. In March 2022, year-over-year headline inflation reached 9.1 percent and has since declined to 4.5 percent as of November 2023, significantly higher than the nation's 3.1 percent.

Year-over-year inflation ticked up in September primarily due to rising energy prices, but fell again in November. Energy price inflation is expected to slow such that headline inflation will continue its downward trajectory in the near term.

- Headline inflation in the Denver-Aurora-Lakewood combined statistical area is expected to be higher than the U.S. over the next year, averaging 5.2 percent in 2023 before falling to 3.5 percent in 2024 and 2.6 percent in 2025.



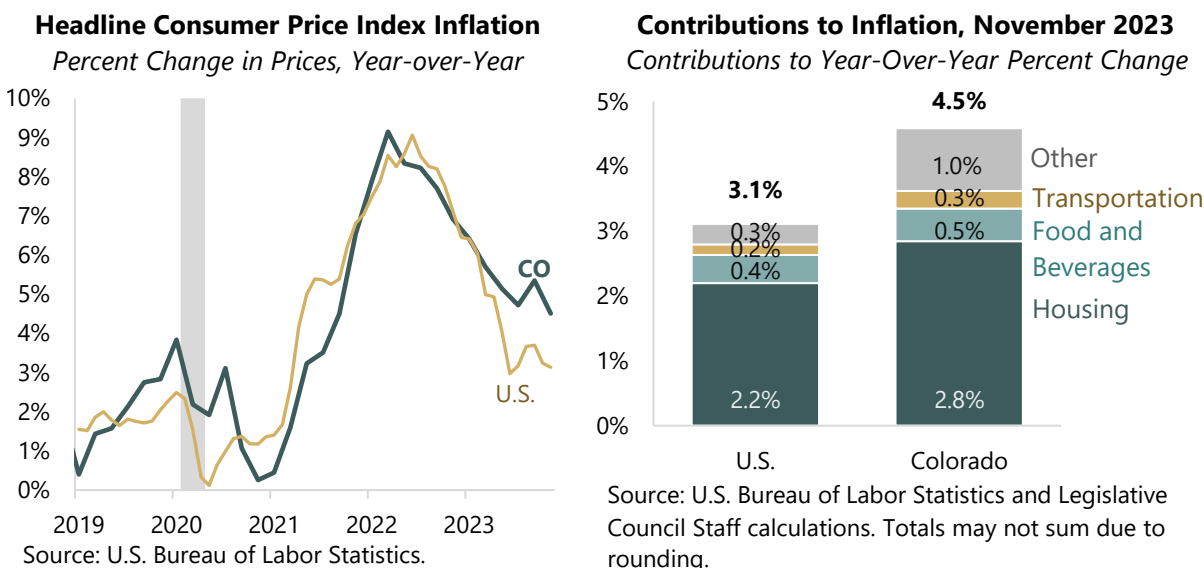
Source: U.S. Bureau of Labor Statistics and Legislative Council Staff calculations.

Headline inflation includes all products and services. Transportation includes new and used vehicles, vehicle parts, and motor fuel. Housing includes the cost of rent, homeowner rental equivalent, utilities, and other housing costs.

Housing and prices drive the difference between U.S. and Colorado inflation. In November 2023, inflation in Colorado was 1.4 percentage points higher than the nation. Nearly half of this difference came from housing prices, which were up 5.8 percent year-over-year in Denver, compared to 5.2 percent for the nation. This was mostly driven by rents, but household energy prices also contributed, increasing by 11.3 percent year-over-year in Denver compared to a 1.4 percent decline nationwide. Housing inflation is expected to cool slowly throughout the forecast period, but will continue to put upward pressure on inflation in the near term.

Transportation and medical care costs also contributed to the difference in headline inflation. The prices of new and used vehicles skyrocketed during 2022 and are now falling in both Colorado and the U.S.—but more slowly in Colorado. Figure 43 presents contributors to the difference between current rates of inflation at the national and state levels.

Figure 43
Comparing U.S. and Colorado Inflation



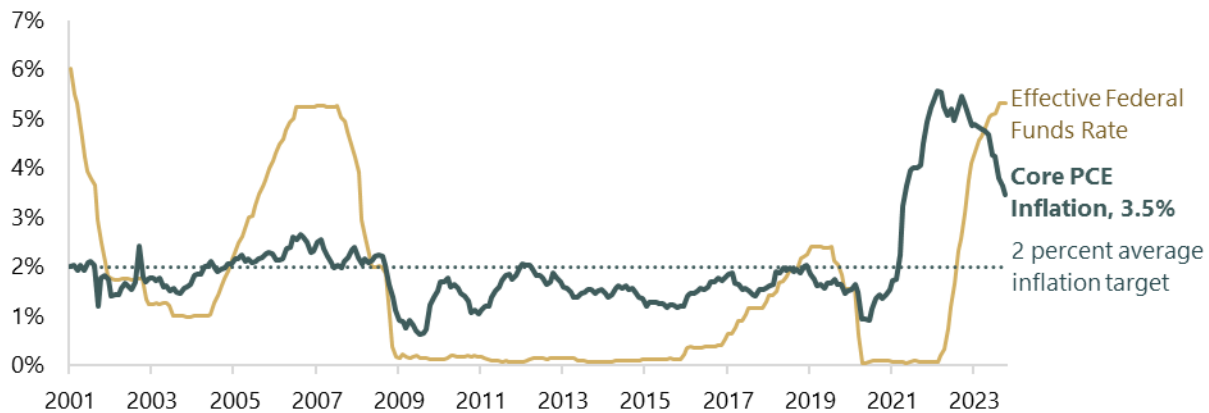
Monetary Policy

The Federal Reserve is expected to be nearing the end of this rate hike cycle. The Federal Reserve is likely to be finished raising interest rates, but could pivot depending on incoming data. The Federal Reserve uses changes to its balance sheet and its benchmark interest rate, the federal funds rate, to promote maximum employment and a long term average of 2 percent inflation. In response to high inflation, the Federal Reserve has increased the range for the federal funds rate by a combined 5.25 percentage points across 11 rate hikes since the beginning of 2022. In conjunction with rate hikes, the Fed also began reducing its balance sheet, first by tapering asset purchases and then by allowing a portion of its traditional portfolio of U.S. treasuries to mature without replacement. Increasing the federal funds rate increases other short- and medium-term interest rates and asset prices, while reducing the balance sheet is more likely to impact long-term interest rates and assets.

The effective federal funds rate is now at its highest level since 2007, while inflation, as measured by the personal consumption expenditures price index, remains above the Federal Reserve's 2 percent average inflation target (Figure 44). Rising interest rates tend to impact the economy with a lag, such that impacts of interest rate hikes in the past year may further slow inflation moving forward, even in the absence of more rate hikes. However, the Federal Reserve targets inflation *averaging* 2 percent over time, meaning that the Fed may aim to have inflation fall below 2 percent after having inflation persistently above the target, which could result in more aggressive monetary policy if above-target inflation persists.⁴

⁴ Federal Open Market Committee. Statement on Longer-Run Goals and Monetary Policy Strategy. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf

Figure 44
Personal Consumption Expenditures Inflation and the Federal Funds Rate
 Percent / Year-Over-Year Percent Change



Source: Federal Reserve and U.S. Bureau of Economic Analysis.

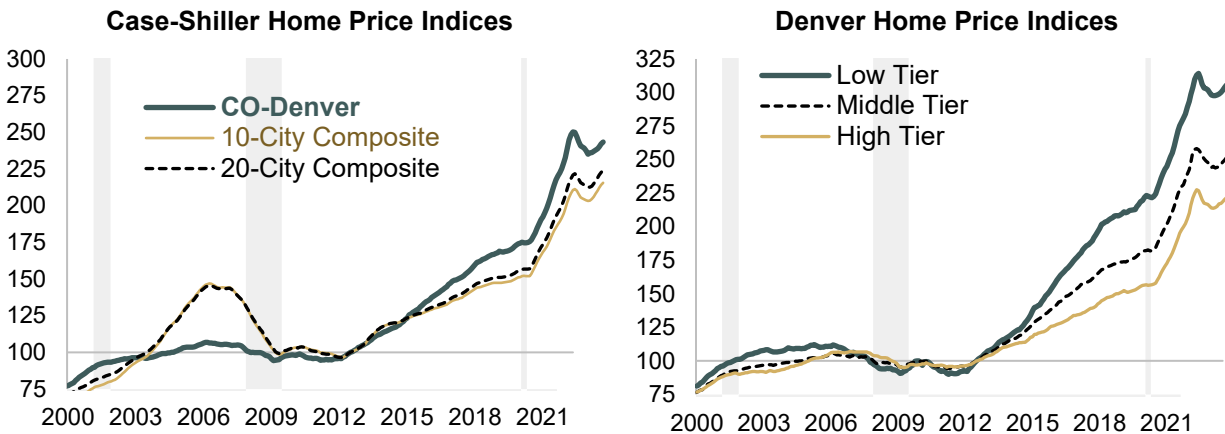
There is still uncertainty regarding the effect of these changes on prices, and whether the Federal Reserve can engineer a soft landing amid shifting geopolitical tensions, banking liquidity concerns, and high housing costs. Tightening monetary policy raises new demand-side risks as access to credit for would-be borrowers, including homebuyers, becomes scarce. Inflation is expected to remain above the Federal Reserve's target through 2024.

Real Estate and Construction Activity

U.S. and Colorado home prices slowed in 2023. Home prices fell from their mid-2022 peak, and have since stabilized and resumed a pattern of more moderate growth. In September, nationwide prices in the Case-Shiller 20-city composite index were up 5.5 percent compared to January, but up by only 1.1 percent year-over-year (Figure 45, left). Home prices in Denver posted larger declines in the latter half of 2022 after surging faster than the nation during the post-pandemic recovery, and have posted a slower increase so far in 2023. In Denver, the Case-Shiller index showed prices were up 3.5 percent from January to September, but they were up by only 0.7 percent year-over-year (Figure 45, right).

Interest rates have been steadily increasing since early 2022, impacting prices and home sales throughout Colorado and the nation. In October, the average interest rate for a new 30-year mortgage was 7.6 percent, up from 6.9 percent from the same period last year. Although the forecast expects that the Federal Reserve is near the end of its hiking cycle, further rate increases, monetary tightening, and jumps in mortgage rates could further impact prices over the forecast period. Colorado home values are expected to remain stable in 2024 as an end to interest rate hikes will lead to sturdier demand.

Figure 45
Selected Home Price Indicators
 Index 100 = July 2012



Source: S&P Dow Jones Indices LLC. Data are seasonally adjusted and are through September 2023.

Homebuilders are responding with decreased activity. According to the U.S. Bureau of Economic Analysis, real (inflation-adjusted) residential investment activity rose nationally at a 6.2 percent annualized rate in the third quarter of 2023, the first increase since the second quarter of 2021. Though new housing starts in October 2023 were still down compared to a year prior, they rose monthly throughout 2023. Overall, housing starts are expected to fall by about 1 percent in 2024 before rebounding in 2025.

In Colorado, builders continue to face considerable headwinds in responding to low inventory, including construction supply chain disruptions and a shortage of skilled labor. However, the outlook for 2024 has improved with recent data, with a smaller drop in construction activity expected for the year.

- Residential construction permits in Colorado are expected to end 2023 down 11.9 percent and to fall by an additional 1.1 percent in 2024, before rebounding in 2025.

Nonresidential construction expands in the U.S., but slows in Colorado. The value of U.S. nonresidential construction spending, not adjusted for inflation, was up 18.4 percent so far in 2023 compared to the same period in 2022. Spending was boosted by manufacturing construction, which was up by 24.7 percent. The boom in manufacturing construction is principally driven by construction for computer, electronic, and electrical manufacturing, historically a relatively small share of manufacturing construction. The Infrastructure Investment and Jobs Act (IIJA), Inflation Reduction Act (IRA), and CHIPS Act boosted public and private manufacturing construction by providing direct funding and tax incentives.

Colorado's nonresidential construction growth was down 2.7 percent through October 2023 compared to same period one year prior. However, spending on manufacturing structures in 2022 was high largely due to groundbreaking for a \$400 million Pepsi manufacturing plant near Denver International Airport, the state's largest manufacturing project in at least the past ten years. According to Associated Builders and Contractors, many contractors continue to report that they are operating at capacity even as construction activity underwhelms, suggesting

that the nonresidential construction market continues to be hindered by supply-side constraints, such as supply chain disruptions and worker shortages. Higher interest rates and deteriorating confidence in the economy are impacting profit margins, suppressing appetites for additional investment. There is a growing risk of project postponements as costs continue to increase.

- The value of nonresidential construction starts in Colorado is expected to decline 2.3 percent in 2023 followed by 2.2 percent growth in 2024.

Energy Markets

Oil and gas prices forecast to remain below summer 2022 peak through 2025. Oil and gas prices have decreased significantly since peaking in mid-2022. Although up from \$70.25 in June 2023, the average monthly oil price in October 2023 (\$85.64) remained 25.4 percent lower than its peak in June 2022 (Figure 46, left). Natural gas prices have also risen over the past six months, but were 66.1 percent lower than their August 2022 peak in October (Figure 46, right). In 2023, the price per barrel of West Texas Intermediate crude is expected to average \$79.65 per barrel, a 16 percent decline from the 2022 average, and the Henry Hub spot price is expected to decline by 58 percent to \$2.67 per million British thermal units (BTU). The price outlook for oil in 2023 was revised up slightly as prices over the fall were higher than anticipated, perhaps suggesting a larger-than-anticipated impact of voluntary OPEC production cuts over the latter half of the year.

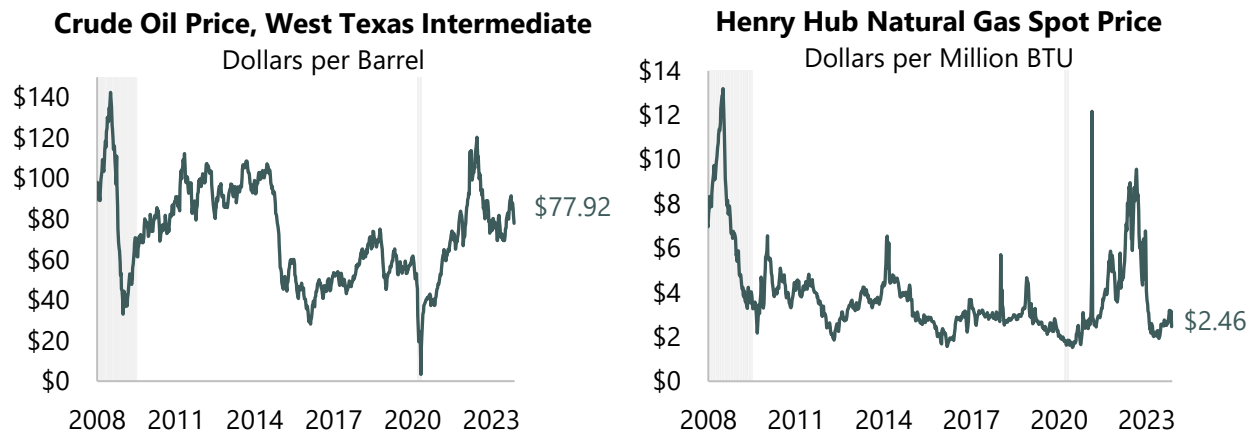
The oil price outlook for 2024 and 2025 was also revised higher based on the latest report from the Energy Information Administration (EIA), which attributes upward revisions to modest declines in inventories, increased risk of supply disruptions, and the expectation that OPEC producers will voluntarily keep production lower than stated production targets. The forecast now anticipates oil prices will grow by about 12 percent in 2024 and average about \$89, before a contraction in 2025 to around \$82. The higher price outlook is expected to support more U.S. oil production in addition to gains from improved well productivity.

Natural gas production continues to increase in the U.S. while declining in Colorado. A large contributor to national growth has been gas produced from oil wells, which has increased with rising oil production. The influx of supply has dampened prices and continues to weigh on the outlook. Additionally, warmer temperatures over the winter of 2024 compared with last year are expected to reduce demand for residential heating. Both effects are expected to contribute to larger-than-average inventories through 2024 and ease price pressure. Prices are expected to grow modestly in 2024 to \$3.26, a slight upward revision from the last forecast. Prices are expected to rise by about 7 percent in 2025 and average about \$3.50.

Retail gasoline prices trend lower with lower oil prices, but refinery outages moderated decreases in 2023. In November, the average price of a gallon of regular gasoline in the U.S. was down 11.6 percent year-to-date compared to the same period in 2022, and remained well below the peak in June 2022. In 2023, gasoline prices have fallen by a smaller percentage than oil prices due to summer and fall refinery outages. By year end, prices are expected to average \$3.55 for the year. In 2024, the Energy Information Administration anticipates higher crude oil prices will contribute to a higher price of gasoline, but will be offset somewhat by smaller wholesale margins. The average price is expected rise just 1.7 percent to \$3.61, an upward revision from the last forecast.

Retail regular gasoline prices have averaged about 2 percent higher in Colorado than the U.S. in 2023 due in part to outages at the Suncor Refinery in the first half of the year. Historically, prices in Colorado have been lower than the nation on average.

