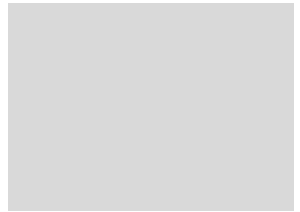
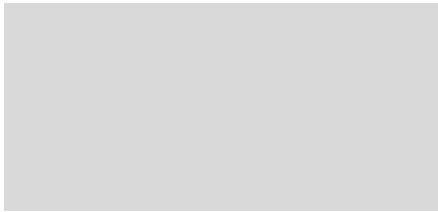




Colorado Legislative Council Staff
September 2020 | Economic & Revenue Forecast



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Cover photos of the Colorado State Capitol, courtesy of Suzanne Keim.

Executive Summary

This report presents the budget outlook based on current law and the September 2020 forecast for General Fund and cash fund revenue, as well as the TABOR outlook. This document also includes an updated school finance outlook, 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 2019-20	Delayed income tax filing produced a much larger than expected jump in July 2020 tax collections, which were accrued into FY 2019-20 revenue. Preliminary unaudited revenue figures suggest that the General Fund ended the year with a 13.8 percent reserve, \$1.27 billion above the 3.07 percent required reserve. This marks a \$900.9 million improvement relative to the June forecast. On higher General Fund revenue collections, revenue subject to TABOR fell just short (\$82.5 million) of the Referendum C cap.
FY 2020-21	The impacts of the COVID-19 pandemic will weigh heavily on FY 2020-21 General Fund revenue collections, which are projected to decline 11.6 percent from year-ago levels. Significant budget balancing actions made during the 2020 legislative session are expected to more than offset revenue declines. However, the revenue outlook remains uncertain. The General Fund is projected to end the year with an 18.6 percent reserve, \$1.67 billion above the required 2.86 percent reserve. Revenue subject to TABOR is expected to fall below the Referendum C cap by \$2.17 billion.
FY 2021-22 Unbudgeted	As revenue rebounds from recessionary levels, the General Assembly is projected to have \$2.90 billion, or 25.6 percent, more to spend or save in the General Fund than what is budgeted to be spent and saved in FY 2020-21. Any changes to revenue or expenditures in FY 2019-20 or FY 2020-21 will change this amount. This amount holds appropriations for FY 2020-21 constant and assumes current law transfers, and a 2.86 percent General Fund reserve requirement. This amount does not incorporate caseload growth, inflationary, or other budgetary pressures. Revenue subject to TABOR is expected to fall below the Referendum C cap by \$1.31 billion.

Risks to the forecast. The economic and health policy landscape continues to evolve, and as a result the General Fund budget faces an uncertain outlook with both upside and downside risks to the forecast. While economic and revenue collections have exceeded expectations in recent months, the near- and longer-term impacts of the pandemic on Colorado's economy and state revenue remain uncertain. Longer or repeated periods of reduced economic activity to control the spread of COVID-19 will cause more severe and longer-lasting revenue impacts. Conversely, near-term development and distribution of a COVID-19 therapy, a stronger than expected resumption of economic activity, and additional federal fiscal and/or monetary policy support pose near-term upside risks to the forecast.

School Finance Outlook

This September forecast includes a brief update on the school finance funding outlook for FY 2021-22, based on updated expectations for inflation, General Fund diversions required to the State Education

Fund, marijuana excise tax collections, and Federal Mineral Lease payments. The overall FY 2021-22 total program requirement is expected to be \$132 million higher than last year's requirement due primarily to higher inflation expectations than previously forecast. In FY 2021-22, **state aid is expected to increase by at least \$143 million** relative to last year to cover the full increase in total program funding and to offset a decline in the local share, as the COVID-19 pandemic is expected to depress growth in assessed values for property taxes and specific ownership taxes to school districts. Assuming that assessed values remain constant relative to FY 2020-21 levels and specific ownership tax declines 6 percent, the local share would be \$11 million lower on a year-over-year basis. Local share and K-12 enrollment estimates will be updated with more complete information in the December 2020 forecast.

Cash Fund Revenue

Preliminary, unaudited figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled \$2.24 billion in FY 2019-20, a decrease of \$201.3 million, or 8.3 percent, from the prior fiscal year. Revenue in the current FY 2020-21 is expected to decline an additional 4.4 percent before rebounding to grow by 5.7 percent in FY 2021-22. The crude oil market rout, drop in travel activity due to COVID-19-related disruptions, and closure of casinos will continue to weigh on collections from severance tax, transportation-related revenue, and gaming revenue in the current fiscal year. As the economy improves and COVID-19-related restrictions ease, collections are expected to recover but to remain below FY 2018-19 levels through at least FY 2022-23.

Unemployment Insurance Trust Fund insolvency. Unemployment insurance benefits paid have seen an unprecedented increase during the COVID-19-related economic contraction. Benefits paid rose from \$365.5 million in FY 2018-19 prior to the pandemic to \$1.27 billion in FY 2019-20 and are expected to peak at \$2.62 billion in the current FY 2020-21. The state's Unemployment Insurance Trust Fund balance on June 30, 2020, remained positive but dipped below 0.4 percent, triggering a move to the second highest premium rate schedule beginning January 1, 2021. The fund became insolvent in August 2020, when benefits exceeded available funds. The fund is not expected to return to solvency within the forecast period, necessitating ongoing borrowing to fund benefits.

Economic Outlook

Over the past three months, the U.S. and Colorado economies have recovered at a stronger pace than expected, as fiscal stimulus and the resiliency of businesses and consumer activity have buoyed growth. That said, data illustrate extensive and some lasting damage from the pandemic. In particular, labor markets have recovered only partially after their collapse in April. As the steadying effects of monetary and fiscal stimulus dissipate, some economic challenges will become more pronounced in the months ahead. Consumer activity and business investment are expected to grow, but unevenly and cautiously as the uncertainty surrounding the spread of COVID-19 continues. Risks to the forecast remain elevated, with a resurgence in the virus posing the largest downside risk to economic activity, and a near-term treatment for the virus or the passage of additional federal stimulus posing the greatest upside risks.

Discussion of the economic outlook begins on page 35, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 14 and 15 on pages 52 and 53.

General Fund Budget Overview

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

- the TABOR outlook (Table 3 and Figure 1);
- statutory transfers to transportation and capital construction funds (Table 4);
- the disposition of fiscal policies dependent on revenue collections;
- General Fund rebates and expenditures (Table 5); and
- cash fund transfers to and from the General Fund (Table 6).

Forecast assumptions. This forecast incorporates assumptions reflecting current state and federal law. Several measures on the November 2020 ballot propose changes to current state law. If voters approve one or more of these measures, revenue and other estimates in this forecast may be subject to change. The December 2020 forecast will include forecast estimates based on the outcome of the November election and any relevant changes to federal law.

FY 2019-20

Preliminary, unaudited collections figures from the Office of the State Controller suggest that the General Fund ended FY 2019-20 with a 13.8 percent reserve, \$1.27 billion higher than the statutorily required 3.07 percent reserve (Table 1, lines 16 and 18). This marks a significant improvement relative to June forecast expectations, primarily due to higher than expected individual income tax collections accrued into FY 2019-20.

General Fund revenue exceeded June forecast expectations by about \$894 million. Roughly \$210 million of the difference resulted from higher than expected June 2020 collections, primarily for individual income tax revenue. The remainder of the difference, about \$684 million, was due to larger-than-expected accrual adjustments, which shift revenue into the fiscal year in which the underlying economic activity being taxed actually occurred. Extended income tax filing deadlines pushed revenue that usually would be collected in March and April into June and July. The larger accruals reflect July 2020 individual and corporate income tax receipts that beat expectations by a significant margin, indicating better 2019 economic performance than previously thought and a less severe decline in tax revenue in the first half of 2020 than previously feared.

FY 2020-21

The General Fund is expected to end the current fiscal year with an 18.6 percent reserve, \$1.67 billion higher than the statutorily required 2.86 percent reserve (Table 1, lines 16 and 18). This marks a sizable improvement in the budget situation relative to June expectations. Improvements are largely driven by the higher year-end balance (Table 1, line 15) for FY 2019-20 (up \$900.9 million relative to June expectations), which carries forward into the beginning balance for the current fiscal year (Table 1, line 1). On higher than expected collections to date, particularly for individual income taxes, current year General Fund revenue expectations were increased by \$542.1 million, explaining the majority of the remaining improvements to the larger General Fund surplus.

In spite of improved expectations relative to June, General Fund revenue is still projected to contract 11.6 percent in FY 2020-21. Budget balancing actions made during the 2020 legislative session that reduced General Fund expenditures relative to FY 2019-20 levels are expected to more than offset the projected decline in revenue. However, risks to the revenue forecast remain elevated.