Figure 46
U.S. Energy Prices

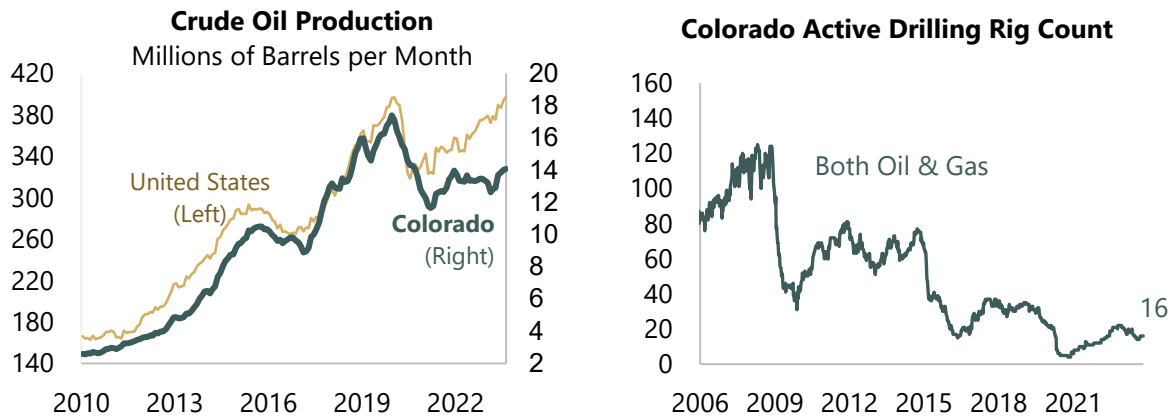


Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted and are through the week of November 17, 2023.

Recovery of oil and gas production in Colorado lags behind the nation. During the post-pandemic recovery, U.S. crude oil production rebounded, while Colorado's production experienced a larger pull-back and a slower recovery, stalling in the latter half of 2022 (Figure 47, left). Although production in the state has improved somewhat in 2023, production was down 0.2 percent year-to-date in August 2023 compared to the same period in 2022. In contrast, U.S. production was up 8.4 percent over the same period. As of October 2023, Colorado had 16 active drilling rigs, down from 22 in December 2022, and from a monthly average of 30 active rigs in 2019 (Figure 47, right).

Colorado's production is expected to remain muted through the forecast period. Like oil, U.S. natural gas production has rebounded, while Colorado's production continues to trend downward. In 2023, U.S. production was up 4.4 percent year-to-date compared to the year prior, but was down 1.9 percent in Colorado. The EIA anticipates U.S. crude oil and gas production will continue to increase through 2024, but at a slower rate than in 2023. With an improved price outlook, Colorado's oil and gas production is also expected to increase slightly in 2024.

Figure 47
Select Energy Production 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 2023.

Source: Baker Hughes. Data are not seasonally adjusted. Data are through October 2023.

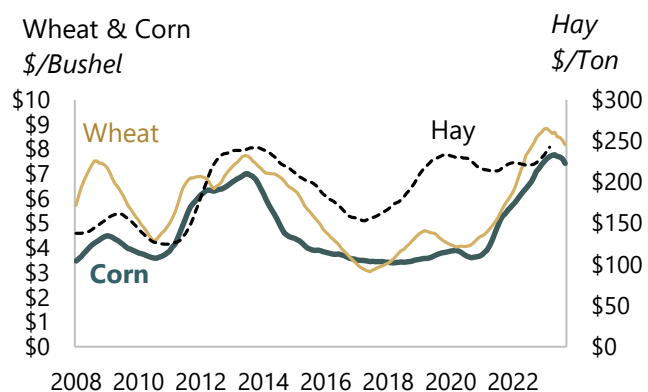
Agriculture

The outlook for the U.S. agricultural economy generally remains positive, with persistent headwinds dampening farm income in 2023 following multiple years of strong growth. Higher interest costs and falling commodity prices have contributed to softening farm finances, but impacts are tempered for producers more dependent on cattle production. Measures of financial stress have worsened in the Federal Reserve's Tenth District, which includes Colorado, but balance sheets and farm loan performance continue to be bolstered by multiple years of strong incomes.⁵

Agricultural prices remain elevated, but continue falling.

A nationwide index of agricultural prices declined by 5 percent in the second quarter of 2023, but remains well above recent historical averages. Price declines in major commodities, including broilers, corn, and soybeans, more than offset price increases in cattle and hogs in the third quarter. A rebound in Colorado crop production last year placed downward pressure on corn and wheat prices, while declining beef cow herds continue to push cattle prices up. Nationwide, farmgate prices for cattle and

Figure 48
Prices Received for Colorado Crops



National Agricultural Statistics Service. Data shown as twelve-month moving averages. Data through September 2023.

⁵The 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.

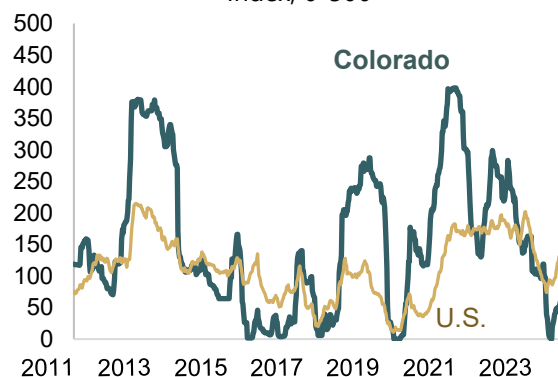
wholesale beef were up 29 and 27 percent, respectively, in October 2023 compared to a year prior.

Farm income declines in 2023, with thinner profit margins for major commodities. After multiple years of strong growth, U.S. farm income moderated in 2023, as commodity prices softened and production costs remained elevated. While strong cattle prices boosted margins for many ranches and feedlots, crop producers face weakening profit opportunities. Farm loan repayment rates declined in the Tenth District in the third quarter, as interest rates on agricultural loans reached a 15-year high. Softening farm finances along with weather volatility remain key risks for producers, but several years of strong farm finances continue to support credit conditions and agricultural real estate values in the region.

Food price inflation continues to exceed historical average rates. Food price inflation continues to ease, down to 3.3 percent in October 2023 compared to 9.9 percent in 2022, but remains above the 20-year historical average of 2.8 percent. Prices for eggs, fresh vegetables, fish and seafood, and dairy products were lower in October 2023 compared with the year prior. Beef and veal prices have risen each month in 2023, and were 8.9 percent higher in October 2023 than a year ago. While egg prices are 22 percent below their October 2022 level, highly pathogenic avian influenza (HPAI) was again detected in commercial egg layers in November 2023 for the first time since December 2022, raising concerns for renewed egg price inflation due to the outbreak. Overall food price inflation is expected to average 5.8 percent in 2023, with food-at-home prices increasing 5.2 percent and food-away-from-home prices increasing 7.1 percent. Food price inflation is expected to decelerate but not decline in 2024, falling to a near-historical average rate of 2.9 percent

Drought conditions deteriorate since late summer. For the first time since 2019, Colorado was drought free in July 2023 according to the U.S. Drought Monitor. The Drought Severity and Coverage Index has increased since July, as some areas of drought have returned (Figure 49). As of mid-November, 48 percent of land in Colorado was not experiencing any drought or abnormally dry conditions. Drought has worsened in the southwest mountain and San Luis Valley regions, while abnormally dry areas have returned to the eastern plains. The area of moderate to exceptional drought has expanded from 15 percent in mid-August to 27 percent in mid-November, but conditions remain improved compared to recent years.

Figure 49
Drought Severity and Coverage Index
Index, 0-500



Source: United States Drought Monitor. Data through November 14, 2023.

Global Economy and International Trade

Persistent inflation, monetary policy tightening by central banks, the Russia-Ukraine war, China's slow economic recovery, and Middle Eastern conflicts weighed on global growth in 2023. Risks of an economic downturn have eased somewhat, yet remain elevated worldwide.

The International Monetary Fund downgrades 2024 outlook and notes ongoing risks. The International Monetary Fund (IMF) projects growth in global economic output will slow from an estimated 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024, well below the historical average growth rate of 3.8 percent. The resolution of U.S. and Swiss banking failures in early 2023 reduced immediate risks of turmoil in the financial sector. Despite this, the IMF identifies multiple ongoing downside risks to the global trade and financial sectors, including instability in China's real estate sector, Russia's ongoing invasion of Ukraine, and monetary policy tightening by central banks.

While China battles economic instability and deflation, much of the rest of the world is experiencing varying rates of inflation across borders and industries. Core inflation remains sticky while central banks continue to implement restrictive monetary policy through October 2023. The IMF anticipates global inflation will fall, but more slowly than was anticipated in previous outlook reports, and with the level of inflation remaining well above central bank targets. The IMF expects global headline inflation to fall from 8.7 percent in 2022 to 6.9 percent in 2023 and 5.8 percent in 2024, well above pre-pandemic levels of about 3.5 percent.

The global economy continues to teeter between recession and a soft landing. GDP growth continues to slow in Europe while still exceeding expectations in the United States. Because of the resiliency of consumer activity and labor markets for most countries amidst tightening credit markets, expectations for the global economy are more optimistic than they were previously. Still, a sharp tightening of global financial conditions triggered by nervous investors could slow GDP growth, and the risk of such a deterioration remains elevated amidst substantial uncertainty. In addition, downside risks from China's recovering economy, the Russia-Ukraine war, and the Israel-Palestine war remain, outweighing the upside risks.

Despite resilience, eventual slower economic growth is expected to weigh on trade.

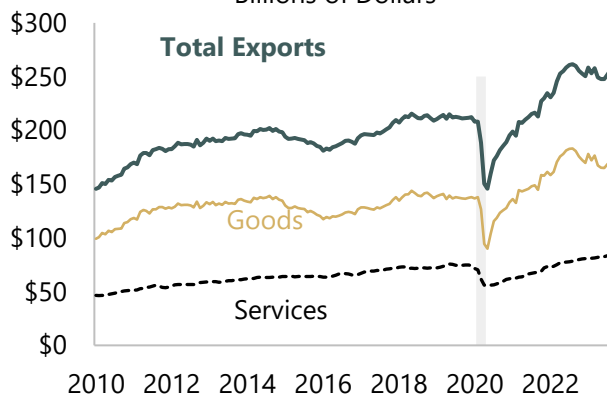
Despite economic resilience in 2023, restrictive monetary policy is expected to weigh on growth in global output moving forward, translating to fewer imports in the United States. Much of the slowdown is expected to be concentrated in advanced economies, with IMF projections of real GDP growth at 1.5 percent in 2023 and 1.4 percent in 2024, compared to 3.0 percent and 2.9 percent globally.

U.S. trade volume declined in 2023. The dollar value of U.S. trade was down 4.7 percent in the first three quarters of 2023 compared to the first three quarters of 2022, after growing by 16 percent in 2022, according to data from WiserTrade. The U.S.'s top three export markets are Canada, Mexico, and China. Exports to China are down 2.8 percent year-to-date compared to the same period in 2022, a significant change from the positive growth rates posted in 2021 and 2022. Similarly, imports from China are down over 24 percent so far in 2023 compared to the same period in 2022, potentially signaling shifting trade patterns as U.S. policy spurs companies to shift production hubs to other countries. In contrast, exports to Canada and Mexico were down by less than 1 percent, while imports were down by 6.0 percent and up by 4.3 percent,

respectively. Total U.S. exports were down 2.5 percent in the first three quarters of 2023 compared to the same period in 2022, after growing by 17.5 percent in 2022. Comparatively, total U.S. imports are down by 6.0 percent over the same period, after growing by 14.6 percent in 2022

Exports began pulling back in the second half of 2022 and have continued to decline due to easing energy prices, a strong dollar, and slowing global economic growth (Figure 50). Oil and gas products, industrial and electric machinery, vehicles, and aircraft comprise the top categories of U.S. exports. However, U.S. exports of oil and gas products were down 14 percent in the first half of 2023 compared to the first half of 2022. Export volumes are expected to continue to decline as tightening monetary policy slows global economic growth.

Figure 50
U.S. Monthly Exports
Billions of Dollars



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

Colorado imports contract as crude oil prices decline. The dollar value of Colorado's exports and imports declined by 8.1 percent in the first three quarters of 2023 compared to the first three quarters of 2022, after growing by 20.2 percent in 2022. Colorado's largest trade partner is Canada, followed by Mexico and China. However, Colorado's trade volume with Canada is more than twice as large as the trade volume with either Mexico or China. Exports to Canada were up by 9.1 percent and imports from Canada were down by 17.7 percent in the first three quarters of 2023 compared to the first three quarters of 2022, largely due to falling oil prices reducing the dollar value of crude oil imports. Exports to Mexico were up by 9.1 percent year-to-date compared to the same period in 2022, while exports to China were down by 8.5 percent. Imports are down overall, with negative double-digit growth rates in all three countries. Colorado's biggest imports, electric machinery and oil, have declined by 29 percent and 24 percent, respectively. Key export commodities include beef (down 10 percent), surgical instruments (up 9 percent), electric machinery (up 16 percent), industrial machinery (up 13 percent), and aircraft (down 8 percent).

Risks to the Forecast

Risks to the forecast are balanced in terms of probability, but the economic magnitude of the downside risks continues to exceed that of the upside risks.

Downside risks include weak household finances and a tumultuous global environment.

Household balance sheets are deteriorating, raising headwinds for consumer spending. This forecast anticipates slower consumer contributions to GDP, but a more severe pullback could cause year-on-year declines in inflation-adjusted spending, which would likely signal a recession. Business finances are relatively healthy, but high borrowing costs could discourage investment, which would weigh on economic growth. Finally, the U.S. economy is the strongest in the world

at present. Weak conditions in Europe, Asia, and elsewhere pose risks for trade volumes. Wars in Ukraine, Israel and Palestine, and Guyana jeopardize trade relationships and commodity markets and risk more severe geopolitical consequences.

Upside risks could accelerate domestic growth. The U.S. economy has continued to exceed expectations. While this forecast anticipates that high interest rates will remain in place through 2024, normalizing inflation could motivate mid-year cuts and spark renewed acceleration. Inflation falling more quickly than expected could also boost real wage growth and benefit household balance sheets. Business activity remains strong in most industries, and private investment could exceed expectations and bring about additional growth. Resolution to international conflicts could untangle supply chains and ease prices globally, producing a healthier economy worldwide. While upside risks would result in a less significant deviation from forecast expectations, they are about as likely to occur as the identified downside risks.

Table 25
National Economic Indicators

Calendar Years	2018	2019	2020	2021	2022	Legislative Council Staff Forecast		
						2023	2024	2025
Real GDP (<i>Billions</i>) ¹	\$20,193.9	\$20,692.1	\$20,234.1	\$21,407.7	\$21,822.0	\$22,367.6	\$22,859.7	\$23,408.3
Percent Change	3.0%	2.5%	-2.2%	5.8%	1.9%	2.5%	2.2%	2.4%
Nonfarm Employment (<i>Millions</i>) ²	148.9	150.9	142.2	146.3	152.6	156.0	158.2	160.1
Percent Change	1.6%	1.3%	-5.8%	2.9%	4.3%	2.2%	1.4%	1.2%
Unemployment Rate ²	3.9%	3.7%	8.1%	5.4%	3.6%	3.7%	4.0%	3.9%
Personal Income (<i>Billions</i>) ¹	\$17,514.4	\$18,343.6	\$19,610.0	\$21,392.8	\$21,820.2	\$22,954.9	\$24,194.5	\$25,452.6
Percent Change	5.1%	4.7%	6.9%	9.1%	2.0%	5.2%	5.4%	5.2%
Wage and Salary Income (<i>Billions</i>) ¹	\$8,888.2	\$9,313.4	\$9,448.3	\$10,300.1	\$11,105.7	\$11,805.3	\$12,490.0	\$13,164.5
Percent Change	4.9%	4.8%	1.4%	9.0%	7.8%	6.3%	5.8%	5.4%
Inflation ²	2.4%	1.8%	1.3%	4.7%	8.0%	4.2%	3.0%	2.8%

¹U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation and shown in 2012 dollars. Personal income and wages and salaries not adjusted for inflation.

²U.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 26
Colorado Economic Indicators

Calendar Years	2018	2019	2020	2021	2022	Legislative Council Staff Forecast		
						2023	2024	2025
Population (<i>Thousands, as of July 1</i>) ¹	5,697.2	5,758.5	5,773.7	5,811.3	5,839.9	5,891.8	5,953.4	6,015.7
Percent Change	1.4%	1.1%	0.3%	0.7%	0.5%	0.9%	1.0%	1.0%
Nonfarm Employment (<i>Thousands</i>) ²	2,727.3	2,790.1	2,652.7	2,750.9	2,864.9	2,930.8	2,974.8	3,016.4
Percent Change	2.5%	2.3%	-4.9%	3.7%	4.1%	2.3%	1.5%	1.4%
Unemployment Rate ²	3.0%	2.7%	6.8%	5.4%	3.0%	3.0%	3.3%	3.2%
Personal Income (<i>Millions</i>) ³	\$328,113	\$351,373	\$375,158	417,968	442,213	\$464,766	\$491,258	\$515,820
Percent Change	8.2%	7.1%	6.8%	11.4%	5.8%	5.1%	5.7%	5.0%
Wage and Salary Income (<i>Millions</i>) ³	\$170,790	\$182,962	\$187,834	205,570	224,332	\$237,343	\$250,872	\$263,917
Percent Change	6.1%	7.1%	2.7%	9.4%	9.1%	5.8%	5.7%	5.2%
Housing Permits (<i>Thousands</i>) ¹	42.6	38.6	40.5	56.5	48.8	43.0	42.6	46.2
Percent Change	4.8%	-9.4%	4.8%	39.7%	-13.6%	-11.9%	-1.1%	8.6%
Nonresidential Construction (<i>Thousands</i>) ⁴	\$8,151.0	\$5,161.5	\$5,600.0	\$5,682.0	\$6,710.0	\$6,555.7	\$6,699.9	\$6,820.5
Percent Change	32.5%	-36.7%	8.5%	1.5%	18.1%	-2.3%	2.2%	1.8%
Denver-Aurora-Lakewood Inflation ⁵	2.7%	1.9%	2.0%	3.5%	8.0%	5.2%	3.5%	2.6%

¹U.S. Census Bureau. 2020 population numbers reflect the 2020 Census, while other numbers reflect the July 1 estimates. Residential housing permits are the number of new single- and multifamily housing units permitted for building.

²U.S. Bureau of Labor Statistics.

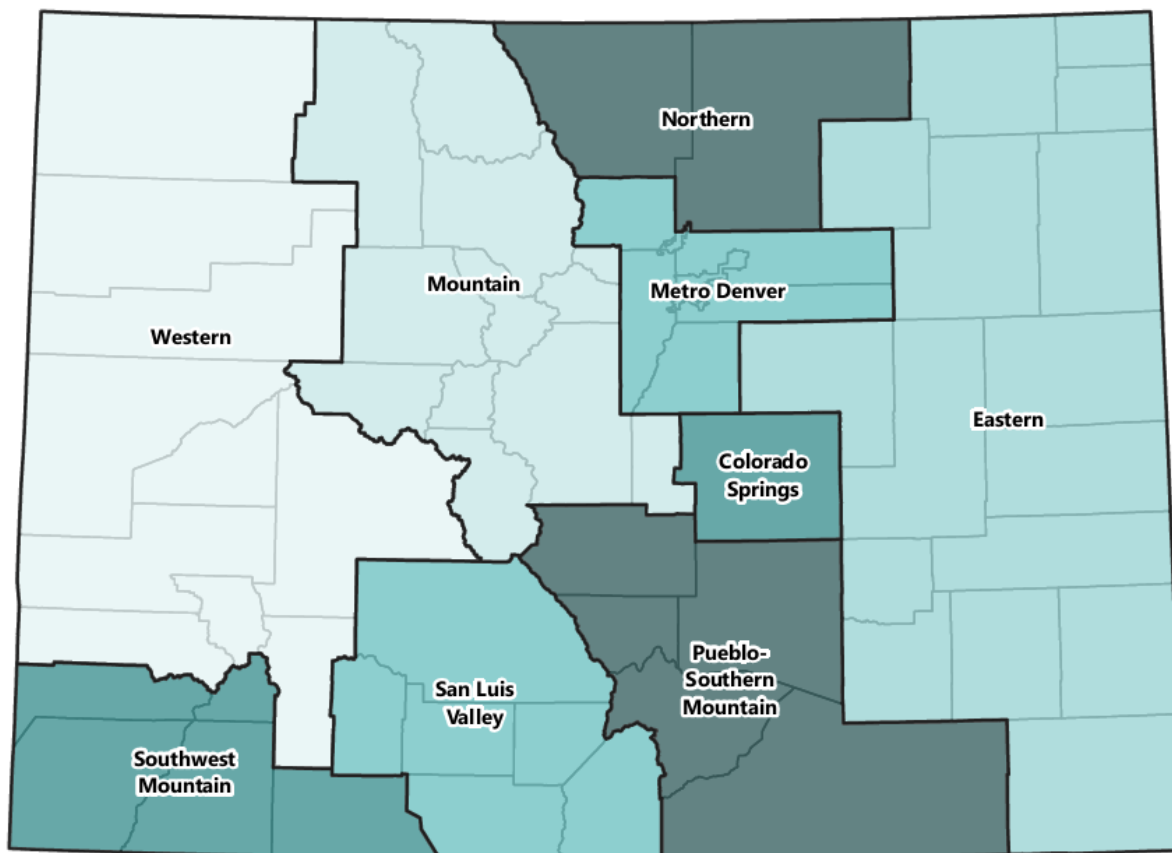
³U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.

⁴F.W. Dodge.

⁵U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index.

Note: Legislative Council Staff has discontinued the Colorado retail trade forecast due to data limitations.

Colorado Economic Regions



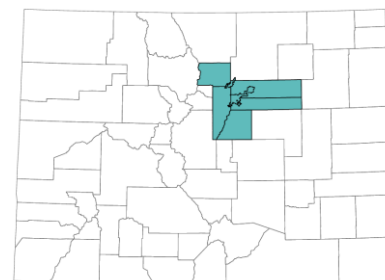
A Note on Data Revisions

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 are revised 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.

Metro Denver Region

The seven-county metro Denver region is home to more than 60 percent of the state's workers. The region's economy is very diverse with major industry sectors including aerospace, health care, professional and business services, and financial services. The region showed strength in most areas despite a rocky economy in 2022.



Job growth continued to advance and the average unemployment rate for the region fell by more than 2 percentage points. Nonresidential construction was mixed with some building types, such as warehouse construction, performing well, while new office building construction continued to struggle. Home price appreciation reversed at midyear and more houses became available on the market. Yet the region continues to struggle with housing affordability, causing potential homeowners to look for homes outside these counties, and in turn slowing the region's residential construction activity. Economic indicators for the region are summarized in Table 27.

Table 27
Metro Denver Region Economic Indicators
Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

	2019	2020	2021	2022	YTD 2023
Employment Growth ¹					
Denver-Aurora-Lakewood MSA	2.4%	-4.9%	3.9%	4.7%	0.6%
Boulder MSA	2.5%	-5.3%	3.5%	4.2%	1.6%
Unemployment Rate ²	2.5%	7.0%	5.4%	2.9%	3.0%
Wages ³					
Average Weekly Wage Growth	5.2%	7.8%	6.5%	5.2%	6.3%
Level	\$1,328	\$1,431	\$1,524	\$1,604	\$1,767
Housing Permit Growth ⁴					
Denver-Aurora-Lakewood Single Family	-6.1%	1.5%	16.3%	-22.3%	-26.6%
Boulder Single Family	-9.5%	-6.2%	-34.4%	42.7%	74.0%
Nonresidential Construction Growth ⁵					
Value of Projects	-37.2%	-9.5%	2.7%	37.3%	-14.1%
Square Footage of Projects	-8.3%	-6.7%	31.9%	29.9%	-48.1%
Level (Thousands)	15,763	14,701	19,410	29,932	4,188
Number of Projects	-11.5%	1.0%	14.7%	14.7%	10.8%
Level	682	689	790	906	851
Housing Market ⁶					
Average Sale Price – Single Family	2.7%	8.0%	19.9%	10.3%	-0.5%
Level (Thousands)	\$549	\$597	\$712	\$790	\$790
Inventory – Single Family	11.2%	-38.2%	-46.4%	102.3%	16.3%
Home Sales – Single Family	5.3%	7.8%	1.9%	-21.1%	-17.2%
Retail Sales Growth ⁷	8.9%	0.1%	17.4%	11.4%	1.4%

MSA = Metropolitan statistical area. NA = Not available.

¹U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2023.

²U.S. Bureau of Labor Statistics, LAUS (household survey). Data through September 2023.

³U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q1.

⁴U.S. Census. Growth in the number of residential building permits. Data through September 2023.

⁵F.W. Dodge. Data through October 2023.

⁶Colorado Association of Realtors. Data through October 2023.

⁷Colorado Department of Revenue. Data through August 2023.

Labor market. Employment growth in the metro Denver region was relatively modest in 2023, especially compared with robust growth in 2022. (Figure 51, left). The Denver-Aurora-Lakewood metropolitan statistical area (MSA) posted a loss of 8,600 jobs month-over-month through October 2023, but the total number of jobs was still 0.7 percent higher than in the same period one year prior. Employers in the Boulder MSA added jobs at a rate of 1.6 percent from September 2022 to September 2023, also down from the brisk 2022 rate. Job growth continues to occur across most major industries, especially in the professional and business services and leisure and hospitality sectors, though the comparatively small information sector continues to shed jobs.

The region's slowdown in employment growth is mainly from a shortage of workers. The number of workers in the labor force (those employed and those seeking employment) exceeded pre-pandemic levels in 2021 and continues to rise, a healthy sign of area labor market improvements (Figure 51, right). The metro Denver region's diverse economy supports multiple industries, which supported a faster recovery than most other regions in the state and nation.

Through the first nine months of the year, the employment rate averaged 3.0 percent (Figure 51, right). Though the unemployment rate increased steadily since July, it still remains near historical lows. The strong labor market continues to boost the number of people looking for work.

Finally, the region's wage growth continued to increase in 2023. In the first quarter of 2023, the average weekly wage was \$1,767, up 6.3 percent from the first quarter of last year. Though inflation has cooled, employers still need to pay more because of the tight labor market.

Figure 51
Metro Denver Region Labor Market Activity

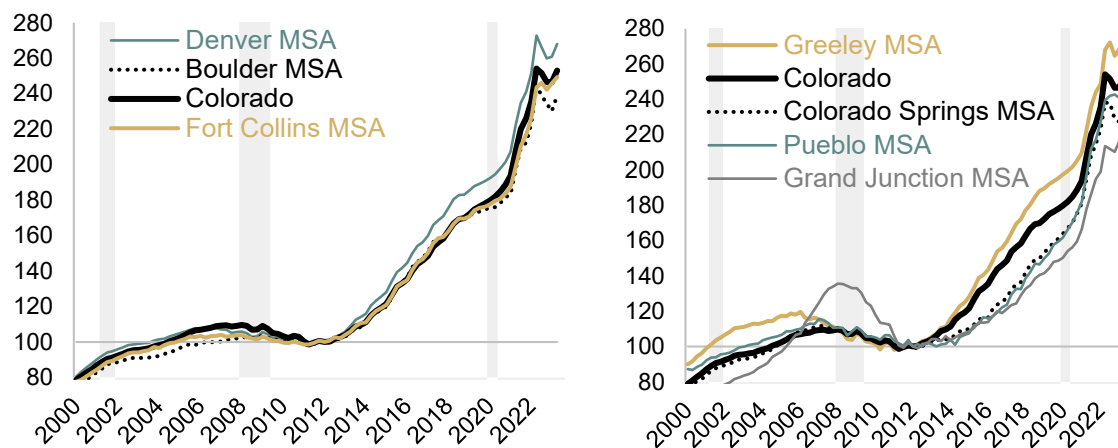


Source: U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2023. U.S. Bureau of Labor Statistics, LAUS (household survey). Data through September 2023.

Housing market. After rapid home price appreciation through 2021 and into early 2022, the metro Denver housing market turned around sharply. According to data from the Federal Housing Finance Agency (FHFA), in the second quarter of 2023, home prices were down 1.7 percent over year-ago levels in the Denver-Aurora-Lakewood metropolitan statistical area,

and up 2.2 percent in Boulder (Figure 52). Higher mortgage rates and inflation has made purchasing a home more expensive for many buyers and has cooled the market. Though the number of single-family homes available were up in October 2023 compared to last year, home sales were down 17.2 percent. The average single-family sale price settled at about \$790,000 in October 2023, relatively flat from the same month last year.

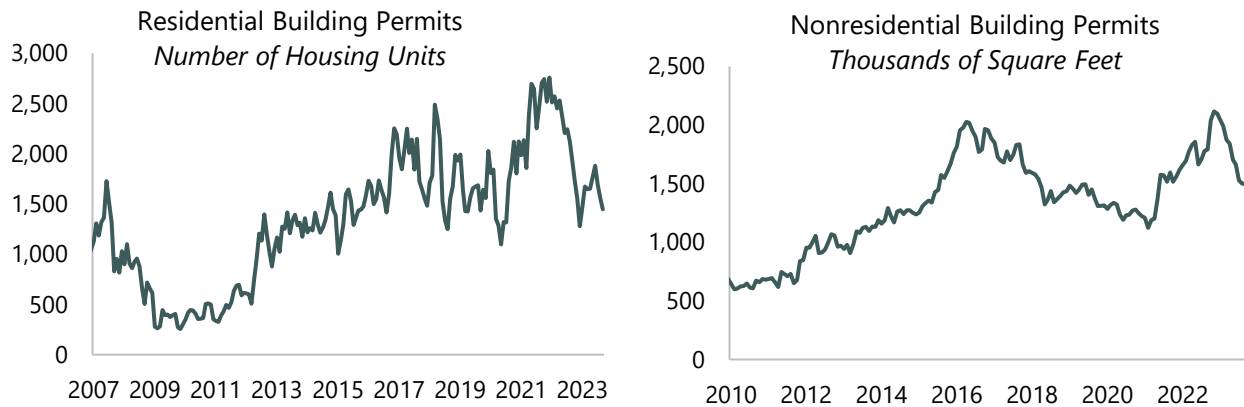
Figure 52
FHFA All-Transaction Home Price Indices
Index 100 = 2012Q1 (Gray Bars Indicate Recessions)



Source: Federal Housing Finance Agency (FHFA). Data are seasonally adjusted and through 2023Q2.

Residential construction. After robust growth in 2021, residential construction activity in the Denver-Aurora-Lakewood metropolitan statistical area has cooled. The number of single-family permits pulled by homebuilders was down 26.6 percent through the first nine months of 2023. (Figure 53, left). In Boulder County, the number of single permits was significantly up through the first nine months of 2023, but this mainly reflects housing permits to rebuild homes destroyed in the Marshall Fire. The lack of affordability continues to hamper new residential construction in the metro Denver region. Homebuyers are being pushed out to the suburban and exurban areas of the region that offer relatively more affordable options. Douglas, Arapahoe, and Adams counties are seeing the highest levels of construction activity. In addition, remote work options are motivating many homebuyers to seek larger homes outside of crowded urban areas.

Figure 53
Metro Denver Region Construction Activity



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through September 2023.

Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through September 2023.

Nonresidential construction. Though the first ten months of 2023, nonresidential construction had slowed (Figure 53, right). Through October 2023, the value of nonresidential projects started in the metro Denver region is down 14.1 percent. High vacancy rates, particularly in the downtown Denver area, are expected to put downward pressure on demand for new office space, slowing nonresidential construction activity in the years ahead. Future nonresidential building is expected to shift from office space and brick-and-mortar retail establishments to favor development that supports e-commerce, such as warehousing space. In addition, rising costs and shortages of both labor and construction materials, combined with rising interest rates, will continue to impede construction activity.

Retail sales. Higher prices and interest rates have caused consumer spending, as measured by retail sales, to slow in the metro Denver region. Through August, retail sales were up 1.4 percent compared to the same period in 2022. The recovery continues to be aided by consumers returning to physical stores and spending at restaurants. Auto sales have also improved as supply shortages for vehicles have eased. While retail sales in the region have steadied, many companies continue to struggle with labor shortages.

Northern Region

Larimer and Weld counties comprise the diverse economies of the Northern Region. The region's labor market continues to thrive with strong wages, steady consumer activity, and an unemployment rate lower than the state average. However, employment growth has slowed and high interest rates have softened the residential real estate market, dampening sales, slowing home price growth, and hampering construction significantly over the past year. Economic indicators for the region are summarized in Table 28.

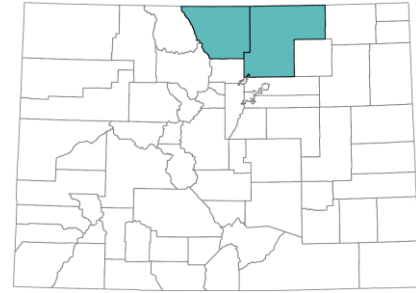


Table 28
Northern Region Economic Indicators
Weld and Larimer Counties

	2019	2020	2021	2022	YTD 2023
Employment Growth ¹					
Fort Collins MSA	2.3%	-4.7%	3.7%	3.7%	1.7%
Greeley MSA	3.7%	-7.2%	-0.3%	4.5%	1.3%
Unemployment Rate ²	2.4%	6.3%	5.2%	2.9%	2.9%
Wages ³					
Average Weekly Wage Growth	4.3%	6.4%	3.8%	6.2%	8.0%
Level	\$1,040	\$1,106	\$1,149	\$1,219	\$1,315
State Cattle and Calf Inventory Growth ⁴	8.0%	1.9%	4.0%	-1.0%	-8.5%
Natural Gas Production Growth ⁵	22.0%	8.3%	-2.8%	-2.3%	-1.3%
Oil Production Growth ⁵	10.7%	-11.9%	-10.3%	-0.1%	-4.5%
Housing Permit Growth ⁶					
Fort Collins MSA	-18.2%	-0.3%	13.3%	-19.5%	-4.8%
Greeley MSA	-2.2%	9.1%	15.5%	17.8%	-20.8%
Nonresidential Construction Growth ⁷					
Value of Projects	-71.6%	85.4%	-26.9%	61.3%	7.5%
Square Footage of Projects	-16.2%	8.1%	-1.5%	162.1%	-57.9%
Level (Thousands)	2,424	2,619	2,581	6,764	2,666
Number of Projects	-17.1%	-9.7%	-5.0%	21.4%	-12.4%
Level	267	241	229	278	190
Housing Market ⁸					
Average Sale Price - Single Family	3.2%	6.9%	16.8%	12.2%	1.6%
Level (Thousands)	\$426	\$457	\$532	\$598	\$607
Inventory - Single Family	14.5%	-21.7%	-44.3%	53.4%	19.8%
Home Sales - Single Family	2.7%	9.8%	2.3%	-20.4%	-18.7%
Retail Sales Growth ⁹					
Larimer County	9.6%	7.6%	13.0%	12.3%	3.3%
Weld County	8.9%	-2.3%	13.6%	16.2%	4.9%

MSA = Metropolitan statistical area. NA = Not available.

¹U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2023.

²U.S. Bureau of Labor Statistics, LAUS (household survey). Data through September 2023.

³U.S. Bureau of Labor Statistics, QCEW. Data through the first quarter of 2023.

⁴National Agricultural Statistics Service. Cattle and calves on feed. Data through October 2023.

⁵Colorado Oil and Gas Conservation Commission. Data through August 2023.

⁶U.S. Census. Growth in the number of residential building permits. Data through September 2023.

⁷F.W. Dodge. Data through October 2023.