Table 1
General Fund Overview
Dollars in Millions

Funds Available	FY 2019-20 Preliminary	FY 2020-21 Estimate	FY 2021-22 Estimate	FY 2022-23 Estimate
1 Beginning Reserve	\$1,262.6	\$1,629.0	\$1,977.7	*
2 General Fund Revenue	\$12,868.5	\$11,374.8	\$12,548.3	\$13,245.3
3 Transfers from Other Funds (Table 6)	\$268.4	\$320.0	\$3.1	\$2.2
4 Total Funds Available	\$14,399.5	\$13,323.8	\$14,529.2	*
5 Percent Change	3.1%	-7.5%	9.0%	*
Expenditures	Preliminary	Budgeted	Estimate	Estimate
6 General Fund Appropriations Subject to Limit	\$11,840.3	\$10,658.5	*	*
7 TABOR Refund Obligation Under Art. X, §20, (7)(d)	\$0.0	\$0.0	\$0.0	\$0.0
8 Rebates and Expenditures (Table 5)	\$145.7	\$304.4	\$315.2	\$326.9
9 Transfers to Other Funds (Table 6)	\$210.9	\$247.2	\$305.0	\$347.9
10 Transfers to the State Education Fund ¹	\$40.3	\$113.0	\$23.0	\$0.0
11 Transfers to Transportation Funds (Table 3)	\$300.0	\$0.0	\$0.0	\$50.0
12 Transfers to Capital Construction Funds (Table 3)	\$233.3	\$23.0	\$20.0	\$20.0
13 Total Expenditures	\$12,770.5	\$11,346.1	*	*
14 Percent Change	-0.7%	-11.2%	*	*
Reserve	Preliminary	Budgeted	Estimate	Estimate
15 Year-End General Fund Reserve	\$1,629.0	\$1,977.7	*	*
16 Year-End Reserve as a Percent of Appropriations	13.8%	18.6%	*	*
17 Statutorily Required Reserve ²	\$363.5	\$304.8	*	*
18 Amount in Excess or (Deficit) of Statutory Reserve	\$1,265.5	\$1,672.9	*	*
19 Excess Reserve as a Percent of Expenditures	9.9%	14.7%	*	*
Perspective on FY 2020-21 (Unbudgeted)			Estimate	Estimate
Scenario: Hold FY 2020-21 Appropriations Constant³				
20 Amount in Excess or (Deficit) of 2.86% Statutory Reserve			\$2,902.8	*
21 As a Percent of Prior-Year Expenditures			25.6%	*
Addendum	Preliminary	Estimate	Estimate	Estimate
22 Percent Change in General Fund Appropriations	5.2%	-10.0%	*	*
23 5% of Colorado Personal Income Appropriations Limit	\$15,537.7	\$16,647.1	\$17,654.5	\$18,519.5
24 Transfers to State Education Fund per Amendment 23	\$646.7	\$643.5	\$662.7	\$701.8

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

¹Includes transfers pursuant to SB 19-246 and HB 20-1420.

²The required reserve is calculated as a percent of operating appropriations, and is required to equal 3.07 percent in FY 2019-20, 2.86 percent in FY 2020-21 and FY 2021-22, and 7.25 percent each year thereafter.

³This scenario holds appropriations in FY 2021-22 equal to appropriations in FY 2020-21 (line 6) to determine the total amount of money available relative to FY 2020-21 expenditures, net of the obligations in lines 7 through 12.

FY 2021-22 (Unbudgeted)

Because a budget has not yet been enacted for FY 2021-22, Table 1 (line 20) shows the amount of revenue available in FY 2021-22 relative to the amount budgeted to be spent or saved in FY 2020-21. Based on this forecast, the General Assembly will have \$2.90 billion, or 25.6 percent, more to spend or save than in FY 2020-21. The \$2.90 billion amount is a cumulative amount based on revenue expectations and the budget situation in both FY 2019-20 and FY 2020-21. In other words, this amount carries the \$1.98 billion reserve (Table 1, line 15) from FY 2020-21 into FY 2021-22. The \$2.90 billion amount assumes current law obligations for FY 2021-22, including transfers and rebates and expenditures (Table 1, lines 8 through 12), as well as a 2.68 percent reserve requirement. Any changes in revenue expectations or changes made to the budget for FY 2020-21 will carry forward into FY 2021-22. The \$2.90 billion amount holds FY 2020-21 appropriations constant and therefore does not reflect any caseload, inflationary, or other budgetary pressures.

Risks to the Forecast

The economic and health policy landscape continues to evolve, and as a result the General Fund budget faces an uncertain outlook with both upside and downside risks to the forecast. While economic and revenue collections have exceeded expectations in recent months, the near- and longer-term impacts of the pandemic on Colorado's economy and state revenue remain uncertain. The pace of the economic recovery in Colorado and nationally will heavily influence revenue streams, including income and sales tax revenue. These two sources of revenue have historically accounted for about 95 percent of General Fund revenue.

How much do we know about FY 2020-21?

This forecast is based on actual General Fund collections data for the first two months of the fiscal year (July and August). On average, collections for these two months have historically accounted for about 14 percent of total General Fund collections in a fiscal year. The largest share of revenue is collected during the regular income tax filing season, which runs from January through April. With significant risks to the forecast and a large portion of collections still to come, revenue estimates in this forecast are subject to larger revisions in subsequent forecasts than during prior years.

Longer or repeated periods of reduced economic activity to control the spread of COVID-19 will cause more severe and longer-lasting revenue impacts. Conversely, near-term development and distribution of a COVID-19 therapy, a stronger than expected resumption of economic activity, and additional federal fiscal and/or monetary policy support pose near-term upside risks to the forecast.

Budgetary Impacts of Federal CARES Act Coronavirus Relief Funds

The federal CARES Act included \$150 billion in Coronavirus Relief Fund (CRF) allocations to state, local, tribal, and territorial governments. CRF funds may be used to cover necessary expenditures incurred due to the COVID-19 public health emergency, provided that expenditures were not accounted for in the budget most recently approved as of March 27, 2020, and provided that expenditures are incurred between March 1, 2020, and December 30, 2020.

Colorado's share of CRF receipts, \$2.233 billion, was split between the state government and five counties with populations exceeding 500,000. The state government's allocation was approximately \$1.674 billion. Colorado's CRF receipts were allocated pursuant to Governor Polis's Executive Order D 2020 070, dated May 18, 2020. Allocations are shown in Table 2. Except for the \$70 million

General Fund allocation, CRF funds are not included in the General Fund overview shown in Table 1. To the extent that CRF allocations offset appropriations that would otherwise have been made, General Funds may be required in future years to address these expenditures, thereby putting upward pressure on General Fund operating appropriations beginning in FY 2020-21 when these funds are no longer available. The \$70 million deposited in the General Fund is shown as a transfer increasing the General Fund balance in Table 6 and in Table 1, line 3.

Table 2
Coronavirus Relief Fund Allocations Under Executive Order D 2020 070
Dollars in Millions

Allocation	FY 2019-20	FY 2020-21
Disaster Emergency Fund – Medical or public health needs	\$48	\$157
Dept. of Corrections – Sanitation and social distancing	\$1	\$7
Dept. of Human Services – Facilities with congregate care	\$1	\$1
Dept. of Education – At-risk pupils due to recession		\$37
Dept. of Human Services – Increased caseload due to recession	\$2	\$20
Dept. of Local Affairs – Rental and mortgage assistance	\$10	
Dept. of Education – Distributed to districts, CSI, CSDB, BOCES	\$510	
Dept. of Higher Education – Student retention and completions	\$450	
Payroll for employees responding to COVID-19 emergency	\$29	\$56
Local governments*	\$275	
General Fund	\$70	
Total Coronavirus Relief Fund Allocation	\$1,396	\$278

**Excludes local governments that received a direct federal distribution from the CRF (Adams, Arapahoe, Denver, El Paso, and Jefferson Counties). The executive order does not specify how much of this amount is for FY 2019-20 versus FY 2020-21.*

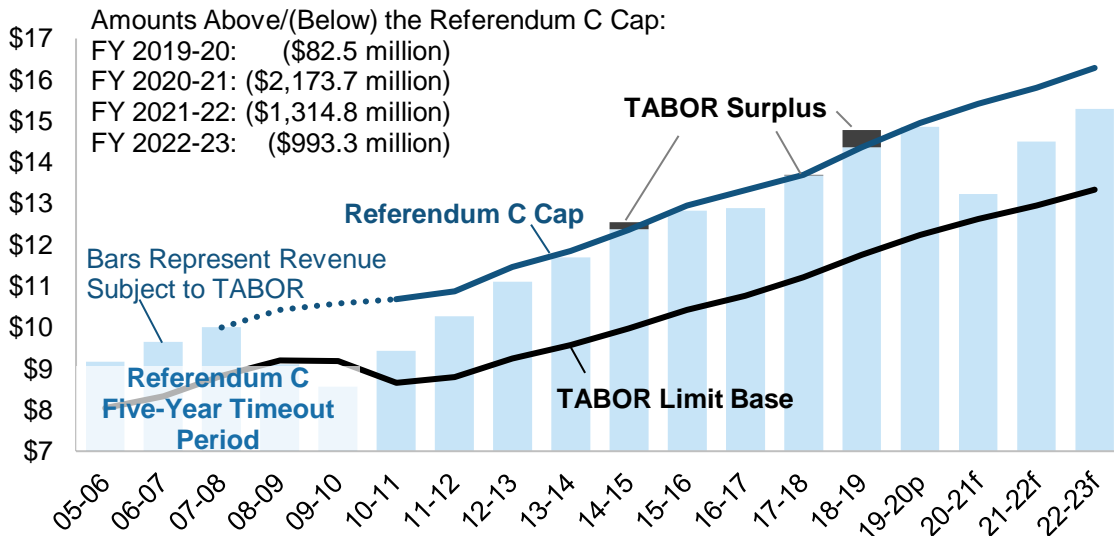
TABOR Outlook

The state TABOR outlook is presented in Table 3 and illustrated in Figure 1, which also provides a history of the TABOR limit base and the Referendum C cap.