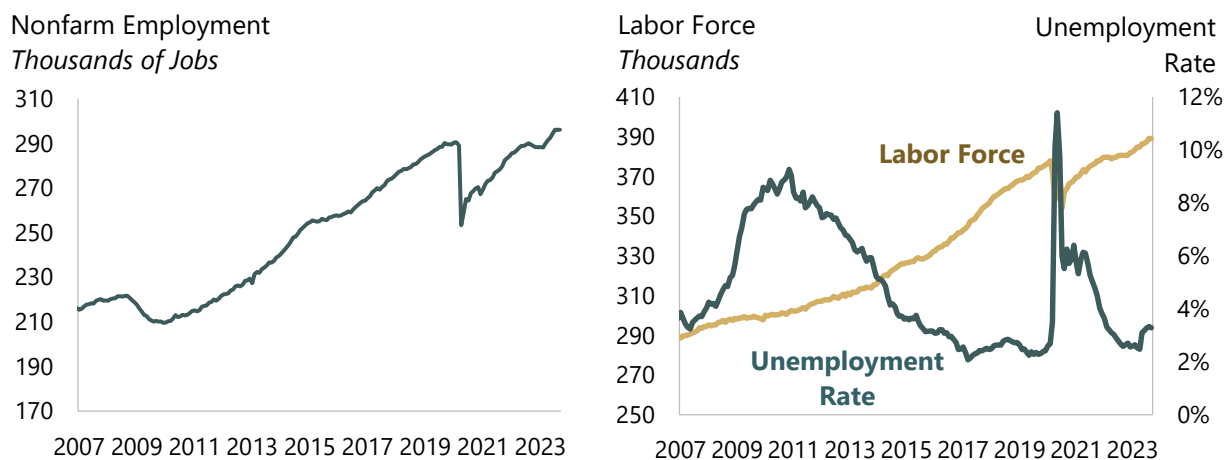
⁸Colorado Association of Realtors. Data through October 2023.

⁹Colorado Department of Revenue. Data through August 2023.

Labor market. The northern region is characterized by its agricultural base, oil and gas activity, and strong employment concentrations in construction, manufacturing, and higher education. While employment quickly recovered following a near 5.0 percent decline during the COVID-19 recession, employment growth has decelerated below historical average growth rates in 2023. Year-over-year employment was up 1.6 percent through September 2023 (Figure 54, left), slowing from a 2.7 percent growth rate for the year ending in September 2022. Relatively slow employment growth is expected to continue throughout the year with steady, but slower consumer spending and a boost from development around the Northern Colorado Regional Airport and the opening of an Amazon fulfillment center. However, potential ongoing declines in the region’s residential construction, oil and gas production, and cattle and calf inventory may weigh on employment growth through the rest of the forecast period. Positively, the region’s labor force continues to grow and the unemployment rate remains near pre-pandemic lows at 2.9 percent year-to-date. (Figure 54, right).

Since the COVID-19 recession, employment growth in the region has been supported by strong wage growth, lively retail sales, and robust consumer spending. Additionally, local government employment, including in public education, has rebounded after it lagged many other sectors during the economic recovery. However, multiple sectors are expected to weigh on employment gains over the forecast period. Following double-digit growth in retail sales activity in 2021 and 2022, sales growth has slowed significantly to 2.3 percent year-over-year through August 2023 and is expected to impact employment in the retail sector. Gains in the construction and financial activities industries are expected to be limited by high interest rates and subsequent declining investment through the remainder of 2023 and into 2024. In the state education employment sector, falling enrollment at Colorado State University and the University of Northern Colorado may cause challenges to employment gains. Both universities are major economic drivers for the region and both continue to be impacted by shifting demographic trends and the tight labor market, which have deterred or delayed enrollment for some potential student groups.

Figure 54
Northern Region Labor Market Activity



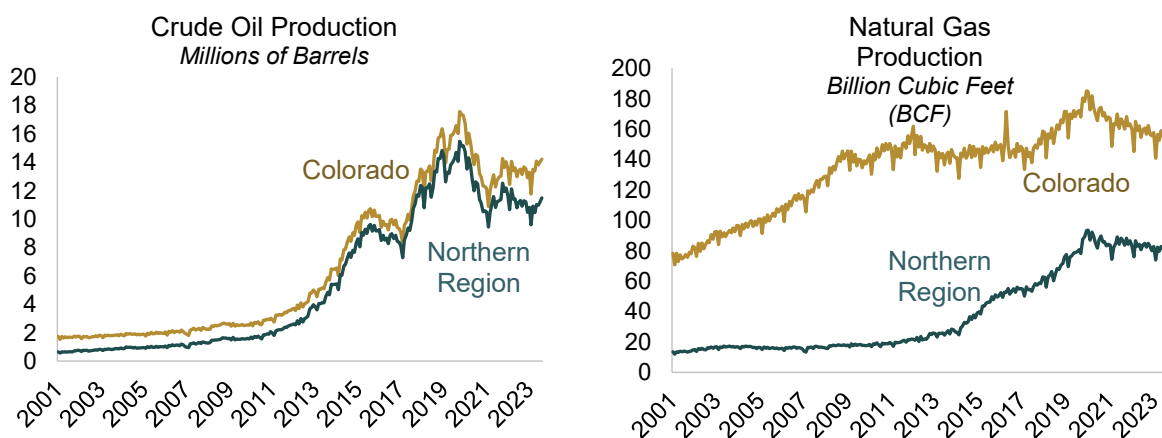
Source: U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2023.

Source: U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2023. Includes Legislative Council Staff adjustments prior to 2010.

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. Combined with high input prices and ongoing drought conditions in the West, the state’s cattle and calf inventory fell 8.5 percent through October 2023. Although drought conditions have improved across Colorado according to the U.S. drought monitor, the decline in herd size is expected to reduce beef production through 2023 and into 2024, even with ongoing price strength. After a strong year of exports in 2022, Colorado beef exports decreased through the first three quarters of 2023 and will likely decline further in the near term.

Energy sector. The northern region’s oil and gas activity, largely located in Weld County, accounted for about 84 percent of the state’s oil production and more than 52 percent of the state’s natural gas production in 2022 (Figure 55). This sector drives significant economic activity in the region, as it boosts local tax revenues, wages, and jobs in supporting industries. Year-to-date natural gas production has declined for the third consecutive year, by 1.3 percent, and oil production has declined for the fourth consecutive year, by 4.5 percent. The region’s declining oil production strays from national trends with the Energy Information Administration upgrading its crude oil production projections for nationwide growth of over 8 percent in 2023. Although production of oil in the region is expected to remain well below pre-pandemic levels, higher-than-expected oil prices and recent production gains are expected to encourage more oil production through the rest of 2023 and into 2024. Between June and October 2023, the Energy Information Administration upgraded its 2023 crude oil price projection from \$79 to \$84 per barrel, while barely upgrading natural gas price projections from \$2.62 to \$2.67 per thousand cubic feet (mcf). Continued weakness is expected for natural gas production through the remainder of 2023.

Figure 55
Colorado Energy Production



Source: Colorado Oil and Gas Conservation Commission. Monthly data through August 2023.

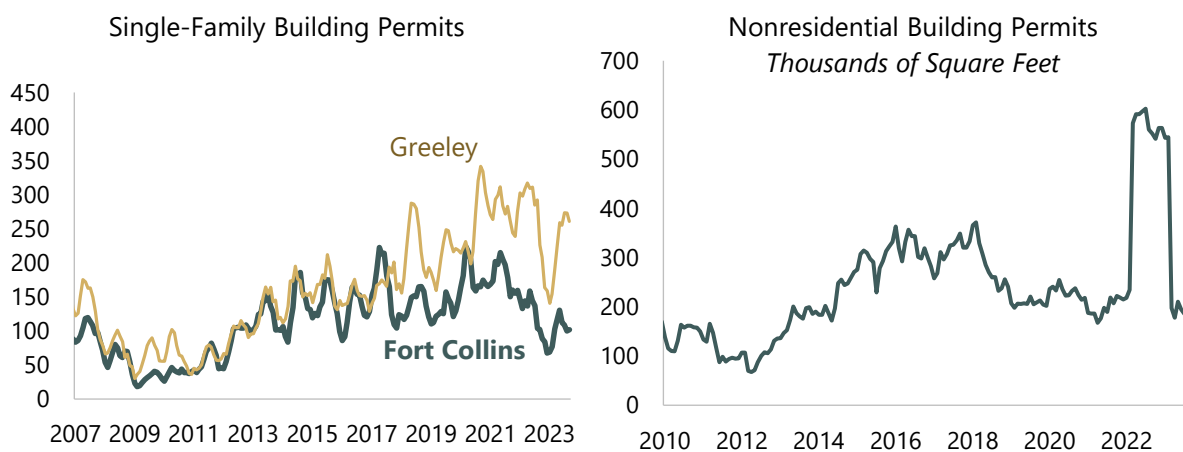
Housing. Rising interest rates continue to soften the regional housing market, although nominal home prices continued to increase through October 2023. The average price of a single-family home increased 1.6 percent year-to-date and is expected to post slow growth for the year. Comparing 2019 average home prices to those in 2023 year-to-date, home prices in the region have increased nearly 43 percent since before the pandemic began in 2020. Increasing home

prices paired with high interest rates contributed to the decline of home sales by nearly 20 percent in both 2022 and 2023 through October. Monthly home sales are expected to stay below pre-pandemic levels into 2024 as interest rates remain high. Subsequently, home inventory is expected to remain elevated through that period, despite declining construction activity.

Rising interest rates and the resulting affordability issues continue to dampen construction activity (Figure 56, left), especially for single-family homes. Permits for single-family homes started 2023 down significantly, and remained depressed throughout the year. Although declining single-family permits were partially offset by growth in multifamily units in Larimer County, permits overall were down 4.8 percent and 20.8 percent through September 2023 in Larimer and Weld counties, respectively.

Nonresidential construction. Regional nonresidential construction in 2022 was boosted significantly by 4.1 million square feet of groundbreakings in March 2022 (Figure 56, right). Most notably, an Amazon fulfillment center broke ground near the Northern Colorado Regional Airport north of Loveland. In terms of dollar value, total yearly nonresidential construction in Larimer County declined 57 percent for the year ending in October 2023 compared to the one ending in October 2022. In contrast, nonresidential construction activity in Weld County is up 196 percent for the year ending in October 2023 compared to the previous year, with the increase largely driven by large groundbreakings in May 2023. Restrictive monetary policy is expected to limit construction activity in both counties into 2024.

Figure 56
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 2023.

Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through October 2023.

Colorado Springs Region

The Colorado Springs region encompasses El Paso County and is home to the state's second largest city. The regional labor market remains tight, but is growing at a slower rate than last year. The housing market has loosened since its 2022 peak, but construction has ticked up in recent months. Nonresidential construction has fallen below pre-pandemic levels, and continues to fall. Indicators for the Colorado Springs regional economy are presented in Table 29.

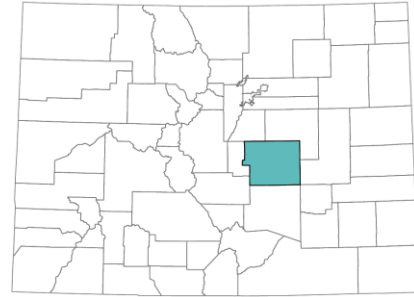


Table 29
Colorado Springs Region Economic Indicators
El Paso County

	2019	2020	2021	2022	YTD 2023
Employment Growth ¹					
Colorado Springs MSA	2.6%	-2.7%	4.1%	4.0%	1.8%
Unemployment Rate ²	3.2%	6.8%	5.7%	3.2%	3.2%
Wages ³					
Average Weekly Wages	4.3%	7.5%	4.8%	4.6%	9.4%
Level	\$1,012	\$1,088	\$1,140	\$1,192	\$1,259
Housing Permit Growth ⁴					
Total	-3.8%	25.7%	34.7%	-5.5%	-42.8%
Single Family	-4.1%	24.4%	0.7%	-28.4%	-33.3%
Nonresidential Construction Growth ⁵					
Value of Projects	0.5%	47.1%	2.7%	-27.4%	5.1%
Square Footage of Projects	5.3%	124.5%	-45.8%	-34.8%	-38.3%
Level (Thousands)	2,992	6,719	3,640	2,374	\$1,390
Number of Projects	-31.1%	16.3%	-26.4%	18.1%	-48.9%
Level	374	435	320	378	170
Housing Market ⁶					
Average Sale Price – Single Family	5.8%	13.2%	18.2%	10.2%	-0.5%
Level (Thousands)	\$366	\$417	\$492	\$542	\$543
Inventory – Single Family	-9.8%	-34.7%	-30.0%	117.7%	10.8%
Home Sales – Single Family	1.9%	6.2%	4.0%	-17.5%	-23.7%
Retail Sales Growth ⁷	6.5%	8.6%	18.3%	8.5%	0.3%

MSA = Metropolitan statistical area. NA = Not available.

¹ U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2023.

² U.S. Bureau of Labor Statistics, LAUS (household survey). Data through September 2023.

³ U.S. Bureau of Labor Statistics, QCEW. Data through the first quarter of 2023.

⁴ U.S. Census. Growth in the number of residential building permits. Data through September 2023.

⁵ F.W. Dodge. Data through October 2023.

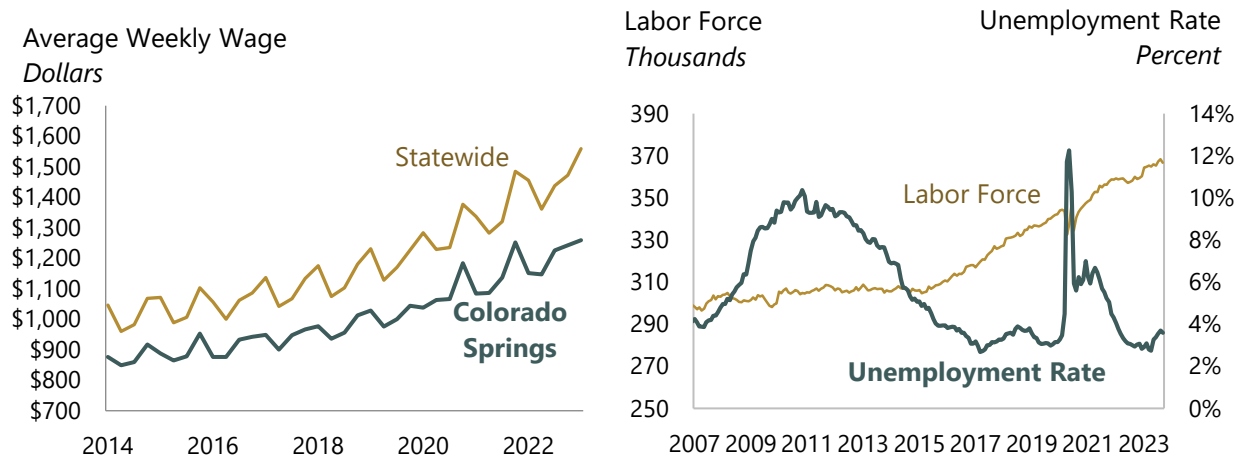
⁶ Colorado Association of Realtors. Data through October 2023.

⁷ Colorado Department of Revenue. Data through August 2023.

Labor market. The labor market in Colorado Springs remains tight, but growth is slowing. The unemployment rate stands at 3.3 percent as of October, having ticked up slightly throughout 2023, but still low. The number of jobs continues to grow steadily in 2023, up 1.8 percent compared with a year ago. El Paso County is the state's most populous county and is expected to continue to grow, contributing to a healthy labor force (Figure 57, right). Regional population growth has outpaced that of the state every year since 2016, and is expected to continue to grow faster than the state between 2020 and 2030.

President Biden recently reversed a decision to move the Space Command headquarters from Colorado Springs to Huntsville, Alabama. This allows nearly 1,400 employees to remain in the region, and may provide a boost to the local economy.

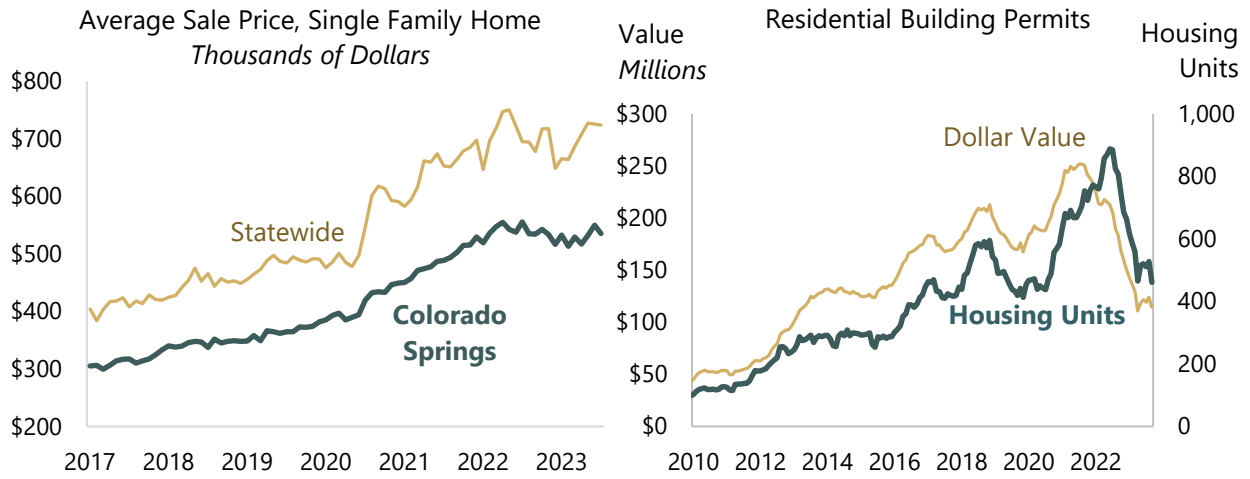
Figure 57
Colorado Springs Labor Market Activity



Source: U.S. Bureau of Labor Statistics; QCEW data through 2022 Q4 (left) and LAUS data, seasonally adjusted through September 2023 (right). LAUS data include Legislative Council Staff adjustments prior to 2010.