FY 2018-19 refund. State revenue subject to TABOR exceeded the Referendum C cap by \$428.3 million in FY 2018-19, obligating the state to issue TABOR refunds during FY 2019-20. TABOR refunds were made to taxpayers first via **property tax exemptions** administered at the county level. The remaining refund obligation triggered a **temporary income tax rate reduction** for 2019 income taxes on returns filed in 2020. The rate reduction refunds FY 2018-19 revenue that was restricted in the General Fund to pay TABOR refunds, and does not reduce the amount of income tax revenue credited to the General Fund.

FY 2019-20. On September 1, 2020, the State Controller certified that FY 2019-20 state revenue subject to TABOR fell short of the Referendum C cap by \$82.5 million. Because state revenue did not exceed the Referendum C cap, there is no obligation to issue TABOR refunds during the current FY 2020-21. The state income tax rate returns to 4.63 percent for tax year 2020.

Figure 1
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.

Forecast for FY 2020-21 through FY 2022-23. State revenue subject to TABOR is expected to fall short of the Referendum C cap in all three years of the current forecast period, and the state will not incur an obligation for TABOR refunds. As a result, no refunds to taxpayers are expected to be made via property tax exemptions or refunds using the income tax form through tax year 2023. The state obligation to reimburse counties for homestead exemptions for FY 2020-21 through FY 2023-24 will be paid from General Fund revenue in those years, rather than restricted prior year TABOR surpluses.

General Fund Transfers to 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 reflected on lines 11 and 12. Other noninfrastructure-related transfers to and from the General Fund are summarized in Table 6, and shown on lines 3 and 9 of Table 1.

General Fund contributions to transportation. Senate Bill 17-267, which authorized \$1.88 billion in certificates of participation (COPs) for transportation projects, requires General Fund appropriations for COP-related lease payments beginning in FY 2018-19. Under current law, these General Fund appropriations are expected to total \$100 million annually by FY 2021-22. These appropriations are included in line 6 of Table 1, and not included in Table 2.

Senate Bill 18-001 created one-time General Fund transfers for transportation of \$495 million in FY 2018-19 and \$150 million in FY 2019-20. These amounts are apportioned to the State Highway Fund, a new Multimodal Transportation Options Fund, and county and municipal governments. Senate Bill 18-001 authorizes 20 years of additional transfers to the State Highway Fund set at \$50 million per year beginning in FY 2019-20. House Bill 20-1376 repealed the \$50 million transfers in each of FY 2019-20 and FY 2020-21 as a part of the budget-balancing package. Senate Bill 19-262 authorized a \$100 million transfer to the Highway Users Tax Fund in FY 2019-20 only.

Table 3
TABOR Revenue Limit and Retained Revenue
Dollars in Millions

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	
TABOR Revenue					
1	General Fund ¹	\$12,629.5	\$11,100.6	\$12,238.7	\$12,905.3
2	Cash Funds ¹	\$2,236.8	\$2,138.0	\$2,259.5	\$2,388.8
3	Total TABOR Revenue	\$14,866.3	\$13,238.5	\$14,498.2	\$15,294.1
Revenue Limit					
4	Allowable TABOR Growth Rate	4.1%	3.1%	2.6%	3.0%
5	Inflation (<i>from Prior Calendar Year</i>)	2.7%	1.9%	1.7%	2.2%
6	Population Growth (<i>from Prior Calendar Year</i>)	1.4%	1.2%	0.9%	0.8%
7	TABOR Limit Base	\$12,241.5	\$12,621.0	\$12,949.1	\$13,337.6
8	Voter Approved Revenue Change (Referendum C)	\$2,624.8	\$617.6	\$1,549.1	\$1,956.5
9	Total TABOR Limit / Referendum C Cap	\$14,948.8	\$15,412.3	\$15,813.0	\$16,287.4
10	TABOR Revenue Above (Below) Referendum C Cap	(\$82.5)	(\$2,173.7)	(\$1,314.8)	(\$993.3)
Retained/Refunded Revenue					
11	Revenue Retained under Referendum C ²	\$2,624.8	\$617.6	\$1,549.1	\$1,956.5
12	Fiscal Year Spending (<i>revenue available to be spent or saved</i>)	\$14,866.3	\$13,238.5	\$14,498.2	\$15,294.1
13	Revenue Refunded to Taxpayers	\$0.0	\$0.0	\$0.0	\$0.0
14	TABOR Reserve Requirement	\$446.0	\$397.2	\$434.9	\$458.8

Totals may not sum due to rounding.

¹Revenue differs from the amount in the General Fund and cash fund revenue summaries because of accounting adjustments across TABOR boundaries, including a \$30 million transfer from the Unclaimed Property Trust Fund to the Housing Development Grant Fund anticipated for FY 2022-23.

²Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.

Table 4
Infrastructure Transfers to and from the General Fund
Dollars in Millions

Transportation Funds	2019-20	2020-21	2021-22	2022-23
SB 18-001 & HB 20-1376	\$200.0			\$50.0
SB 19-262	\$100.0			
Total	\$300.0	\$0.0	\$0.0	\$50.0
Capital Construction Funds	2019-20	2020-21	2021-22	2022-23
HB 15-1344 ¹	\$20.0	\$20.0	\$20.0	\$20.0
SB 17-262	\$60.0			
HB 19-1250	\$0.2			
SB 19-172	\$0.1			
SB 19-214	\$145.5			
HB 20-1378 ²		\$3.0		
HB20-1261	\$7.5			
Total	\$233.3	\$23.0	\$20.0	\$20.0

¹Transfers are contingent upon requests made by the Capital Development Committee.

²HB 20-1378 also includes a \$19.7 million transfer to the General Fund in FY 2019-20, which is shown in Table 6.

Fiscal Policies Dependent on Revenue Conditions

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

Partial refundability of the conservation easement tax credit is available for tax year 2019, but is not expected to be available for tax years 2020 through 2023. 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. Because a TABOR surplus was collected in FY 2018-19, the credit was partially refundable for tax year 2019. The state did not collect a TABOR surplus in FY 2019-20, and this forecast update does not expect a TABOR surplus in any of FY 2020-21, FY 2021-22, or FY 2022-23. Therefore, partial refundability of the credit is not expected to be available for tax years 2020, 2021, 2022, or 2023.

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 and subsequent June forecasts. For the fiscal year in which a relevant forecast is published, if revenue subject to TABOR is projected to fall below a “cutoff” amount equal to the projected Referendum C cap minus \$30 million dollars, a transfer will be made. The transfer is equal to the greater of \$30 million, or the UPTF fund balance. Based on this forecast, a transfer is expected in FY 2022-23. Because the June 1, 2023, UPTF fund balance is unknown, this forecast assumes a \$30 million transfer in FY 2022-23.

Table 5
General Fund Rebates and Expenditures
Dollars in Millions

Category	Preliminary FY 2019-20	Percent Change	Estimate FY 2020-21	Percent Change	Estimate FY 2021-22	Percent Change	Estimate FY 2022-23	Percent Change
Senior and Veterans Property Tax Exemptions	\$151.2	3.6%	\$162.6	7.5%	\$169.2	4.1%	\$179.4	6.0%
TABOR Refund Mechanism ¹	-\$151.2		\$0.0		\$0.0		\$0.0	
Cigarette Rebate	\$8.9	-5.0%	\$8.7	-1.7%	\$8.5	-3.0%	\$8.3	-2.0%
Old Age Pension Fund	\$84.8	-2.3%	\$80.8	-4.7%	\$78.9	-2.4%	\$77.5	-1.8%
Aged Property Tax and Heating Credit	\$5.8	5.3%	\$5.9	1.5%	\$6.2	5.0%	\$6.0	-4.1%
Older Coloradans Fund	\$10.0	0.0%	\$8.0	-20.0%	\$10.0	25.0%	\$10.0	0.0%
Interest Payments for School Loans	\$6.5	-11.9%	\$5.7	-12.6%	\$6.1	7.0%	\$6.4	4.9%
Firefighter Pensions	\$4.3	1.5%	\$4.4	2.6%	\$4.5	2.6%	\$4.6	2.6%
Amendment 35 Distributions	\$0.8	-1.7%	\$0.8	-2.6%	\$0.8	-1.8%	\$0.8	-0.6%
Marijuana Sales Tax Transfer to Local Governments	\$24.5	27.4%	\$27.4	11.7%	\$31.0	12.9%	\$34.0	9.8%
Total Rebates and Expenditures	\$145.7	-41.7%	\$304.4	108.9%	\$315.2	3.5%	\$326.9	3.7%

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

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

Table 6
Cash Fund Transfers
Dollars in Millions

Transfers to the General Fund		2019-20	2020-21	2021-22	2022-23
HB 05-1262	Amendment 35 Tobacco Tax	\$0.8	\$0.8	\$0.8	\$0.8
SB 13-133 & HB 20-1400	Limited Gaming Fund	\$25.5	\$28.2	\$0.1	\$1.4
SB 19-208	State Employee Reserve Fund	\$23.0			
SB 19-261	Unclaimed Property Trust Fund	\$30.0			
HB 20-1361	Reduce the Adult Dental Benefit		\$1.1	\$2.3	
HB 20-1378	Capital-related Transfers of Money	\$19.7			
HB 20-1380	Move Tobacco Litigation Settlement Moneys		\$40.0		
HB 20-1381	Cash Fund Transfers	\$55.0	\$88.5		
HB 20-1382	Repeal Cash Funds with General Fund Reversions	\$12.9			
HB 20-1387	Transfers From Unexpended County Reimbursements		\$13.0		
HB 20-1395	End WORK Act Grants Transfer Money to General Fund		\$0.2		
HB 20-1401	Marijuana Tax Cash Fund Spending and Transfer		\$137.0		
HB 20-1406	Cash Fund Transfers to The General Fund	\$31.6	\$11.2		
D 2020 070	Federal Coronavirus Relief Fund	\$70.0			
Total Transfers to the General Fund		\$268.4	\$320.0	\$3.1	\$2.2
Transfers from the General Fund		2019-20	2020-21	2021-22	2022-23
SB 11-047	Bioscience Income Tax Transfer to OEDIT	\$20.6	\$17.5	\$19.3	\$20.4
SB 14-215	Marijuana Tax Cash Fund	\$161.4	\$177.3	\$200.2	\$219.8
HB 14-1016 ¹	Procurement Technical Assistance Cash Fund	\$0.2			
SB 15-244 & SB 17-267	State Public School Fund	\$28.1	\$31.1	\$35.1	\$38.5
HB 16-1161 ²	Older Coloradans Fund & Veterans Grant Program Fund (<i>conditional</i>)	\$0.0			
HB 18-1323	Pay For Success Contracts Pilot Program Funding	\$0.5	\$0.5	\$0.4	
HB 19-1168 & SB 20-215	Health Insurance Affordability Cash Fund	\$0.0	\$14.9	\$25.4	\$43.5
HB 19-1245	Housing Development Grant Fund	\$0.0	\$0.0	\$24.3	\$25.4
HB 20-1116	Procurement Technical Assistance Program Extension		\$0.2	\$0.2	\$0.2
HB 20-1412	COVID-19 Utility Bill Payment-related Assistance		\$4.8		
SB 20-003	State Parks Improvement Appropriation		\$1.0		
Total Transfers from the General Fund		\$210.9	\$247.2	\$305.0	\$347.9
Net General Fund Impact		\$57.5	\$72.7	(\$301.8)	(\$345.7)

^{*}Excludes transfers that could not be estimated at this time, including those under HB20-1100, HB20-1388, and HB20-1389.

¹The transfer is contingent upon the receipt of at least \$200,000 in gifts, grants, and donations by the relevant contractor.

²HB 16-1161 requires transfers to the Older Coloradans Fund (95%) and the Veterans Assistance Grant Program Cash Fund (5%) of any excess General Fund moneys set aside for reimbursements to local governments for the Senior Homestead and Disabled Veteran property tax exemptions. These transfers are repealed under HB 20-1387.

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School Finance Outlook

This section presents information on the outlook for school finance from a state budgetary perspective for the coming budget year (FY 2021-22) and incorporates new information from the September 2020 forecast for income tax diversions to the State Education Fund, federal mineral lease payments, marijuana excise tax collections, and changes in inflation expectations. No new information is available for FY 2020-21 school finance funding, which was initially determined through passage of the 2020 Long Bill and the 2020 School Finance Act. Figure 2 illustrates budgeted and expected state aid and local shares for school funding for FY 2020-21 and FY 2021-22.

For FY 2021-22, the **state aid requirement** is expected to increase by \$143 million on a year-over-year basis due to the factors described below.

- **Total program requirements** will increase by \$132 million. Although the estimated funded pupil count is expected to decrease by about 1,060 pupils on a year-over-year basis, inflation expectations for 2020 have increased since the May forecast from 1.1 percent to 1.7 percent.
- On a year-over-year basis, revenue available for the **local share** will decrease by \$11 million. This assumes that assessed values remain constant relative to FY 2020-21, while specific ownership tax collections decline by 6 percent.

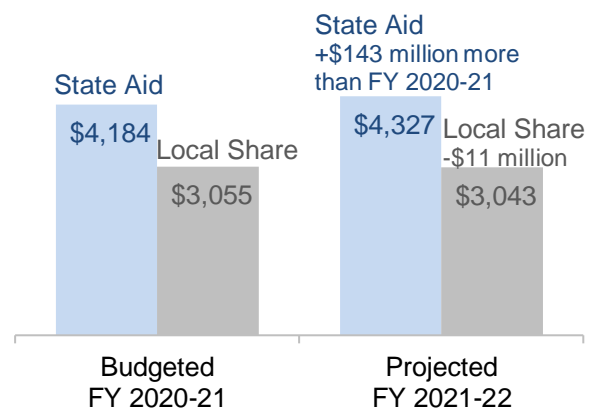
How is state aid determined?

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.

Enrollment is a major determinant of 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, is the major determinant of the local share of school district funding. This school finance funding update assumes FY 2021-22 enrollment estimates based on the December 2019 Legislative Council Staff forecast for K-12 enrollment, which will be updated in December.

Due to the economic impacts caused by the COVID-19 pandemic, instead of assuming the December 2019 Legislative Council Staff forecast, assessed value estimates have been held constant at their 2020-21 level of \$136 billion. In addition, specific ownership tax receipts are assumed to decline by 6 percent from the level appropriated for FY 2020-21. Similar to K-12 enrollment, these assumptions will be updated with more complete information in December.

Figure 2
Expectations for School Finance Funding
Dollars in Millions

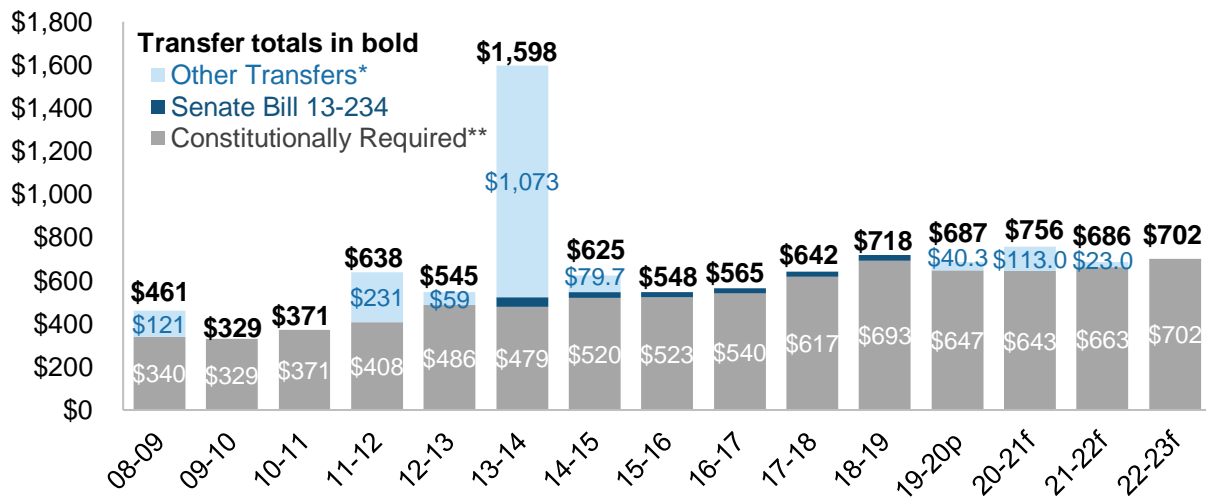


Relative to December 2019 expectations, the pandemic may result in a lower than expected local share in future years through a required reduction in the residential assessment rate (RAR). Under current law, when residential assessed values grow faster than nonresidential assessed values, the RAR must fall. While residential values have remained strong through much of the state, commercial and oil and gas values have likely declined. If these trends continue, the RAR would decline in the 2021 reassessment year, reducing the local share by more than expected in December 2019. In this situation, the state would be required to either make up the difference, or reduce total program appropriations.