Housing market. Home prices in Colorado Springs are on the rise in recent months, but remain below the July 2022 peak. Home prices tend to be lower in El Paso County than the statewide, averaging about \$543,000 as of October 2023 compared to \$723,000 for the state. Average home prices in El Paso County are slightly higher than they were at the beginning of the year, but are still down by 3.7 percent compared to a year prior (Figure 58, left). Additionally, homes are staying on the market longer and fewer homes are being sold than a year ago, further signaling a looser housing market. Despite a looser market, residential permitting is up in recent months for both single family and multifamily homes (Figure 58, right).

Figure 58
Colorado Springs Home Prices and Residential Construction

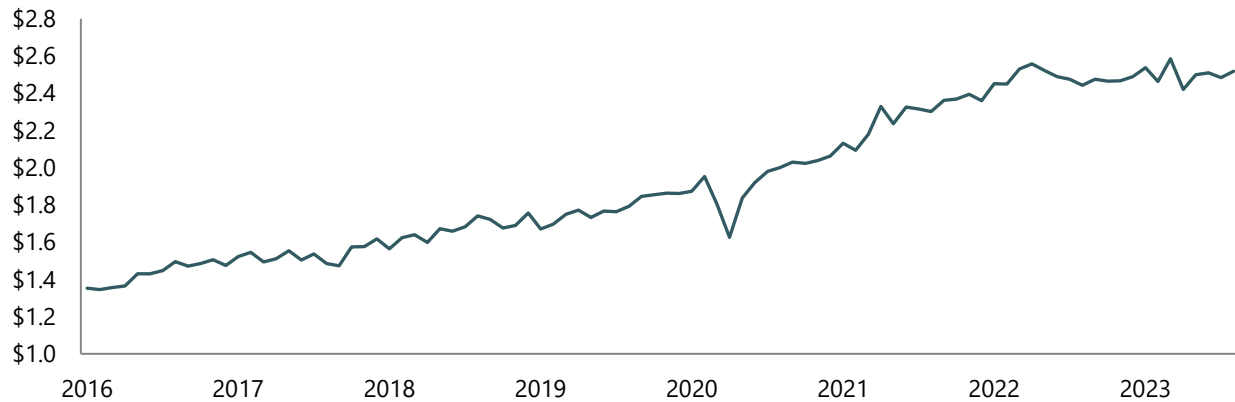


Source: Colorado Association of Realtors. Data are seasonally adjusted through September 2023.

Source: U.S. Census. Data shown as three-month moving averages. Data through September 2023.

Retail sales. Retail sales in Colorado Springs have been stagnant over the past year after steep increases in 2021 and early 2022. Retail sales are up 0.3 percent from one year ago, compared to an 8.5 percent increase in the 12 months prior. This is a similar trend to what is happening nationwide, as consumer spending shifts towards services rather than goods.

Figure 59
Colorado Springs Retail Sales
Billions of Dollars



Source: Colorado Department of Revenue.

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. Economic data indicate a slowing housing market and stalling labor market. On the other hand, nonresidential construction has shown strong growth in recent months from a variety of projects, a pattern that is expected to continue but may be limited by persistent high interest rates and a loosening labor market. Indicators for the regional economy are presented in Table 30 and discussed below.

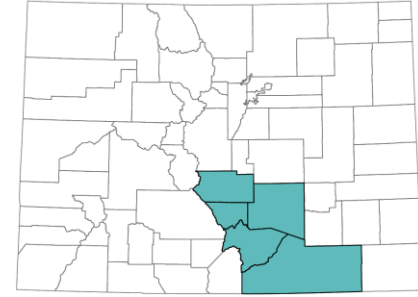


Table 30
Pueblo Region Economic Indicators
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

	2019	2020	2021	2022	YTD 2023
Employment Growth					
Pueblo Region ¹	1.0%	-2.5%	0.4%	2.0%	0.3%
Pueblo MSA ²	1.1%	-2.8%	0.7%	2.8%	0.1%
Unemployment Rate ¹	4.0%	7.6%	7.8%	4.5%	4.4%
Wages ³					
Average Weekly Wage	3.7%	7.0%	3.8%	5.3%	10.0%
Level	\$845	\$904	\$939	\$988	\$1,037
Housing Permit Growth ⁴					
Pueblo MSA Total	3.8%	18.4%	24.0%	-22.9%	-48.8%
Pueblo MSA Single Family	3.0%	19.4%	24.0%	-22.9%	-48.8%
Nonresidential Construction Growth ⁵					
Value of Projects	45.2%	26.2%	175.3%	-63.6%	171.0%
Square Footage of Projects	-19.7%	37.7%	278.3%	-69.4%	216.1%
Level (<i>Thousands</i>)	318	438	1,658	508	1,327
Number of Projects	23.3%	86.5%	2.9%	-23.9%	34.1%
Level	37	69	71	54	59
Housing Market ⁶					
Average Sale Price – Single Family	9.5%	16.2%	24.1%	4.4%	2.0%
Level (<i>Thousands</i>)	\$226	\$265	\$326	\$340	\$348
Inventory – Single Family	-8.9%	-23.9%	-27.0%	68.7%	37.0%
Home Sales – Single Family	0.3%	14.1%	7.3%	-6.2%	-18.9%
Retail Sales Growth ⁷	8.5%	4.2%	13.4%	14.5%	-1.6%

MSA = Metropolitan statistical area. NA = Not available.

¹ U.S. Bureau of Labor Statistics, LAUS (household survey). Data through September 2023.

² U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2023.

³ U.S. Bureau of Labor Statistics, QCEW. Data through the first quarter of 2023.

⁴ U.S. Census. Growth in the number of residential building permits. Data through September 2023.

⁵ F.W. Dodge. Data through October 2023.

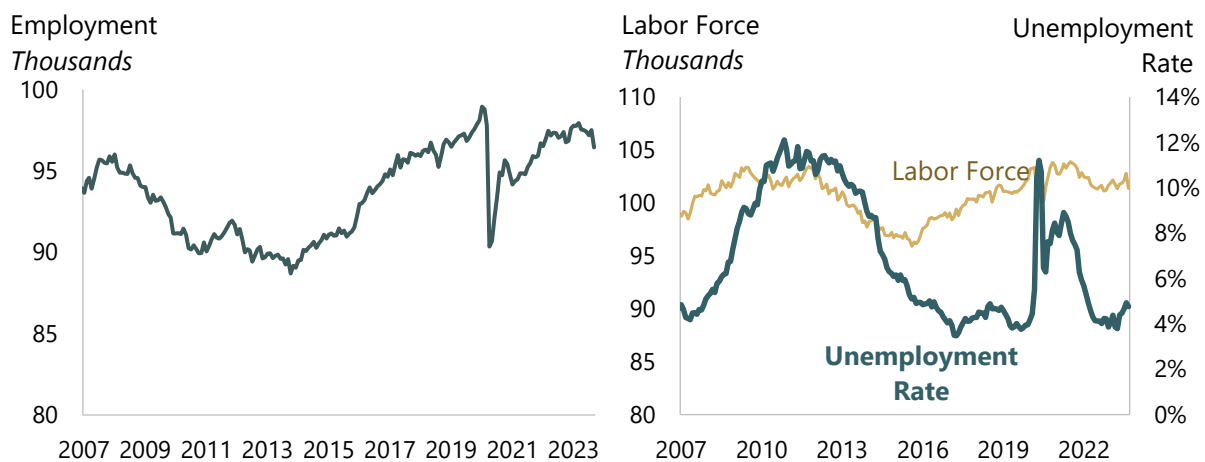
⁶ Colorado Association of Realtors. Data through October 2023.

⁷ Colorado Department of Revenue. Data through August 2023.

Labor market. Labor market conditions in the Pueblo region are generally looser than the statewide average, and have been fairly stagnant over the past year. The regional unemployment rate remains significantly higher in the region than in any other region of the state, at 4.4 percent in September compared to the state's 3.1 percent. Regional wages are significantly lower than average wages statewide, but have grown 10 percent year-to-date. The growth rate is comparable to growth rates in other regions with similar wages to Pueblo, including the Western and Southwest Mountain region.

Total employment growth flagged in Pueblo during 2023, declining 1 percent compared to a year ago. Pueblo holds the largest percent decline in employment statewide, and the region's employment remains below pre-pandemic levels. The largest industry in the Pueblo region is trade, transportation, and utilities. CS Wind, the world's largest manufacturing plant for wind turbine towers, which is located in Pueblo, has announced an expansion that is expected to double production and require at least 850 new employees over the next few years.⁶

Figure 60
Pueblo Region Labor Market Trends



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through September 2023.

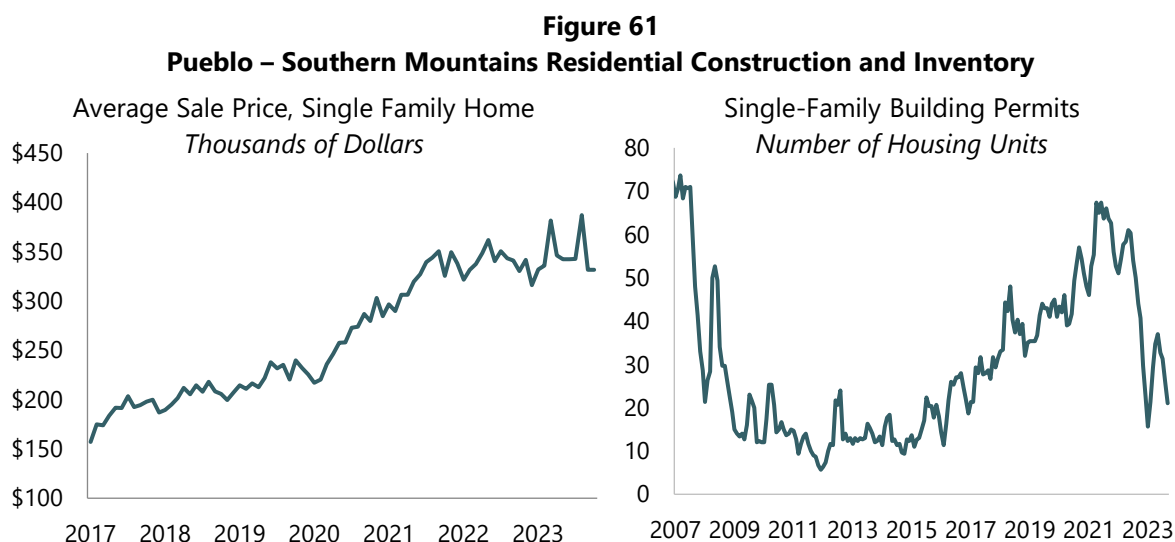
The size of the labor force in the region has also seen little growth over the last year. The State Demography Office anticipates that population in the region will grow slowly between 2020 and 2030, by an average of 0.6 percent per year compared to an estimated 1 percent per year statewide. The region has an older population and little in-migration relative to the state as a whole, contributing to this decline.

Housing market. The housing market in the Pueblo region boomed in 2020 and 2021, a trend that occurred across the state and nationwide. However, the region's housing market has slowed since peaking in July 2022. Single-family home sales were down nearly 19 percent through October 2023, declining even further from the 6.2 percent decline posted in 2022. The decline in sales has contributed to rising inventory, which grew nearly 70 percent in 2022 and another 37 percent in 2023 through October. High interest rates, declining home sales, and rising

⁶Van Dyne, Jessica. Pueblo Economy Growing with Expansion of World's Largest Wind Tower Manufacturing Site. April 16, 2023. https://gazette.com/business/pueblo-economy-growing-with-expansion-of-worlds-largest-wind-tower-manufacturing-site/article_8baef9e2-d8e9-11ed-96e7-d32153598c72.html

inventory have discouraged residential construction in the region. Following double-digit growth rates in 2020 and 2021, the number of single-housing permits decreased by 23 percent in 2022 and another 49 percent through October 2023 (Figure 61, right).

While high interest rates, sticky inflation in the housing market, and growing home prices have discouraged single-family home sales in 2023, single-family home prices have continued to rise in the Pueblo region. Similar to statewide trends, while growth in home prices continues, the rate of growth has slowed from double-digit levels posted in 2020 and 2021. Single-family home prices in the Pueblo region rose by 24.1 percent in 2021, but slowed to 4.4 percent growth in 2022 and 2.0 percent growth through October 2023. Despite the recent slowdown in growth, the average price of a single family home in the region was about \$348,000 in October, well above the average pre-pandemic price of \$220,000.

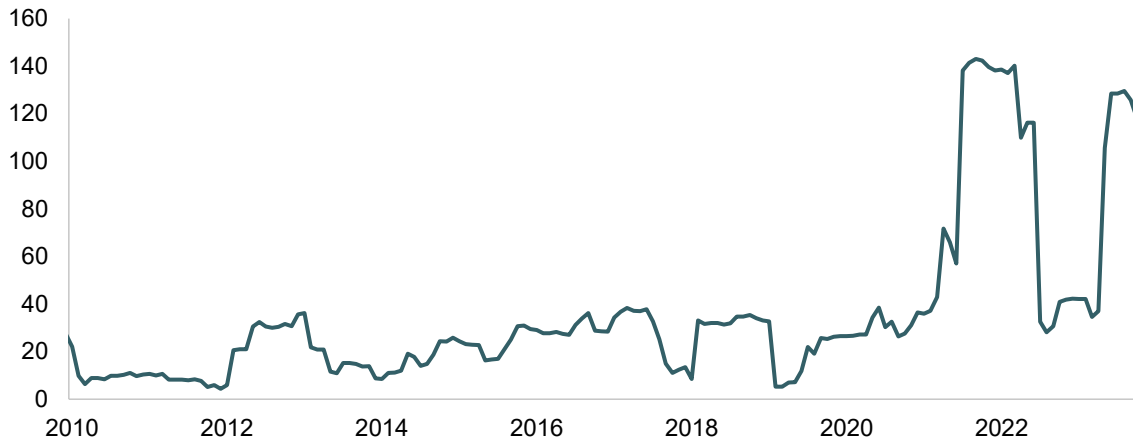


Source: Colorado Association of Realtors (left) and U.S. Census (right). Data (left) are seasonally adjusted through October 2023 and data (right) are show as three-month moving averages through September 2023.

Nonresidential construction. Nonresidential construction is showing strong growth in recent months from a number of products, following depressed activity through the first quarter of 2023. Before the brief downturn in construction activity from the latter half of 2022 through the first quarter of 2023, building permits spiked in 2021, when builders added \$415.8 million in new structures, headlined by the new long rail mill at the Evraz Pueblo steel mill. The Infrastructure Investment and Jobs Act (IIJA) will provide additional opportunities for nonresidential construction in Pueblo. CS Wind announced plans for a 900,000 square foot expansion, made possible by incentives from the IIJA. Additionally, the Department of Energy has awarded \$32.6 million for development of a potential carbon storage hub located in Pueblo.⁷

⁷ U.S. Department of Energy. Biden-Harris Administration Invests \$251 Million to Expand Infrastructure to Support CO₂ Transport and Storage. May 17, 2023. <https://www.energy.gov/articles/biden-harris-administration-invests-251-million-expand-infrastructure-support-co2>

Figure 62
Pueblo Region Nonresidential Building Permits
Thousands of Square Feet



F.W. Dodge. Data shown as twelve-month moving averages. Data through October 2023.

Eastern Region

The eastern region includes 16 rural counties on Colorado's eastern plains. Agriculture is the primary industry in the region, with businesses and government operations supporting local farming and ranching communities. The labor market remains strong and steady, with low unemployment and slow but positive job growth. Weather conditions, as well as geopolitical and policy uncertainty, remain key risks for the region's agricultural outlook. Regional housing markets are cooling similar to statewide trends, with declining home sales, residential construction, and rising inventory of homes for sale. Economic indicators for the region are presented in Table 31.

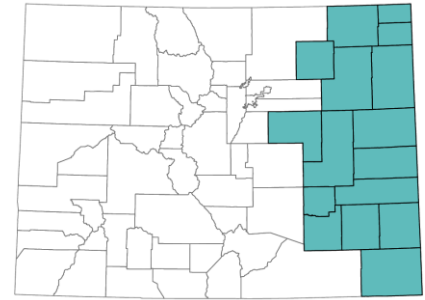


Table 31
Eastern Region Economic Indicators

Baca, Bent, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Logan,
Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

	2019	2020	2021	2022	YTD 2023
Employment Growth ¹	0.7%	-3.8%	-1.9%	1.7%	1.2%
Unemployment Rate ¹	2.4%	4.2%	4.5%	2.8%	2.7%
Wages ²					
Average Weekly Wage	3.9%	5.4%	4.1%	5.3%	8.8%
Level	\$795	\$838	\$872	\$918	\$946
Crop Price Changes ³					
Wheat (\$/Bushel)	-7.0%	6.3%	37.7%	42.2%	-7.8%
Corn (\$/Bushel)	9.3%	-4.6%	53.8%	30.9%	0.7%
Alfalfa Hay (Baled, \$/Ton)	14.3%	-6.6%	2.5%	2.8%	21.0%
Livestock ³					
State Cattle and Calf Inventory Growth	8.0%	1.9%	4.0%	-1.0%	-8.5%
Milk Production	5.5%	7.1%	2.4%	0.7%	-1.6%
Housing Permit Growth ⁴	0.2%	22.3%	21.7%	-21.2%	-27.9%
Housing Market ⁵					
Average Sale Price – Single Family	7.2%	6.3%	18.0%	7.2%	2.2%
Level (Thousands)	\$303	\$328	\$382	\$412	\$419
Inventory – Single Family	3.5%	-22.6%	-28.9%	65.9%	31.6%
Home Sales – Single Family	0.6%	4.2%	9.9%	-6.8%	-14.2%
Retail Sales Growth ⁶	13.6%	3.3%	12.5%	18.9%	-0.7%

NA = not available.

¹U.S. Bureau of Labor Statistics, LAUS (household survey). Data through September 2023.

²U.S. Bureau of Labor Statistics, QCEW. Data through the first quarter of 2023.

³ National Agricultural Statistics Service statewide data. Data through September 2023.

⁴ F.W. Dodge. Data through October 2023.

⁵ Colorado Association of Realtors. Data through October 2023.

⁶ Colorado Department of Revenue. Data through August 2023.

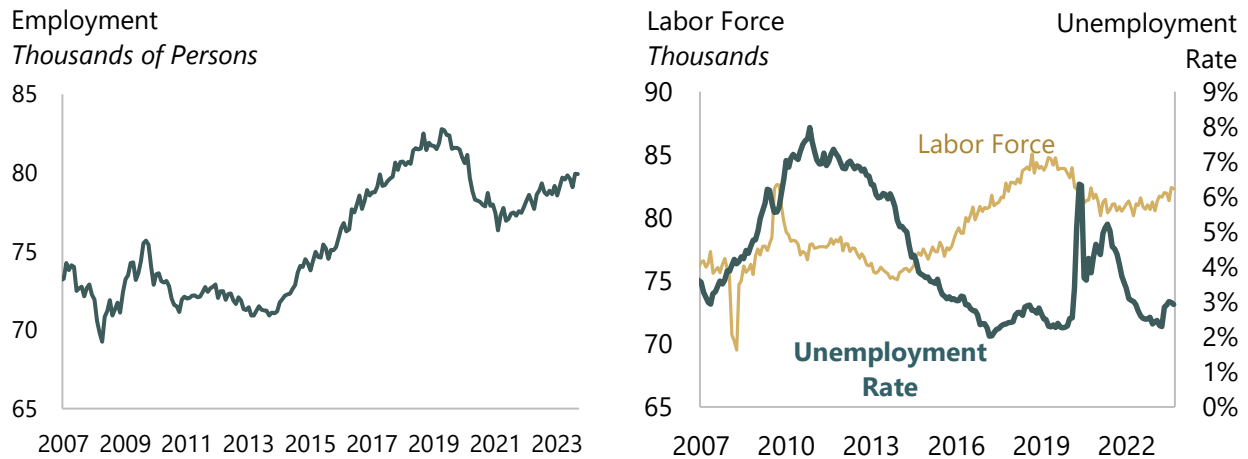
Agriculture and livestock. The Eastern Plains is the largest agricultural region in the state, and agriculture drives much of the region's economy. Fortunately, 2023 has been wetter than recent years, bringing relief from the drought that has plagued the region since June 2019. According to the U.S. Drought Monitor, the entire region was drought-free from August 15, 2023, through the first two weeks of November. However, the cumulative results of prolonged drought conditions continue to impact the region with torrential rain, hail, and tornadoes challenging farmers. As the condition of crops and timing of harvests are sensitive to weather developments and global geopolitics, key risks remain for the region's farm price and profitability outlook.

Farmers with surviving crops saw record yields in 2021 and 2022, with wheat and corn prices increasing between 30 and 55 percent each year. Growth in crop prices has since flagged. Through September, 2023 corn prices increased only 0.7 percent, and wheat prices declined nearly 8 percent. Prices are likely impacted by the number of farmers in competition and barriers to successful harvests, with more competition and easier growing conditions leading to lower prices.

Labor market. The eastern plains region accounts for about 2 percent of statewide employment, as measured by the Quarterly Census of Wages and Employment (QCEW). Relative to the state as a whole, the region has a larger share of jobs in farming, manufacturing, and government, and a lower share of jobs in professional and business services and financial activities. Sectors with the largest share of jobs include education and health services, and trade, transportation, and utilities, which together account for almost half of the region's jobs.

Across the nation, the labor market saw relative strength following the COVID-19 recession, with low unemployment rates and steady job gains. The Eastern Plains region followed a comparable trajectory; however, unlike most regions in the state, the Eastern Plains' labor market does not appear to be slowing. Through September 2023, the region has posted a 2.7 percent unemployment rate, lower than any other region in Colorado except the Southwest Mountains. Similarly, employment is up 1.7 percent year-over-year as of September, which is well above the state's 0.5 percent year-over-year employment growth. The labor market has increased year-over-year by 2.0 percent, also above Colorado's statewide growth rate of 1.2 percent. Despite a relatively strong labor market, the region's average weekly wages are lower than every region in Colorado except for the San Luis Valley. Employment growth in the region is expected to continue at a slow pace in 2023 and 2024, as high interest rates slow economic activity and dampen hiring.

Figure 63
Eastern Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data are through September 2023. Includes Legislative Council Staff adjustments prior to 2010.

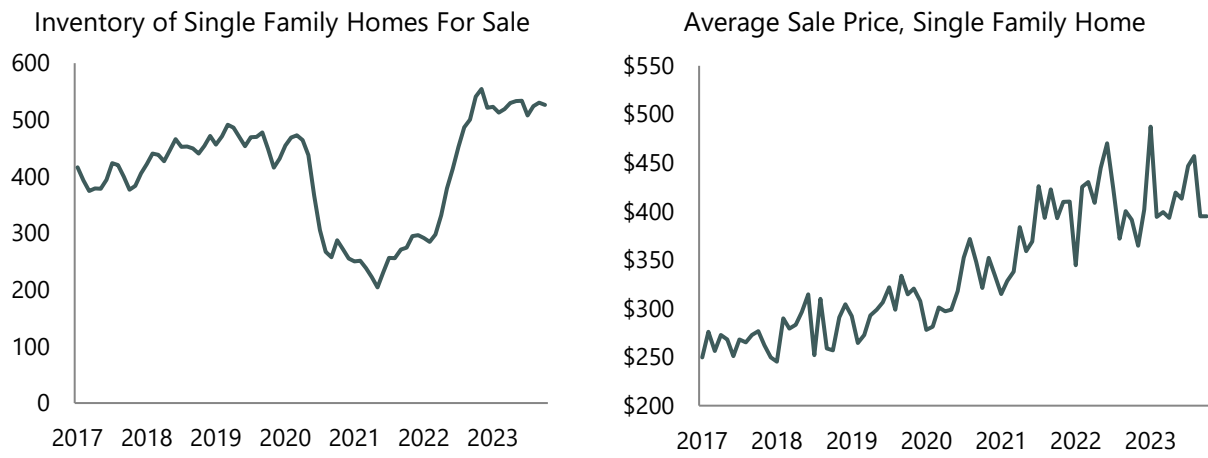
Retail sales. After peaking in December 2022, retail sales have slowed markedly throughout 2023 as tightening monetary policy dampens economic activity. In the Eastern Plains, retail sales were down 0.7 percent in August 2023 following double-digit retail sales growth in the previous two years well in excess of inflation. Growth in retail sales is expected to continue to decline slightly through the rest of 2023, and to post continuous slow growth rates in 2024 as interest rates remain high and limit employment growth.

Housing and population. The Eastern Plains is the most sparsely populated of the state's regions, with its 16 counties accounting for about 3 percent of the state's population. The region's housing market has continued to slacken in 2023, continuing a pattern from 2022 as U.S. average mortgage interest rates reach 20-year highs, eroding would-be buyers' purchasing power and discouraging home-building activity. Housing inventory for sale was up 32 percent through October 2023 (Figure 64, left).

Home price increases are moderating but continue to grow at a positive rate of 2.2 percent through October 2022, which is a historically small growth rate for the region and actually indicates real declines in home prices when adjusting for inflation. However, sale prices remain elevated well above pre-pandemic. Home prices have averaged \$419,000 (Figure 64, right) through October 2023. In contrast, home prices averaged \$303,000 in 2019. Residential housing permits are down 36 percent through September 2023, compared with the same period in 2022.

As in other rural regions of the state, the Eastern Plains faces housing affordability challenges associated with low incomes and an aging housing stock. The housing market is expected to continue to be challenged by tightened monetary policy dampening construction and home-buying activity in 2024.

Figure 64
Eastern Region Housing Market Activity



Source: Colorado Association of Realtors. Data are seasonally adjusted and through October 2023.

Mountain Region

The mountain region comprises 12 counties stretching from Poncha Pass north to the Wyoming border. Sensitive to tourism and thus to economic conditions worldwide, the mountain region labor market remains resilient with the lowest unemployment rate in the state and year-to-date employment growth above all other regions except the Southwest Mountain region. Similar to 2022, sticky inflation combatted by restrictive monetary policy is contributing to a cooling housing market, and labor supply constraints are likely contributors to recent downturns in construction activity. Economic indicators for the mountain region are presented in Table 32.

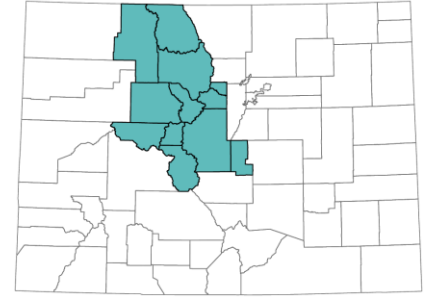


Table 32
Mountain Region Economic Indicators

Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2019	2020	2021	2022	YTD 2023
Employment Growth ¹	1.7%	-7.7%	2.0%	3.8%	3.0%
Unemployment Rate ¹	2.3%	7.8%	4.7%	2.7%	2.6%
Wages ²					
Average Weekly Wages	4.4%	11.6%	4.8%	8.4%	10.6%
Level	\$879	\$981	\$1,028	\$1,114	\$1,158
Housing Permit Growth ³	20.7%	-38.7%	30.7%	41.1%	-25.6%
Nonresidential Construction Growth ³					
Value of Projects	40.6%	87.8%	-55.8%	31.3%	21.9%
Square Footage of Projects	29.2%	24.7%	-23.2%	10.1%	-4.2%
Level (<i>Thousands</i>)	915	1,141	876	983	611
Number of Projects	-37.0%	76.1%	6.2%	13.8%	-30.5%
Level	46	81	86	99	57
Housing Market ⁴					
Average Sale Price - Single Family	12.6%	19.1%	33.1%	5.5%	5.5%
Level (<i>Thousands</i>)	\$941	\$1,261	\$1,507	\$1,568	\$1,690
Inventory - Single Family	5.1%	-30.7%	-43.2%	29.6%	26.1%
Home Sales - Single Family	-1.6%	22.3%	1.3%	-27.0%	-17.2%
Retail Sales Growth ⁵	12.1%	3.8%	21.0%	17.0%	5.2%

NA = Not available.

¹U.S. Bureau of Labor Statistics, LAUS (household survey). Data through September 2023.

²U.S. Bureau of Labor Statistics, QCEW. Data through the first quarter of 2023.

³F.W. Dodge. Data through October 2023.

⁴Colorado Association of Realtors. Data through October 2023.

⁵Colorado Department of Revenue. Data through August 2023.

Labor market. The region continues to show sustained recovery from the COVID-19 pandemic, seeing growing employment and a rising labor force population paired with the lowest annual average unemployment rate since the pre-pandemic years (Figure 65). Employers are demonstrating an appetite for new hires and building their payrolls where possible; for example,

average weekly wages increased nearly 9 percent in 2022 and over 10 percent through the first quarter of 2023. However, the housing market continues to constrain labor supply with increasing prices and interest rates. The labor market is strong for workers who are able to find housing, and a difficult one in which for businesses to hire.

Employers added about 2,900 jobs in the first three quarters of 2023, equating to a 2.1 percent growth rate over that period—one of the highest employment growth rates in the state, but slowing from previous years (Figure 65, left). For comparison, employers added over 4,800 jobs in the first three quarters of 2022, a 3.6 percent growth rate. The regional unemployment rate remains at a statewide low, averaging 2.6 percent through September 2023 (Figure 65, right). Employers are struggling to find workers as demographic drag and little affordable housing pose significant supply constraints. Some employers have included housing as a benefit offered to would-be employees, though this option is limited by available housing units in the area. The tight labor market is also motivating businesses to pay higher compensation to attract workers, with average weekly wages rising at a state-wide high in 2022 and an even higher rate through the first quarter of 2023, comparable only to wage growth in the Western and Southwest Mountain regions. These efforts may be working as labor force participation growth has slightly outpaced employment growth.

Consistent with recent strength, employment growth is expected to remain relatively steady through 2023. Despite this, high mortgage interest rates pose a major hurdle for would-be buyers and exacerbate the ongoing risk for a low pool of job seekers. Consumer activity is expected to remain strong, as discussed in the next paragraph, and keep employment demand high.

Figure 65
Mountain Region Labor Market Activity



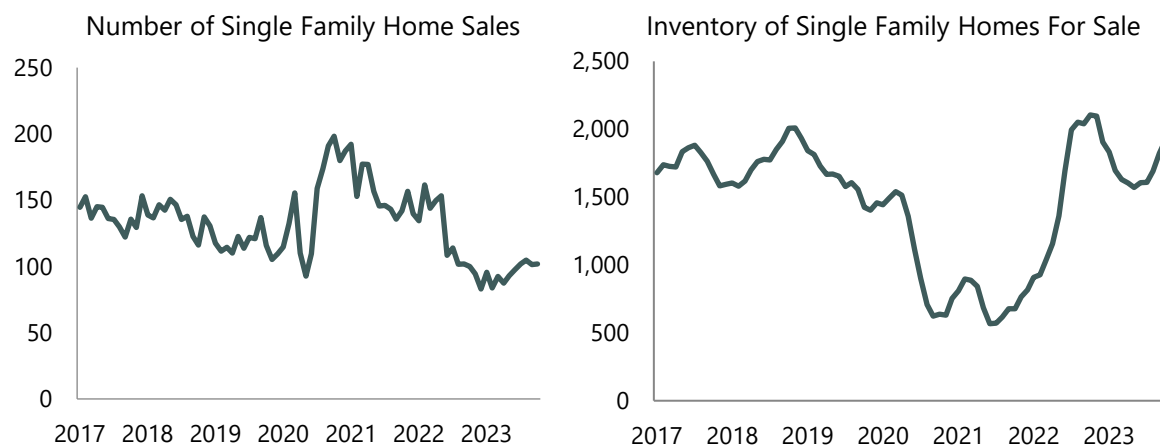
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through September 2023. Includes Legislative Council Staff adjustments prior to 2010.

Retail sales. Mountain retail sales grew at an impressive 21.0 percent in 2021 and another 17.0 percent in 2022, well in excess of the rate of inflation in both years. Mountain region sales disproportionately reflect discretionary spending among wealthier consumers and illustrate the statewide effect that purchases by that population had on overall consumer spending. Regional

retail sales were up 2.6 percent year-over-year in August 2023. Comparatively, the Denver-Aurora-Lakewood consumer price index—the closest indicator of inflation in the region—was up 5.4 percent year-over-year at the end of September 2023, indicating a decline in real (inflation-adjusted) retail sales. So long as the nation averts a recession, retail sales growth in the region is expected to continue outpacing the state as a whole, though dampened by sticky inflation paired with sustained higher interest rates. A downturn would likely pose an immediate threat to regional businesses, with mountain region spending patterns being among those that react most quickly to changing economic conditions, due to the region's dependence on tourism.

Housing. Home prices in the region have increased by 5.5 percent thus far in 2023, sustaining a long-run trend of increasing home prices. Homes remain unaffordable for all but the wealthiest buyers with the average single family home selling for nearly \$1.7 million. The average home price in the region first exceeded \$1.0 million in 2020. While the inventory of homes grew substantially in 2022 and through October 2023 (Figure 66, right), rising interest rates coupled with expensive home prices are constraining the sale of homes in the region (Figure 66, left). For the year ending in October 2023, year-over-year home sales have decreased at a statewide low of 12.6 percent, declining by considerably more than the next largest regional decline in the Eastern Plains.

Figure 66
Mountain Region Housing Activity

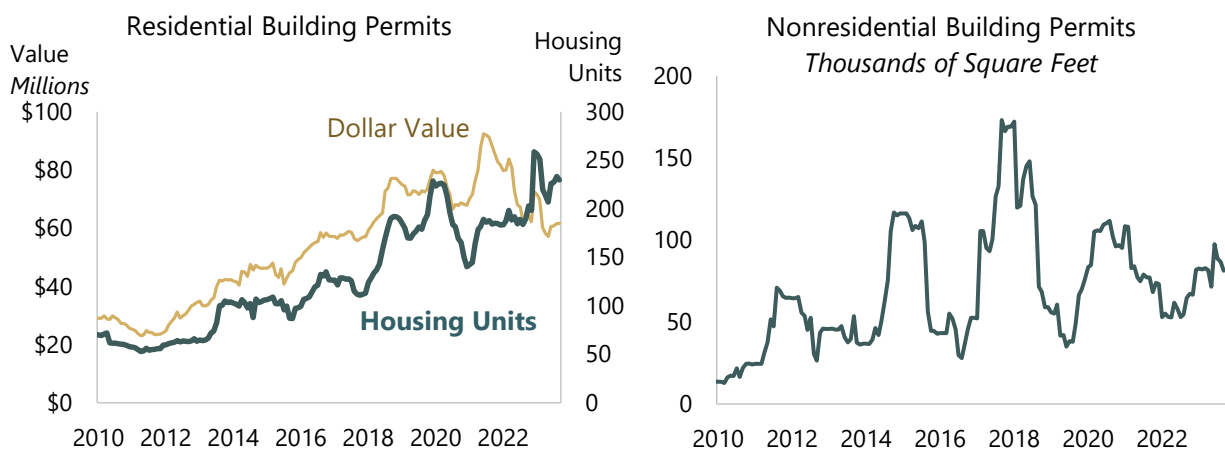


Source: Colorado Association of Realtors. Data is seasonally adjusted. Data through October 2023.