State Education Fund. For FY 2021-22, the available contribution for school finance from the State Education Fund is expected to increase by \$266 million relative to FY 2020-21 levels. Expenditures from the State Public School Fund will decrease by \$7 million, while the General Fund requirement will decrease by \$117 million on a year-over-year basis. These estimates assume a \$100 million ending balance for the State Education Fund in FY 2021-22, and the budget stabilization factor is maintained at its current level.

The Colorado Constitution requires the State Education Fund to receive one-third of 1 percent of taxable income. In FY 2020-21, the State Education Fund is expected to receive \$643.5 million as a result of this requirement, with higher amounts in the following year resulting from growth in taxable income among Colorado taxpayers. Figure 3 shows a history and forecast for revenue sources to the State Education Fund through the end of the forecast period.

Figure 3
Revenue to the State Education Fund
Dollars in Millions



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

In addition, the General Assembly has at different times authorized the transfer of additional moneys from the General Fund to the State Education Fund (see Table 1, line 10). Money in the State Education Fund is required to be used to fund kindergarten through twelfth grade public education. The 2020 school finance act, Senate Bill 20-1418, includes a one-time \$6.4 million transfer to the State Education Fund from multiple cash funds in FY 2020-21, after which only constitutionally required transfers are scheduled under current law. In addition, House Bill 20-1420 includes a transfer of \$113 million in FY 2020-21 and \$23 million in FY 2021-22 to the State Education Fund.

Appropriations are subject to change. The final appropriation for state aid in FY 2020-21 will be made through passage of the mid-year supplemental bill for the Colorado Department of Education. The initial appropriation for state aid in FY 2021-22 will be made through passage of the 2021 Long Bill and the 2021 School Finance Act.

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General Fund Revenue

This section presents the Legislative Council Staff outlook for General Fund revenue, the state's main source of funding for operating appropriations. Table 8 on page 24 summarizes preliminary, unaudited General Fund revenue collections for FY 2019-20 and projections for FY 2020-21 through FY 2022-23.

FY 2019-20. General Fund revenue collections increased 2.4 percent and totaled \$12.9 billion. Strong individual income tax revenue collections for the 2019 tax year, coupled with persistent growth in sales tax revenue, were more than enough to offset significant weakening in corporate income tax payments and use tax receipts.

Revenue exceeded expectations considerably, beating the June forecast by about \$894 million. About \$210 million of the difference resulted from higher than expected June 2020 collections, primarily for individual income tax revenue. The remainder of the difference, about \$684 million, was due to larger-than-expected accrual adjustments. Accrual adjustments are made in order to match tax revenue to the fiscal year in which the underlying economic activity being taxed actually occurred. Extended income tax filing deadlines pushed revenue that usually would be collected in March and April into June and July. The larger accruals reflect July 2020 individual and corporate income tax receipts that beat expectations, indicating better 2019 economic performance than previously thought and a less severe decline in tax revenue in the first half of 2020 than previously feared.

FY 2020-21. Revenue is expected to fall 11.6 percent and total \$11.4 billion in FY 2020-21. The decrease reflects the impacts of the deep economic recession during the spring of 2020 that will have ongoing impacts across all revenue streams throughout the fiscal year. Expectations for FY 2020-21 incorporate more uncertainty than usual, as a potential double-dip recession or faster-than-expected recovery pose a wide range of possible revenue outcomes.

Relative to the June forecast, General Fund expectations for FY 2020-21 were increased by \$542.1 million, or 5.0 percent. This relatively large upward revision is based on higher than expected collections in FY 2019-20 and increased economic expectations for 2020 and 2021. This September forecast still reflects a sizable decline in individual income tax collections, but from a higher level than previously expected. Sales tax revenue is projected to remain essentially flat for the fiscal year, but to begin the fiscal year at a higher level than had previously been expected.

FY 2021-22. Revenue is expected to rebound, increasing 10.3 percent in FY 2021-22 to total \$12.5 billion. The forecast anticipates growth from low levels as business and consumer activity continue to recover after the recession. Despite the strong growth rate, revenue collections for FY 2021-22 are expected to remain below pre-pandemic levels.

FY 2022-23. This September forecast includes the first estimate for General Fund revenue for FY 2022-23. Revenue growth is expected to moderate considerably but remain strong, with the General Fund adding 5.6 percent to total \$13.2 billion. Revenue will exceed pre-pandemic levels but remain below them on a per capita, inflation-adjusted basis.

Risks to the forecast. The outlook for revenue is especially uncertain in light of the evolving COVID-19 crisis. This uncertainty poses significant upside and downside risks to the General Fund revenue forecast. The pace at which restrictions are relaxed across the many impacted industries will affect income and sales tax revenue, and longer periods of reduced activity will cause more permanent closures and longer-term economic and revenue impacts. In contrast, development and distribution of a vaccine for the virus pose upside risk, as does additional fiscal and/or monetary policy support from the federal government to businesses, households, and state and local governments.

Legislation. This forecast includes adjustments for 2020 legislation as shown in Table 7.

Table 7
2020 Legislative Adjustments to the General Fund Revenue Forecast
Dollars in Millions

Bill Number and Short Title	2020-21	2021-22
HB 20-1001 Nicotine Product Regulation	\$0.1	\$0.1
HB 20-1003 Rural Jump-Start Zone Act Modifications	-\$0.2	-\$0.8
HB 20-1020 Long-Term Lodging Sales Tax Exemption	\$3.7	\$7.4
HB 20-1024 Net Operating Loss Deduction Modifications ¹		
HB 20-1048 Race Trait Hairstyle Anti-Discrimination Protections ²		
HB 20-1109 Tax Credit Employer Contributions to Employee 529s		-\$0.04
HB 20-1143 Environmental Justice and Projects ²		
HB 20-1385 Use of Increased Medicaid Match	\$1.3	
HB 20-1420 Adjust Tax Expenditures for State Education Fund ³	\$94.1	\$32.0
SB 20-200 Implementation of Colorado Secure Savings Plan ⁴		
Net General Fund Revenue Impact	\$99.0	\$38.7

¹Increases state revenue beginning in FY 2035-36.

²Assessed as a minimal revenue increase.

³This bill increases revenue in part by reversing revenue decreases anticipated to result from income tax deductions in the federal CARES Act. The amounts presented here include the reversal of these decreases, which eliminated the negative adjustments to revenue that had been included in the May 2020 forecast update.

⁴Assessed as an indeterminate revenue decrease.

Expiring tax expenditures. This forecast estimates state revenue under current state and federal law. Under current state law, certain tax expenditures that were available in 2019 expire within the forecast period. Where applicable, the forecast includes upward adjustments to revenue projections to account for the expiration of these tax expenditures.

Individual income tax. Individual income tax revenue is the largest source of General Fund revenue; it accounted for just over 62 percent of FY 2019-20 revenue, net of the SEF diversion. Individual income tax revenue is expected to decrease sharply, falling 15.1 percent in FY 2020-21, before rebounding to grow 10.2 percent in FY 2021-22. Revenue is expected to remain below the FY 2019-20 peak level through the forecast period, which extends through FY 2022-23.

FY 2019-20. Individual income tax revenue grew 4.8 percent to total \$8.6 billion, its highest level ever. Taxes collected on income earned during 2019 more than offset declines in estimated tax payments for the first two quarters of 2020, when many of the state's industries endured a sudden stop in activity.

Income tax receipts collected during FY 2019-20 exceeded June 2020 forecast expectations by \$154.7 million, or 2.0 percent. However, July 2020 receipts also surprised on the upside. While the state fiscal year begins on July 1, July receipts primarily reflected final payments for the 2019 tax year and estimated tax payments for the first two quarters of the 2020 tax year. All of these payments would normally have been due earlier in 2020, but payment deadlines were delayed to July 15 by executive order. Because higher-than-expected July collections reflected economic activity that occurred during FY 2019-20, state accountants performed unusually large accruals of revenue across fiscal years. Specifically, a total of \$954.7 million was shifted from FY 2020-21 into FY 2019-20, or \$648.0 million more than assumed in the June 2020 forecast. As a result, preliminary, unaudited accrual-basis revenue for FY 2019-20 exceeded the June forecast by \$802.6 million.

Notably, unemployment insurance payments contributed to income tax revenue by more than expected during FY 2019-20, adding \$106.4 million on the year and making up 5.6 percent of income tax withholdings for April through June.

FY 2020-21. Individual income tax revenue is expected to fall 15.1 percent to total \$7.3 billion, consistent with expectations for declining wage, business, and investment income during the fiscal year. This amount is net of the accrual adjustments discussed above. For comparison, individual income tax revenue declined 17.9 percent between its peak in FY 2007-08 and its trough in FY 2009-10. Revenue is falling from tax years 2018 and 2019, when taxpayers accelerated economic activity in order to take advantage of the federal tax cuts enacted in the Tax Cuts and Jobs Act of 2017. Additionally, COVID-related losses were compounded by a simultaneous collapse in oil prices, which has historically suppressed income tax revenue associated with oil producers and downstream industries.

Relative to the June forecast, revenue expectations were revised up by \$380.6 million, or 5.5 percent. Expectations were increased as a result of higher-than-expected estimated payments for the first and second quarters of 2020, which portend a less severe fall in estimated payments through 2020 and into 2021 than previously expected. Additionally, expectations for tax withholdings from wages and other sources were increased, as their decline has likewise been less precipitous than was expected in May and June.

The extent of revenue loss will ultimately depend on factors that remain unknown, like whether pre-pandemic consumer activity will resume in affected industries and whether and when a COVID-19 vaccine can be developed and deployed. Additional federal stimulus may also ameliorate a portion of the revenue decrease to the extent that it keeps businesses from shuttering permanently or partially offsets wage loss through taxable unemployment insurance benefits. For these reasons, the FY 2020-21 forecast contains significant risk to both the downside and the upside.

FY 2021-22. Individual income tax revenue is projected to rebound from recessionary lows, rising 10.2 percent to total \$8.1 billion. The outlook for FY 2021-22 depends on whether the health concerns expected to limit economic activity have been overcome. This forecast assumes a return to unconstrained economic behavior in FY 2021-22, but even under such a scenario, the recession will have lasting impacts, keeping income tax revenue below prerecession levels.

FY 2022-23. Revenue is expected to grow 6.0 percent to reach \$8.6 billion, about \$70 million less than its peak level in FY 2019-20. While nominal revenue is forecast to approach its prerecession high mark, revenue is expected to remain lower than its previous peak on a per capita, inflation-adjusted basis.

Federal and state policies impacting the individual income tax forecast. President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) into law on March 27, 2020. The CARES Act includes several provisions expected to reduce taxable income, of which the largest are:

- allowing the deduction of “excess” losses by non-corporate businesses that would otherwise exceed a threshold established in the Tax Cuts and Jobs Act of 2017;
- allowing net operating losses for individuals, estates, and trusts to be carried back for up to five years, and delimiting the amount by which these losses may be used to reduce taxable income;
- increasing the percentage of business interest income that is tax deductible; and
- suspending required minimum distributions from retirement funds, allowing some retirees to let their fund balances recover before making distributions and incurring tax liability.

The CARES Act is expected to reduce federal taxable income for tax years 2015 through 2020.

On June 2, 2020, the DOR adopted two emergency rules that affect the state’s administration of the deductions in the CARES Act. Specifically, the emergency rules together define “internal revenue code” for the purpose of determining federal taxable income, which in turn is used to determine Colorado taxable income. Under the rules, “internal revenue code” is defined to exclude federal statutory changes enacted after the end of a tax year. DOR is expected to disallow amended returns filed for tax year 2019 and earlier years that show reduced federal taxable income as a result of the deductions in the CARES Act. The rules effectively eliminate the revenue impact of most CARES provisions for 2019 and earlier years.

House Bill 20-1420 requires state income tax additions to reverse the revenue decreases attributable to the three most significant provisions in the CARES Act: those related to excess business losses, net operating losses, and business interest income. In combination with the emergency rules, HB 20-1420 effectively reverses the entire revenue impact of these sections on Colorado state income tax collections.

The provisions of the CARES Act that are not addressed in HB 20-1420, like those related to required minimum distributions from retirement accounts, are expected to decrease revenue by about \$34.1 million in FY 2020-21.

TABOR refund mechanism. The FY 2018-19 TABOR surplus triggered a temporary income tax rate reduction for tax year 2019. This TABOR refund mechanism temporarily reduces the state income tax rate from 4.63 percent to 4.50 percent for one year only. The rate reduction refunds revenue collected during FY 2018-19 that has been restricted in the General Fund to pay refunds required in FY 2019-20. Because this revenue has already been collected and restricted to pay the required refund, the rate reduction does not reduce income tax revenue from the amount that would otherwise be collected for tax year 2019.

Corporate income tax. After reaching record levels in FY 2018-19, corporate income tax revenue totaled \$728.3 million in FY 2019-20, a 20.8 percent drop from the prior fiscal year. The steep decline results from the pandemic and related restrictions, which either closed or significantly slowed activity for many businesses. In addition, steep declines in oil prices have rippled through the economy and manifested in reduced payments. Corporate tax revenues are expected to fall by an additional

35.2 percent in FY 2020-21 as the economic effects of the COVID-19 pandemic continue to hamper business activity. Revenue is expected to begin recovering in FY 2021-22 and but remain below pre-COVID levels during the forecast period. Corporate income tax revenue is volatile, and to the extent that economic performance falls short of or exceeds expectations, corporate income tax revenue will likewise be lower or higher than forecast.

Compared with the June 2020 forecast, preliminary, unaudited figures from the Office of the State Controller indicate corporate income tax collections for FY 2019-20 fell short of the June forecast by \$43.1 million. For FY 2020-21, corporate income tax revenue expectations were revised upward by \$28.3 million on higher economic expectations relative to June.

Sales tax. The 2.9 percent state sales tax is assessed on the purchase of goods, except those specifically exempted, and a relatively small collection of services. Sales tax receipts are expected to increase 0.2 percent to total \$3.2 billion during FY 2020-21, after growing by 4.7 percent during FY 2019-20. Sales tax revenue is expected to pick up in FY 2021-22 and FY 2022-23, growing by 3.2 percent and 3.6 percent, respectively.

Revenue dropped by 10.0 percent in March and April of 2020 over the same two months last year, as stay-at-home orders went into place and layoffs occurred en masse. By May, collections were up on a year-over-year basis and remained strong through July on pent up demand, a strong housing market, federal stimulus payments, and additional unemployment benefits. Collections are projected to weaken this fall as stimulus payments have ended, unemployment remains high, and the pandemic prohibits a return to levels of activity observed pre-COVID. Sales taxes will pick up speed over the next two years as the economy recovers from the current downturn.

Out-of-state sales. Sales tax collections came in stronger than expected during FY 2019-20, with revenue bolstered by additional out-of-state sales tax collections resulting from legislative and rule changes made during 2019. The Department of Revenue reports that a total of \$79.3 million was collected in new sales tax revenue as a result of those changes during FY 2019-20. Out-of-state collection growth has moderated in recent months, and growth in overall sales tax collections is expected to slow during FY 2020-21 as the stimulus from the federal economic impact payments to households wears off and the weakened labor market constrains spending activity.

Use tax. The 2.9 percent state use tax is due when sales tax is owed, but is not collected at the point of sale. Use tax revenue is largely driven by capital investment among manufacturing, energy, and mining firms. Revenue is expected to increase by 0.9 percent in FY 2020-21, before rebounding more sharply by 8.7 percent and 7.0 percent in FY 2021-22 and FY 2022-23, respectively.

Use tax revenue fell by 39.1 percent in FY 2019-20 as rules promulgated by the Department of Revenue and legislative changes from HB 19-1240 converted retail use tax collections to sales tax collections. This is expected to keep use tax collections lower than their historical trend. Additionally, capital investments declined in the oil and gas sector, as the ability to finance investment dried up and demand for oil weakened this spring. Collections are expected to remain low this fiscal year on an uncertain outlook for the energy sector before beginning to rebound next fiscal year.

Table 8
General Fund Revenue Estimates
Dollars in Millions

Category	Preliminary FY 2019-20	Percent Change	Estimate FY 2020-21	Percent Change	Estimate FY 2021-22	Percent Change	Estimate FY 2022-23	Percent Change
Excise Taxes								
1 Sales	\$3,196.0	4.7	\$3,201.4	0.2	\$3,302.7	3.2	\$3,422.5	3.6
2 Use	\$210.5	-39.1	\$212.4	0.9	\$230.9	8.7	\$247.1	7.0
3 Retail Marijuana Sales	\$245.5	27.0	\$274.3	11.7	\$309.6	12.9	\$340.0	9.8
4 Cigarette	\$32.5	-0.1	\$31.1	-4.4	\$30.2	-3.0	\$29.6	-2.0
5 Tobacco Products	\$24.4	9.5	\$29.2	19.7	\$25.1	-13.9	\$26.2	4.5
6 Liquor	\$50.1	3.7	\$52.2	4.2	\$53.2	2.0	\$55.3	3.8
7 Total Excise	\$3,759.0	1.7	\$3,800.5	1.1	\$3,951.8	4.0	\$4,120.6	4.3
Income Taxes								
8 Net Individual Income	\$8,645.5	4.8	\$7,338.5	-15.1	\$8,090.2	10.2	\$8,577.7	6.0
9 Net Corporate Income	\$728.3	-20.8	\$472.0	-35.2	\$746.1	58.1	\$801.7	7.4
10 Total Income Taxes	\$9,373.8	2.3	\$7,810.4	-16.7	\$8,836.3	13.1	\$9,379.3	6.1
11 Less: Portion Diverted to the SEF	-\$646.7	-6.7	-\$643.5	-0.5	-\$662.7	3.0	-\$701.8	5.9
12 Income Taxes to the General Fund	\$8,727.1	3.0	\$7,166.9	-17.9	\$8,173.6	14.0	\$8,677.5	6.2
Other Sources								
13 Estate	\$0.0	NA	\$0.0	NA	\$0.0	NA	\$0.0	NA
14 Insurance	\$337.4	7.2	\$344.4	2.1	\$358.5	4.1	\$380.5	6.1
15 Pari-Mutuel	\$0.4	-23.7	\$0.5	17.1	\$0.5	7.3	\$0.5	-4.9
16 Investment Income	\$31.1	17.2	\$22.0	-29.1	\$23.1	4.9	\$24.5	6.1
17 Court Receipts	\$3.9	-6.7	\$3.8	-2.4	\$4.3	13.4	\$4.3	-0.6
18 Other Income	\$9.7	-80.2	\$36.7	278.6	\$36.5	-0.4	\$37.4	2.4
19 Total Other	\$382.5	-3.1	\$407.3	6.5	\$422.9	3.8	\$447.2	5.7
20 Gross General Fund Revenue	\$12,868.5	2.4	\$11,374.8	-11.6	\$12,548.3	10.3	\$13,245.3	5.6