Construction. Unlike other regions in the state, residential construction in the mountain region sharply declined in 2020 despite price growth and strong sales. Although activity rebounded in 2021 and continued to increase through 2022, 2023 permit issuances through September are down 25.6 percent (Table 32). The number of permits is expected to continue to be limited by restrictive monetary policy and a housing market where current inventory is growing and the number of sales is declining. Downside pressures are expected to be partially offset by efforts to expand affordable housing in many mountain communities.

Nonresidential construction activity tends to respond to changes in monetary policy as well as nationwide economic conditions. Nonresidential construction activity is down 30.5 percent through October 2023 in terms of number of projects. The decline in 2023 follows three years of increasing number of projects and is likely attributable to labor supply constraints, high interest rates, and increased costs of construction projects. The value of projects increased by over 31 percent in 2022 and another 22 percent in 2023 through October. Labor supply constraints, high interest rates, and increased costs of construction will continue to pose a risk on investment and employment growth in the construction industry.

Figure 67
Mountain Region Construction Activity



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through October 2023.

Western Region

The ten-county western region has a diverse economy. Key industries in the more northern counties of Garfield, Mesa, 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. Following a strong recovery period, the regional labor market has decelerated over the past year. Slowing growth has impacted natural gas production, construction, and housing. Economic indicators for the region are summarized in Table 33.

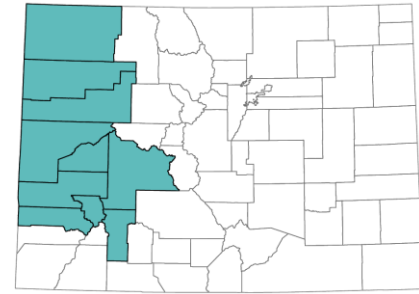


Table 33
Western Region Economic Indicators

Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2019	2020	2021	2022	YTD 2023
Employment Growth					
Western Region ¹	1.2%	-5.1%	1.4%	2.5%	2.0%
Grand Junction MSA ²	1.4%	-5.2%	3.9%	2.5%	0.7%
Unemployment Rate ¹	3.0%	6.7%	5.4%	3.2%	3.1%
Wages ³					
Average Weekly Wages	3.3%	5.7%	3.5%	7.4%	10.0%
Level	\$872	\$922	\$954	\$1,025	\$1,065
Natural Gas Production Growth ⁴	-0.9%	-7.7%	-9.1%	-5.8%	-7.4%
Housing Permit Growth ⁵	-11.7%	31.5%	20.8%	-10.8%	24.2%
Nonresidential Construction Growth ⁵					
Value of Projects	64.7%	-66.9%	231.3%	1.2%	-35.1%
Square Footage of Projects	7.0%	-26.4%	57.3%	34.9%	-34.6%
Level (<i>Thousands</i>)	651	479	753	1,015	458
Number of Projects	20.3%	22.5%	33.3%	8.6%	-3.8%
Level	71	87	116	126	101
Housing Market ⁶					
Average Sale Price - Single Family	3.3%	18.7%	26.1%	3.1%	8.4%
Level (<i>Thousands</i>)	\$347	\$421	\$519	\$536	\$592
Inventory - Single Family	-12.3%	-26.9%	-42.4%	25.2%	18.0%
Home Sales - Single Family	-7.2%	12.4%	1.6%	-21.8%	-16.7%
Retail Sales Growth ⁷	14.2%	1.7%	19.2%	11.4%	5.0%
National Park Recreation Visits ⁸	2.3%	-0.1%	12.7%	-3.9%	-4.4%

MSA = Metropolitan statistical area. NA = not available.

¹U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2023.

²U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2023.

³U.S. Bureau of Labor Statistics, QCEW. Data through the first quarter of 2023.

⁴Colorado Oil and Gas Conservation Commission. Data through August 2023.

⁵F.W. Dodge. Data through October 2023.

⁶Colorado Association of Realtors. Data through October 2023.

⁷Colorado Department of Revenue. Data through August 2023.

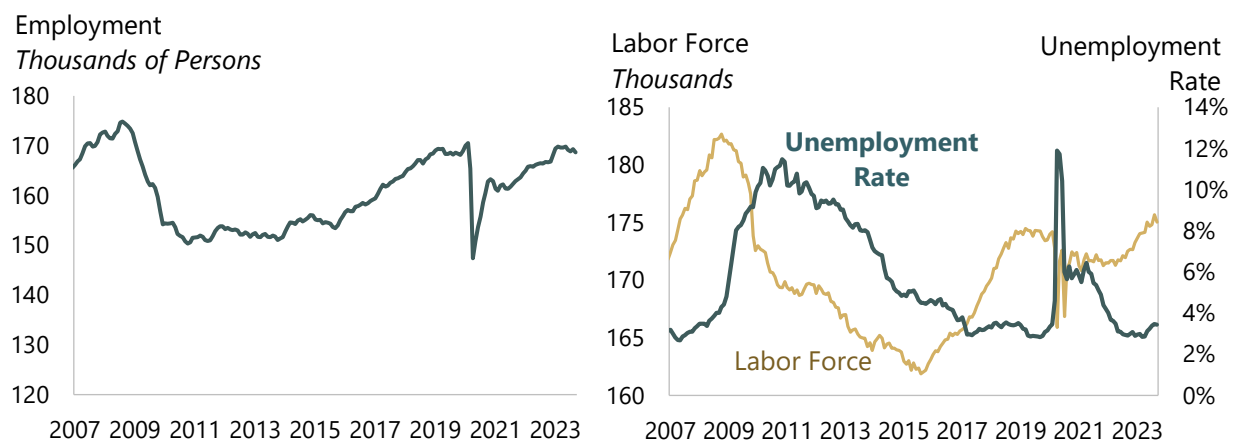
⁸National Park Service. Recreation visits for Black Canyon of the Gunnison National Park, Colorado National Monument, Dinosaur National Monument, and Curecanti National Recreation Area. Data through September 2023.

Labor market. Employment for the region's households increased by 2.0 percent in September year-to-date and remained near the pre-pandemic peak despite stalling growth in 2023. Additionally, the unemployment rate has fallen to pre-pandemic levels and resembles the statewide unemployment rate (Figure 68, right). Less labor market slack and shifting economic conditions are likely impacting employment, and data indicate regional employment has sputtered slightly over the past year (Figure 68, left). In the Grand Junction metro area (Mesa County), the region's most populous area, the survey of employers indicated jobs were up just 0.7 percent year-to-date through September. Like the broader region, month-to-month job growth has also been mixed in the Grand Junction metro area, largely flattening out in 2023.

Based on industry-level data through the third quarter of 2023, jobs in the region have been supported by strong consumer activity with growth in wholesale trade, retail, and other services. Although it remains below its pre-pandemic employment level, the resurgence in leisure and hospitality continues to provide job gains. Data also indicate contributions to job growth from real estate, natural resources, and government. However, lower natural gas prices, slowing construction activity, and recent challenges in administrative and support, waste management and remediation, and information services are expected to weigh on potential growth throughout the remainder of the year.

Slower employment growth has coincided with a tick up in the region's unemployment rate, which rose to 3.1 percent in September from 2.9 percent in early 2023 (Figure 68, right). The unemployment rate in many of the region's communities is now at or lower than the pre-pandemic level, though stalling in recent months. Over the past year, falling unemployment has been accompanied by a growing labor force, up about 1.6 percent year-to-date and nearing the pre-pandemic level.

Figure 68
Western Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics; LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through September 2023.

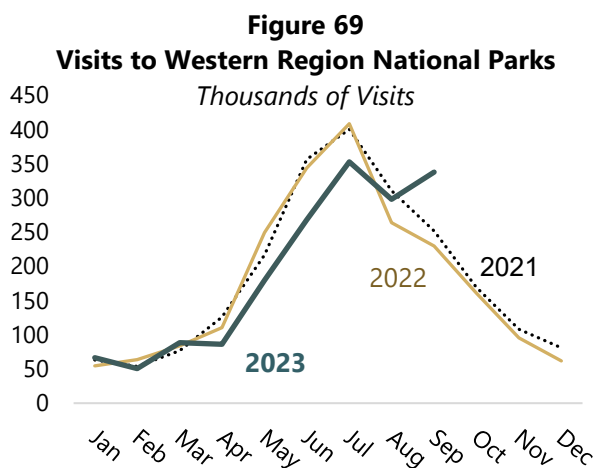
Housing. High interest rates and residual effects of inflation erode affordability in the housing market, impacting sales in the western region similar to the nation and many areas in the state. Contrary to expectations during a period of high interest rates, the average price of a single family home accelerated from 2022 levels through October 2023. Prices were up 8.4 percent year-to-date and reached an all-time high in October on a seasonally-adjusted basis. Although faster than home prices grew in 2022, rising prices have eased compared to double-digit growth rates seen in 2020 and 2021 during and immediately following the pandemic. Still, sales of single family homes were down 17 percent year-to-date in October following a nearly 22 percent decline in 2022. Prices are now expected to continue to grow at a firm pace through the remainder of the year, with ongoing slower sales as home prices and interest rates remain high.

Slower sales activity has contributed to rising inventory, up 18.0 percent in October year-to-date. Though inventory of single homes for sale dropped drastically in 2020 and 2021, year-to-date inventory has since reached a six year high. Inventory is expected to remain high into 2024, as residential construction has performed better than expected. As one example, one multifamily apartment project in Mesa County added nearly 700 new units. With housing permit issuances growing by over 24 percent, Western Colorado is the only region with an increase in housing permits compared to last year.

Nonresidential construction. Nonresidential construction grew in 2022, with 1 million square feet of new construction underway. The expansion in 2022 marked the second year in a row of strong nonresidential construction. However, nonresidential construction has been impacted by rising interest rates, higher construction costs, and slower employment growth through October 2023. Year-to-date, the value of construction projects is down 35 percent, accompanying a decline of about 35 percent in square footage. Construction activity may remain limited by persistent restrictive monetary policy through the majority of 2024.

Retail sales. The pace of retail sales is slowing after the double-digit growth rates posted in 2021 and 2022 following the pandemic. The expected return to services spending, drawdown in household savings, and pullback on durable goods is likely impacting sales activity. In August, retail sales were up 5.0 percent year-to-date, slightly slower than growth rates posted earlier in the year. While faster than the 2.0 percent pace posted statewide, sales for the region are expected to slow further in the year ahead and into 2024. A dip in tourism following the post-pandemic surge may also impact retail sales for some of the region's communities.

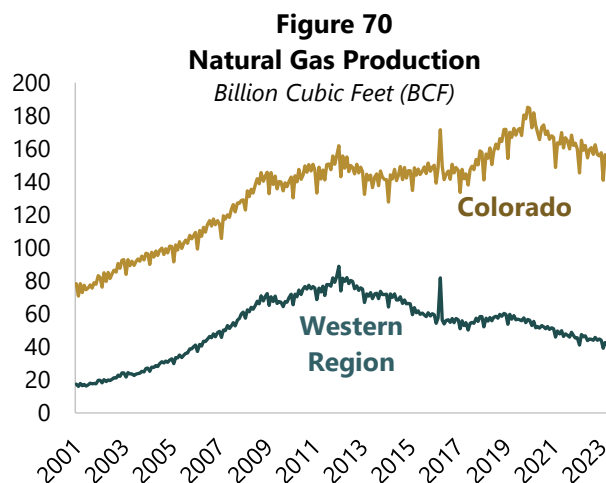
Tourism. Visits to the region's national parks (Figure 69) are on pace to fall for a second consecutive year and were down 4.4 percent year-to-date in September. Despite easing gasoline prices compared with the summer of 2022 and better water conditions, a return to competing activities for would-be visitors may be impacting park visitation. Passenger traffic



Source: National Park Service. Data through September 2023.

at the Grand Junction Regional Airport continues to outpace 2022, with passenger traffic up 6.1 percent year-to-date. Although the pace was slower in September, up just 1.0 percent year-over-year, growth in passenger traffic is encouraging for the regional economy.

Energy sector. The western region produces a significant share of the state's natural gas, more than 28 percent in 2022 (Figure 70), and remains a significant contributor to the region's economic activity. Natural gas production supports tax revenue, jobs, and upstream and downstream support industries throughout the region. Although natural gas prices spiked in 2022, production for that year was down 5.8 percent, marking the fourth consecutive year of declining activity. Natural gas production in the region has generally declined since 2012 despite price gains in some years. Nationally, a greater quantity of natural gas is coming from gas-producing oil wells with the penetration of shale and hydraulic fracturing technology, a trend that has increased production and pushed down prices, generally. This dynamic is limiting investment and production in the region.



*Source: Colorado Oil and Gas Conservation Commission.
Data through August 2023.*

Surging prices over the past year increased the region's value of production significantly, which likely supported some resurgence in natural resources employment. However, recent projections from the Energy Information Administration indicate natural gas prices are expected to fall to \$2.67 in 2023 compared to \$6.42 in 2022, and regional production is also expected to fall. As of August 2023, natural gas production in the western region was down 7.4 percent year-to-date.

Southwest Mountain Region

The southwest mountain region comprises five counties in the southwest corner of the state. The area boasts a diverse economy with significant contributions from agriculture, tourism, and natural gas extraction, as well as typical regional services like health care and social assistance. The region is isolated, with an economy that often behaves differently from the large Front Range metropolitan areas that heavily influence the statewide averages reported elsewhere in this document. While the region continues to maintain a strong labor market and consistent visits to its national parks, other indicators for the region's economy suggest a slowdown. Retail activity has not kept pace with inflation, residential construction is decreasing, and high interest rates are paired with a decline in home sales. Slower economic performance is expected to persist through 2024 as the national economy continues to respond to restrictive monetary policy. Indicators for the southwest mountain region are summarized in Table 34.

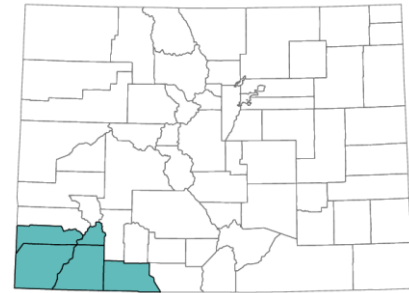


Table 34
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2019	2020	2021	2022	YTD 2023
Employment Growth ¹	-0.3%	-5.1%	-0.4%	3.3%	3.3%
Unemployment Rate ¹	2.9%	6.7%	5.5%	3.2%	3.0%
Wages ²					
Average Weekly Wages	2.4%	6.9%	4.8%	4.5%	10.7%
Level	\$846	\$904	\$948	\$991	\$1,023
Housing Permit Growth ³	-33.9%	12.4%	18.4%	-21.9%	-11.7%
Housing Market ⁴					
Average Sale Price - Single Family	7.3%	16.0%	25.4%	14.2%	3.5%
Level (Thousands)	\$452	\$541	\$656	\$750	\$790
Inventory - Single Family	-10.4%	-29.3%	-47.5%	12.4%	9.2%
Home Sales - Single Family	-13.5%	31.3%	-1.2%	-23.3%	-19.2%
Retail Sales Growth ⁵	5.6%	10.3%	20.1%	4.9%	2.0%
National Park Recreation Visits ⁶	-2.1%	-48.1%	87.2%	-8.2%	-0.1%

NA = Not available.

¹U.S. Bureau of Labor Statistics, LAUS (household survey). Data through September 2023.

²U.S. Bureau of Labor Statistics, QCEW. Data through the first quarter of 2023.

³F.W. Dodge. Permits for residential units. Data through October 2023.

⁴Colorado Association of Realtors. Seasonally adjusted. Data through October 2023.

⁵Colorado Department of Revenue. Seasonally adjusted. Data through August 2023.

⁶National Park Service. Recreation visits for Mesa Verde National Park and Hovenweep National Monument. Data through September 2023.

Labor market. The region's labor market has continued to rebound strongly after seeing unemployment rates above 12 percent following the beginning of the public health emergency in 2020. With an average unemployment rate of 3.0 percent through September, the region's unemployment rate sat just below Colorado's average unemployment rate of 3.1 percent.

Although the unemployment rate has increased slightly compared to the first half of 2023, the overall year-to-date rate for 2023 remains at its lowest since the pre-pandemic years.

Growing at a rate of 3.3 percent in 2022 and 2023 through September, employment growth is at its highest rate since 2016 and is at a higher rate in 2023 than any other region in Colorado. Low unemployment and sustained job growth have worked together to motivate additional labor force participation (Figure 71, right).

The labor supply may be impeded by consistent low unemployment paired with persistent rising housing costs. Employers face tight competition for workers, motivating wage increases to attract and retain talent. Regional wages increased 4.5 percent in 2022 and increased 10.7 percent through the first quarter of 2023 (Table 34). However, regional wages remain below all other regions except the Eastern Plains and San Luis Valley, despite higher costs of living in some southwest mountain communities. Similar to other regions across the state, real wage growth in the southwest mountain region is limited by inflationary pressures. Inflation is slowing, but prices in the Denver area—the closest available indicator for the southwest mountain region—remain up 5.4 percent over the year as of September 2023. Many areas in the region rely heavily on tourism; therefore, a larger economic downturn would likely negatively impact employment and wage growth.

Figure 71
Southwest Mountain Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2023. Includes Legislative Council Staff adjustments prior to 2010.