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

Cash Fund Revenue

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

FY 2019-20. Preliminary, unaudited figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled \$2.24 billion in FY 2019-20, a decrease of \$201.3 million or 8.3 percent from the prior fiscal year. The most significant decrease in both dollar and percentage terms was in severance tax collections, which shrank by \$123.5 million, or 48.4 percent. Monthly average oil and gas production and prices tracked below FY 2018-19 levels during the first nine months of the fiscal year before COVID-related shutdowns caused both prices and production to fall precipitously. Transportation-related revenue, the largest source of cash fund revenue subject to TABOR, also declined, contracting by \$77.7 million, as demand for motor fuel and vehicle registrations fell April through June this year.

Forecast for FY 2020-21 through FY 2022-23. Total cash fund revenue subject to TABOR in the current FY 2020-21 is expected to total \$2.14 billion, a decline of 4.4 percent from the prior year. Expectations relative to the June forecast were largely unchanged throughout the forecast period. The crude oil market rout and drop in travel activity are expected to impact several cash fund sources in the current and following fiscal year. Specifically, revenue to transportation-related and severance cash funds is expected to decline in FY 2020-21 and before picking up in FY 2021-22, while gaming and marijuana revenues are expected to increase in both FY 2020-21 and FY 2021-22 in dollar terms. Total cash fund revenue is forecast to increase by 5.7 percent and 4.4 percent in FY 2021-22 and FY 2022-23, respectively, but is forecast to remain below pre-pandemic levels throughout the forecast period.

Transportation-related revenue subject to TABOR fell 6.1 percent over year-ago levels to total \$1,198.2 million in FY 2019-20, with most of the decline attributable to falling motor fuel consumption and vehicle registration payments between April and June 2020. Revenue was \$1.7 million, or 0.1 percent, higher than expected in the June forecast. Transportation-related revenue is expected to increase 0.5 percent in FY 2020-21 before growing by 3.3 percent in FY 2021-22 and 2.9 percent in FY 2022-23. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 10. Expectations for revenue were revised only modestly relative to those published in the June forecast.

The largest source of transportation-related revenue is the motor fuel excise tax credited to the Highway Users Tax Fund (HUTF). Fuel tax remittances declined by 0.4 percent between January and April 2020, reflecting a modest decrease in the amount of fuel distributed between the early months of 2019 and 2020. In contrast, fuel tax revenues for May, June, and July 2020 declined by 22 percent from the same months in 2019. Reduced vehicle traffic attributable to COVID-19-related business and office closures are expected to persist through 2020. Fuel consumption is expected to rebound in 2021 and 2022, but to remain below FY 2018-19 levels due to both cyclical and structural factors.

Table 9
Cash Fund Revenue Subject to TABOR
Dollars in Millions

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Transportation-Related Percent Change	\$1,198.2 -6.1%	\$1,204.0 0.5%	\$1,244.1 3.3%	\$1,279.7 2.9%	2.2%
Severance Tax Percent Change	\$131.7 -48.4%	\$31.8 -75.8%	\$69.1 117.1%	\$102.0 47.5%	-8.2%
Gaming Revenue ¹ Percent Change	\$69.1 -35.4%	\$66.3 -4.1%	\$72.5 9.3%	\$84.9 17.2%	7.1%
Insurance-Related Percent Change	\$24.9 10.5%	\$19.8 -20.8%	\$20.2 2.3%	\$22.0 8.9%	-4.1%
Regulatory Agencies Percent Change	\$81.1 2.9%	\$82.8 2.1%	\$85.3 3.0%	\$86.6 1.5%	2.2%
Capital Construction Related - Interest ² Percent Change	\$6.3 33.6%	\$4.0 -37.0%	\$2.9 -28.6%	\$2.5 -13.5%	-27.0%
2.9% Sales Tax on Marijuana ³ Percent Change	\$12.4 15.0%	\$12.9 3.9%	\$13.3 3.7%	\$13.6 2.3%	3.3%
Other Cash Funds Percent Change	\$713.0 4.4%	\$716.3 0.5%	\$752.1 5.0%	\$767.5 2.0%	2.5%
Total Cash Fund Revenue⁴ Subject to the TABOR Limit	\$2,236.8 -8.3%	\$2,138.0 -4.4%	\$2,259.5 5.7%	\$2,358.8 4.4%	1.8%

Totals may not sum due to rounding.

** CAAGR: Compound average annual growth rate for FY 2019-20 to FY 2022-23.*

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

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

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

Closures of local DMV offices delayed collection of some vehicle registration fees from FY 2019-20 into FY 2020-21. Revenue from registrations is expected to grow 3.6 percent in the current FY 2020-21 as a result of these distortions, and to return to trend levels for FY 2021-22 and FY 2022-23.

As expected, COVID-related travel slowdowns reduced daily vehicle rental fee revenue by more than half during the spring and early summer of 2020 relative to the same months in 2019. The decrease in rental fees drove an 11.5 percent decrease in other HUTF revenue during FY 2019-20, which is expected to remain low through FY 2020-21 before rebounding in FY 2021-22.

The State Highway Fund (SHF) receives money primarily from HUTF allocations, interest earnings, and local government matching grants. HUTF revenue is subject to TABOR when initially collected but not double-counted for TABOR purposes when distributed to the SHF and thus is omitted from SHF revenue in Table 10. Following a March 2020 Attorney General opinion, local government matching grants are no longer accounted as subject to TABOR, reducing SHF revenue shown in Table 10 for FY 2019-20 and subsequent years. Fewer HUTF allocations and local government funds

are expected to limit the SHF balance, reducing interest earnings in the fund through the forecast period.

Table 10
Transportation Funds Revenue by Source
Dollars in Millions

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	\$624.5	\$612.4	\$650.9	\$666.2	2.2%
Percent Change	-4.6%	-1.9%	6.3%	2.4%	
Total Registrations	\$381.8	\$395.6	\$388.7	\$395.0	1.1%
Percent Change	-0.2%	3.6%	-1.7%	1.6%	
<i>Registrations</i>	\$227.0	\$236.8	\$232.1	\$235.7	
<i>Road Safety Surcharge</i>	\$134.0	\$137.3	\$135.5	\$137.6	
<i>Late Registration Fees</i>	\$20.9	\$21.5	\$21.2	\$21.6	
Other HUTF Receipts /A	\$63.0	\$59.9	\$64.8	\$66.7	1.9%
Percent Change	-11.5%	-4.9%	8.3%	2.8%	
Total HUTF	\$1,069.3	\$1,067.9	\$1,104.4	\$1,127.9	1.8%
Percent Change	-3.6%	-0.1%	3.4%	2.1%	
State Highway Fund (SHF) /B	\$27.5	\$19.8	\$21.1	\$23.0	-5.9%
Percent Change	-30.9%	-28.0%	6.6%	8.6%	
Other Transportation Funds	\$101.4	\$116.3	\$118.6	\$128.9	8.3%
Percent Change	-20.4%	14.8%	1.9%	8.7%	
<i>Aviation Fund /C</i>	\$26.2	\$19.5	\$28.9	\$33.9	
<i>Law Enforcement-Related /D</i>	\$7.7	\$9.3	\$8.4	\$8.4	
<i>Registration-Related /E</i>	\$67.5	\$87.5	\$81.3	\$86.5	
Total Transportation Funds	\$1,198.2	\$1,204.0	\$1,244.1	\$1,279.7	2.2%
Percent Change	-6.1%	0.5%	3.3%	2.9%	

*CAAGR: Compound average annual growth rate for FY 2019-20 to FY 2022-23.

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 revenue 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.

⁴Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.

⁵Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and POST Board registration fees.

Addendum: TABOR-Exempt FASTER Revenue

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Bridge Safety Surcharge	\$112.2	\$117.3	\$114.7	\$117.0	1.4%
Percent Change	-2.1%	4.5%	-2.2%	2.0%	

Note: Revenue to the Statewide Bridge Enterprise from the bridge safety surcharge is TABOR-exempt and therefore not included in the table above. It is included as an addendum for informational purposes.