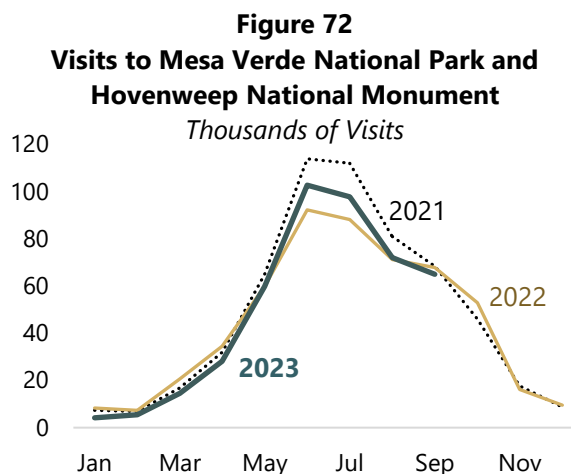
Housing. The southwest mountain region has experienced yearly home price increases in the double digits from 2019 through 2022. Through October 2023, home price increases slowed to a rate of 3.5 percent, which was lower than the Denver-Aurora-Lakewood inflation rate and indicates that real home prices may be in decline.

While construction of residential properties has declined since 2022, the inventory of houses for sale has actually increased. High interest rates paired with the growing cost of capital and economic uncertainty likely contribute to the dissonance between construction and inventory, resulting in home sales that are down nearly 20 percent through October 2023. The decline in

construction of residential properties persists across Colorado and is not specific to the Southwest Mountain region.

Tourism and consumer spending.

Tourism-dependent spending is a significant economic driver in various communities throughout the southwest mountain region. Fires locally, economic conditions nationwide, and gas prices generally pose a risk to tourist activity. Peak season – June, July, and August – visitations to Mesa Verde National Park and Hovenweep National Monument increased 8.3 percent in 2023 compared to the same period in 2022. Though lower than 2021 visits, visits in 2021 were historically high likely due to pent-up demand following the easing of COVID-19 travel restrictions.



Source: National Park Service. Data through September 2023.

At just 2.0 percent growth through August 2023, low retail sales growth continues to collide with higher rates of inflation such that the inflation-adjusted value of retail sales likely decreased in both 2022 and 2023 year-to-date. Persistent inflation eats into savings, reducing purchasing power of consumers and likely contributes to the slow growth in retail sales compared to during the pandemic.

San Luis Valley Region

Among the nine economic regions identified in this forecast, the San Luis Valley has the state's smallest population and its lowest household incomes. The economy of the region's six counties is largely agricultural. The region's housing market continued to cool in 2023, amidst higher interest rates dampening demand. Fluctuating weather conditions remain a key concern for the region's agricultural producers, with a weak monsoon season bringing drought back to the area over the summer. Economic indicators for the region are summarized in Table 35.

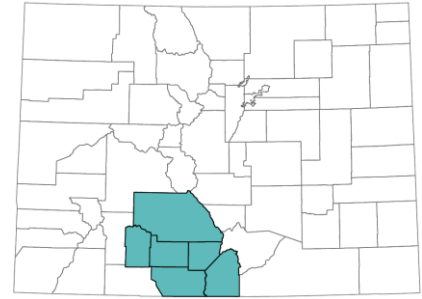


Table 35
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2019	2020	2021	2022	YTD 2023
Employment Growth ¹	0.8%	-4.2%	-1.8%	2.9%	2.6%
Unemployment Rate ¹	3.7%	6.0%	6.0%	3.7%	3.5%
Wages ²					
Average Weekly Wages	3.1%	7.0%	4.6%	6.4%	10.6%
Level	\$719	\$770	\$805	\$856	\$897
Barley ³					
Acres Harvested	52,000	47,000	47,000	40,000	NA
Crop Value (\$/Acre)	\$672	\$709	\$548	\$628	NA
Potatoes ³					
Acres Harvested	51,000	53,800	52,400	52,800	NA
Crop Value (\$/Acre)	\$4,709	\$4,494	\$4,674	\$7,169	NA
Housing Permit Growth ⁴	-11.1%	13.9%	28.6%	-21.6%	-12.6%
Housing Market ⁵					
Average Sale Price – Single Family	8.1%	18.7%	30.5%	2.9%	6.9%
Level (Thousands)	\$226	\$270	\$343	\$352	\$388
Inventory – Single Family	-28.7%	-25.3%	-44.0%	18.6%	33.6%
Home Sales – Single Family	-15.9%	27.8%	7.1%	-25.4%	-14.4%
Retail Sales Growth ⁶	5.0%	8.8%	17.1%	9.0%	4.3%
National Park Recreation Visits ⁷	19.1%	-12.5%	30.6%	-18.1%	NA

NA = Not available.

¹U.S. Bureau of Labor Statistics, LAUS (household survey). Data through September 2023.

²U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q1.

³National Agricultural Statistics Service, statewide data. Data through September 2023.

⁴F.W. Dodge. Data through September 2023.

⁵Colorado Association of Realtors. Data through October 2023.

⁶Colorado Department of Revenue. Data through August 2023.

⁷National Park Service. Recreation visits for Great Sand Dunes National Park and Preserve. Data through 2022. Data for 2023 are not available.

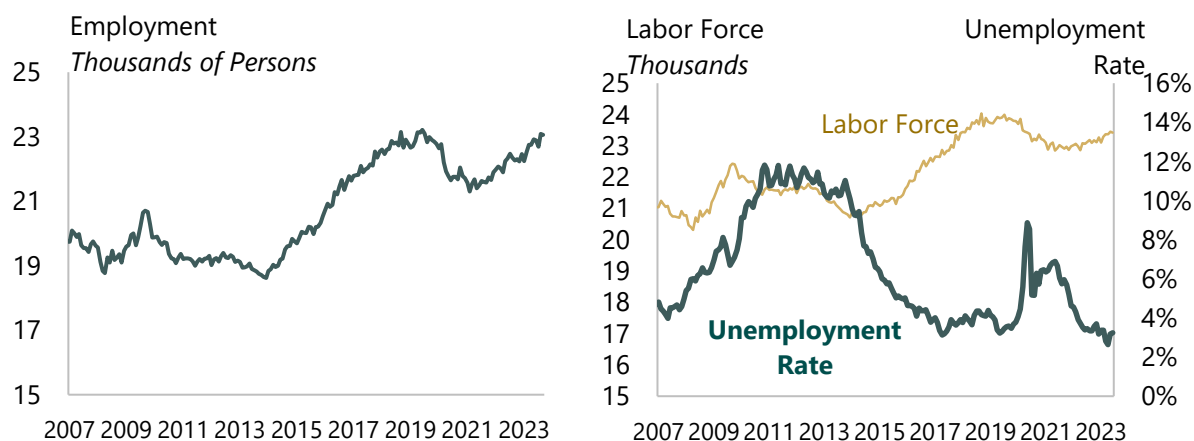
Agricultural industry. With over 70 varieties grown in the region, the San Luis Valley is the second biggest potato-producing area in the United States after Idaho. Potato shipments were up by 2.2 percent year to date through November, 2023. Other principal crops include hay, lettuce, wheat, and barley, a key input for beer. Acreages for drought-tolerant crops such as quinoa and hemp are also on the rise, while water-thirsty crops such as barley have seen declining acreages.

The San Luis Valley is a high desert, typically receiving fewer than eight inches of precipitation annually. Irrigation for most crops relies on groundwater, reservoirs, and rivers fed by winter snowpack, which has been depleted by the impacts of climate change. Weather and access to water remain key concerns for San Luis Valley agricultural producers. With a weak monsoon season, moderate drought returned to much of the area over the summer months, according to the U.S. Drought Monitor.

Labor market. As the state's least populous region, the San Luis Valley accounts for less than 1 percent of statewide employment. In addition to natural resources and mining (which includes agriculture), key sectors include education and health services; trade, transportation, and utilities; and public administration.

As in other rural regions of the state, household survey data is subject to large revisions due to a small sample size. Through September 2023, these data suggest a steady labor market, with employment growth up 2.6 percent in 2023 compared with the same period last year (Figure 73, left). At an average of 3.5 percent through September 2023, the region's unemployment rate is the second highest among the state's nine regions, behind the Pueblo-Southern Mountains region (Figure 73, right). Employment growth is expected to continue at a slow pace in 2023 and 2024, as the Federal Reserve aims to slow economic activity in order to tame inflation. The average weekly wage of \$897 in the first quarter of 2022 is the lowest in the state's nine regions, and is roughly 58 percent of the statewide average weekly wage of \$1,559.

Figure 73
San Luis Valley Labor Market Activity



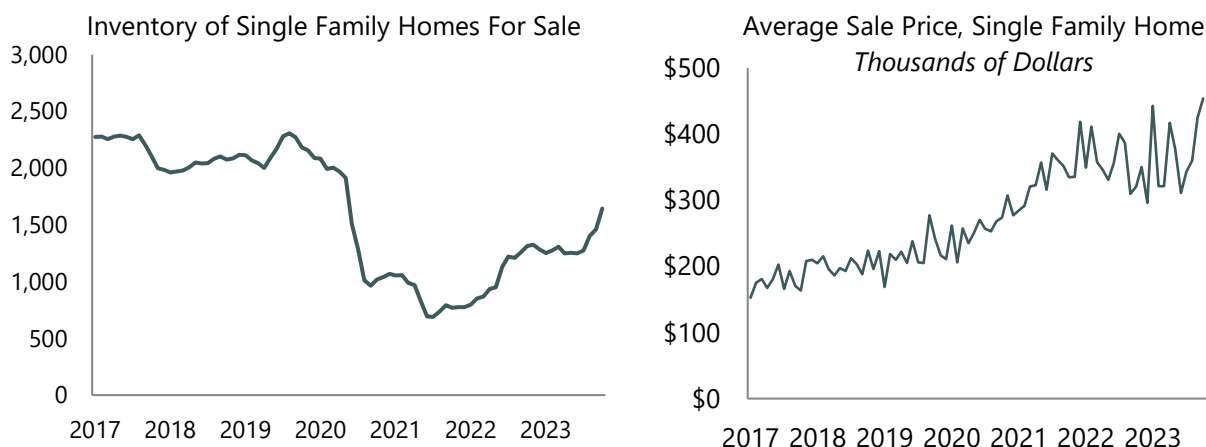
U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through September 2023. Includes Legislative Council Staff adjustments prior to 2010.

Housing and population. With 20 percent of its population aged 65 and over, compared with the statewide share of 16 percent, the San Luis Valley economy faces labor force challenges and shifting demands for housing, health care, and other services associated with an aging population.

As in other regions of the state, housing markets and construction activity continue to fall off as average U.S. fixed mortgage rates top two-decade highs. After declining by 25.4 percent in 2022, San Luis Valley home sales are down 14.4 percent further through October 2023, compared with the same period last year, while housing inventory is up by 33.6 percent during the same period, as would-be buyers delay home purchases as rising interest rates erode purchasing power (Figure 74, left).

Construction activity in the region continue to decline. Building permit issuances fell by 21.6 percent in 2022 and were down 12.6 percent further through October 2023. Home prices are up by only 6.9 percent through October 2023, compared with the same period in 2022 (Figure 74, right). Hot housing markets in the region have eroded housing affordability in recent years, but with an average home price of \$88,000, the San Luis Valley remains one of the least expensive regions in the state. Regional housing markets are expected to be sluggish or flat in 2024 amidst a continued high interest rate environment.

Figure 74
San Luis Valley Housing Market Activity



Source: Colorado Association of Realtors. Data are seasonally adjusted and through October 2023.

Appendix: Historical Data

National Economic Indicators

Calendar Years	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
GDP (\$ Billions) ¹	\$14,478.1	\$15,049.0	\$15,599.7	\$16,254.0	\$16,880.7	\$17,608.1	\$18,295.0	\$18,804.9	\$19,612.1	\$20,656.5	\$21,521.4	\$21,322.9	\$23,594.0	\$25,744.1
Percent Change	-2.0%	3.9%	3.7%	4.2%	3.9%	4.3%	3.9%	2.8%	4.3%	5.3%	4.2%	-0.9%	10.7%	9.1%
Real GDP (\$ Billions) ¹	\$16,349.1	\$16,789.8	\$17,052.4	\$17,442.8	\$17,812.2	\$18,261.7	\$18,799.6	\$19,141.7	\$19,612.1	\$20,193.9	\$20,692.1	\$20,234.1	\$21,407.7	\$21,822.0
Percent Change	-2.6%	2.7%	1.6%	2.3%	2.1%	2.5%	2.9%	1.8%	2.5%	3.0%	2.5%	-2.2%	5.8%	1.9%
Unemployment Rate ²	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.6%
Inflation ²	-0.3%	1.6%	3.1%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.3%	4.7%	8.0%
10-Year Treasury Note ³	3.3%	3.2%	2.8%	1.8%	2.4%	2.5%	2.1%	1.8%	2.3%	2.9%	2.1%	0.9%	1.4%	3.0%
Personal Income (\$ Billions) ¹	\$12,058.3	\$12,547.5	\$13,299.8	\$13,905.7	\$14,063.3	\$14,778.2	\$15,467.1	\$15,884.7	\$16,659.0	\$17,514.4	\$18,343.6	\$19,610.0	\$21,392.8	\$21,820.2
Percent Change	-2.9%	4.1%	6.0%	4.6%	1.1%	5.1%	4.7%	2.7%	4.9%	5.1%	4.7%	6.9%	9.1%	2.0%
Wage & Salary Income (\$ Billions) ¹	\$6,241.5	\$6,363.4	\$6,615.8	\$6,918.2	\$7,104.8	\$7,467.7	\$7,851.8	\$8,086.7	\$8,469.5	\$8,888.2	\$9,313.4	\$9,448.3	\$10,300.1	\$11,105.7
Percent Change	-4.4%	2.0%	4.0%	4.6%	2.7%	5.1%	5.1%	3.0%	4.7%	4.9%	4.8%	1.4%	9.0%	7.8%
Nonfarm Employment (Millions) ²	131.3	130.3	131.9	134.2	136.4	138.9	141.8	144.3	146.6	148.9	150.9	142.2	146.3	152.6
Percent Change	-4.3%	-0.7%	1.2%	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.3%	-5.8%	2.9%	4.3%

¹U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.

²U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).

³Federal Reserve Board of Governors.

Colorado Economic Indicators

Calendar Years	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Nonfarm Employment (<i>Thousands</i>) ¹	2,244	2,221	2,257	2,312	2,381	2,464	2,541	2,602	2,660	2,727	2,790	2,653	2,751	2,865
Percent Change	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.5%	3.1%	2.4%	2.3%	2.5%	2.3%	-4.9%	3.7%	4.1%
Unemployment Rate ¹	7.9%	9.2%	8.7%	8.0%	6.7%	5.0%	3.7%	3.1%	2.6%	3.0%	2.7%	6.8%	5.4%	3.0%
Personal Income (\$ <i>Millions</i>) ²	\$200,170	\$206,053	\$223,874	\$236,033	\$247,817	\$268,453	\$279,696	\$283,679	\$303,367	\$328,113	\$351,373	\$375,158	\$417,968	\$442,213
Percent Change	-4.7%	2.9%	8.6%	5.4%	5.0%	8.3%	4.2%	1.4%	6.9%	8.2%	7.1%	6.8%	11.4%	5.8%
Per Capita Income (\$) ²	\$40,258	\$40,827	\$43,732	\$45,490	\$47,082	\$50,244	\$51,394	\$51,306	\$54,171	\$57,794	\$61,258	\$64,852	\$71,923	\$75,722
Percent Change	-6.3%	1.4%	7.1%	4.0%	3.5%	6.7%	2.3%	-0.2%	5.6%	6.7%	6.0%	5.9%	10.9%	5.3%
Wage & Salary Income (\$ <i>Millions</i>) ²	\$112,227	\$113,670	\$118,415	\$124,947	\$129,521	\$138,626	\$146,578	\$151,168	\$160,940	\$170,790	\$182,962	\$187,834	\$205,570	\$224,332
Percent Change	-3.8%	1.3%	4.2%	5.5%	3.7%	7.0%	5.7%	3.1%	6.5%	6.1%	7.1%	2.7%	9.4%	9.1%
Housing Permits ³	9,355	11,591	13,502	23,301	27,517	28,698	31,871	38,974	40,673	42,627	38,633	40,469	56,524	48,839
Percent Change	-50.8%	23.9%	16.5%	72.6%	18.1%	4.3%	11.1%	22.3%	4.4%	4.8%	-9.4%	4.8%	39.7%	-13.6%
Nonresidential Construction (\$ <i>Millions</i>) ⁴	\$3,354	\$3,147	\$3,923	\$3,695	\$3,624	\$4,351	\$4,991	\$5,988	\$6,151	\$8,151	\$5,161	\$5,600	\$5,682	\$6,710
Percent Change	-18.5%	-6.2%	24.7%	-5.8%	-1.9%	20.1%	14.7%	20.0%	2.7%	32.5%	-36.7%	8.5%	1.5%	18.1%
Denver-Aurora-Lakewood Inflation ¹	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%	1.2%	2.8%	3.4%	2.7%	1.9%	2.0%	3.5%	8.0%
Population (<i>Thousands, July 1</i>) ³	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	5,811.3	5,839.9
Percent Change	1.7%	1.1%	1.8%	1.4%	1.5%	1.6%	1.9%	1.6%	1.3%	1.4%	1.1%	0.3%	0.7%	0.5%

NA = Not available.

¹U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for Denver-Aurora-Lakewood metro area.

²U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.

³U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building. 2010 and 2020 population numbers reflect the decennial Census, while other numbers reflect July 1 estimates.

⁴F.W. Dodge.