Aviation fuel excise tax revenue is expected to remain subdued through FY 2020-21 before rebounding in FY 2021-22. Revenue to the **Statewide Bridge Enterprise** is not subject to TABOR and is therefore omitted from the "Total Transportation Funds" line in Table 10; however, a forecast for this revenue is shown as an addendum to Table 10 for informational purposes.

Severance tax revenue, including interest earnings, totaled \$131.7 million in FY 2019-20, a decline of 48.4 percent over the previous year. Revenue is expected fall during FY 2020-21 as well to total \$31.8 million before increasing to \$69.1 million in FY 2021-22 and \$102.0 million in FY 2022-23. Severance tax revenue is more volatile than other revenue sources due to the boom-bust nature of the oil and gas sector and Colorado's tax structure. The forecast for the major components of severance tax revenue is shown in Table 11.

Table 11
Severance Tax Revenue by Source
Dollars in Millions

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Oil and Gas	\$111.9	\$16.5	\$53.3	\$85.2	-8.7%
Percent Change	-52.5%	-85.2%	222.6%	59.8%	
Coal	\$2.6	\$2.3	\$2.3	\$2.2	-5.8%
Percent Change	-26.1%	-11.2%	-1.1%	-4.8%	
Molybdenum and Metallica	\$2.4	\$2.4	\$2.5	\$2.6	3.2%
Percent Change	-3.2%	2.9%	3.0%	3.6%	
Total Severance Tax Revenue	\$116.8	\$21.3	\$58.1	\$90.0	-8.3%
Percent Change	-51.7%	-81.8%	173.0%	54.8%	
Interest Earnings	\$14.8	\$10.6	\$11.0	\$12.0	-6.8%
Percent Change	10.1%	-28.9%	4.3%	9.0%	
Total Severance Tax Fund Revenue	\$131.7	\$31.8	\$69.1	\$102.0	-8.2%
Percent Change	-48.4%	-75.8%	117.1%	47.5%	

*CAAGR: Compound average annual growth rate for FY 2019-20 to FY 2022-23.

Severance tax collections from **oil and natural gas** totaled \$111.9 million in FY 2019-20 and are forecast to decline 85.2 percent in FY 2020-21 to \$16.5 million based on year-to-date collections that reflect activity in 2020. Low oil prices will significantly constrain the U.S. oil and gas sector and result in production cuts.

Demand for crude oil tanked as countries across the globe restricted both domestic and foreign travel this spring. Travel by car picked up this summer but is expected to decline this fall. Transportation consumption accounts for about 70 percent of oil demand in the U.S., so demand for oil is expected to remain low until travel and commuting activity resume to approach their pre-shutdown levels.

Oil prices remain low as producers are extracting more oil than is currently consumed, resulting in higher domestic oil stocks. OPEC forecast that oil demand will stay about 9 million barrels per day below 2019 levels through the end of 2020 and stay below pre-pandemic levels into 2021. OPEC+

agreed to cut oil production by 7.7 million barrels until December; however, some U.S. producers have resumed extraction activities, creating a more complex outlook for oil market recovery. Production in Colorado remains subdued, with wells shut, capital expenditures cut significantly, and only 5 rigs active in the state, down from 26 during September 2019. This forecast is consistent with average Colorado oil prices of around \$38 per barrel in 2020 and \$46 per barrel in 2021, both of which have been revised up modestly from the June forecast. Natural gas prices are forecast at \$2.12 per thousand cubic feet in 2020 and \$2.30 per thousand cubic feet in 2021. Property taxes for 2019 have already been paid on near historic production levels, which will reduce severance taxes to \$0 for many oil wells in 2020 through the ad valorem credit, which allows oil and gas producers to deduct any property taxes paid from their severance tax liability.

Coal severance tax revenue declined 26.1 percent in FY 2019-20 and will decline modestly throughout the remainder of the forecast period as electricity generation continues to transition away from coal to renewable sources and natural gas. Based on current expectations, coal severance taxes are expected to decline 11.2 percent in FY 2020-21 to \$2.3 million and remain relatively flat at \$2.3 million in FY 2021-22.

Metal and molybdenum mines are expected to pay \$2.4 million in severance taxes on the value of minerals produced in FY 2020-21 and \$2.5 million in FY 2021-22. Mining activity at the two molybdenum mines in Colorado, the Climax Mine outside Leadville and the Henderson Mine outside Empire, is fairly constant when the mines are in operation.

Finally, interest earnings on severance tax revenue are expected to total \$10.6 million in FY 2020-21 and \$11.0 million in FY 2021-22. Interest earnings in FY 2019-20 were based on a higher average balance in severance tax accounts following the passage of Senate Bill 19-016. SB 19-016 distributes severance tax revenue in the year following when the revenue is collected; therefore, the principal builds through the fiscal year generating interest revenue.

Limited gaming revenue includes taxes, fees, and interest earnings collected in the Limited Gaming Fund and the State Historical Fund. Most of this revenue is subject to TABOR. Revenue attributable to Amendment 50, which expanded gaming beginning in FY 2009-10, is TABOR-exempt. 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, in the three state-sanctioned gaming municipalities: Black Hawk, Central City, and Cripple Creek. Casinos on tribal lands in southwestern Colorado are not subject to the state tax.

Limited gaming revenue subject to TABOR declined by 35.3 percent to \$69.1 million in FY 2019-20, and is expected to fall by 4.1 percent in FY 2020-21 before growing by 9.3 and 17.2 percent in FY 2021-22 and FY 2022-23, respectively. Colorado casinos were closed by executive order on March 17, and were allowed to reopen with limited capacity and limited game offerings on June 15. This left casinos with no revenue for half of March and all of April and May, and about half of 2019 revenue in June. Gilpin County was allowed a variance to the state's reopening rules, which will let casinos bring in 500 instead of 175 customers at once and will allow them to offer table games. This will help to increase casino revenue in FY 2020-21, albeit slowly at first, and casino revenue is projected to remain subdued throughout the year and possibly remain in a lower tax bracket. Revenue for FY 2021-22 and

FY 2022-23 is expected to grow at a faster pace as the industry recovers from the health and economic crises.

House Bill 20-1400, passed by the legislature during the 2020 session, changes the formulas to calculate revenue attributed to limited and extended gaming. The new formula was created to keep distributions to limited and extended revenue beneficiaries similar to the breakdowns between the two prior to the significant dip in tax revenue. These formulas supersede current statutory distribution formulas until the fiscal year after gaming tax revenues return to pre-downturn levels.

Sports betting was legalized in the state after the passage of Proposition DD during the November 2019 election. It launched on May 1, and got off to a rocky start with all professional sports suspended in the U.S. until late July. A forecast of sports betting revenue will be available in future forecasts, once tax collections data for several months become available.

Revenue collected from sports betting activity includes licensing fees, set at between \$1,200 and \$2,000 per operator and master license biannually, an operations fee, and tax revenue, which is set at 10 percent of casinos' net sports betting proceeds. As voter approved revenue, sports betting tax revenue will not be subject to the TABOR limit; however, the fee revenue will be subject to TABOR. A Sports Betting Operations Fee was created under the rules adopted by the Limited Gaming Commission to cover a portion of administrative costs. The intent of the fee is to cover the remaining costs after license fees are paid, and was set for FY 2019-20 at \$54,000 for internet sports betting operators and master licensees and at \$12,500 for retail sports betting operators and master licensees. License fees, the sports betting operations fee, and other miscellaneous fees collected during FY 2019-20 totaled \$0.6 million and sports betting taxes collected totaled \$0.3 million.

Preliminary, unaudited figures from the Office of the State Controller indicate that **marijuana tax revenue** totaled \$338.9 million in FY 2019-20, a 28.9 percent increase from the prior fiscal year. Marijuana tax revenues will continue to grow through the forecast period as the market matures further, reaching \$421.9 million in FY 2020-21 and \$488.9 million in FY 2021-22. The majority of the revenue from the marijuana industry is voter-approved revenue exempt from TABOR; however, the 2.9 percent state sales tax is included in the state's revenue limit. Tax revenue from marijuana sales is shown in Table 12.

The special sales tax is the largest marijuana revenue source and is taxed at a rate of 15 percent of the retail price of marijuana. Special sales tax revenue generated \$245.5 million in FY 2019-20. Revenue from the special sales tax has been strong since the beginning of the year and is expected to reach \$297.6 million in FY 2020-21, a 21.2 percent increase from the prior year. Revenue is expected to grow at or near a double-digit pace each year during the forecast period, reaching \$336.0 million in FY 2021-22 and \$368.9 million by FY 2022-23.

The state distributes 10 percent of the special sales tax to local governments and retains the rest to be used in the Marijuana Tax Cash Fund, the General Fund, and the State Public School Fund.

The excise tax is the second largest source of marijuana revenue and is dedicated to the BEST Fund for school construction. However, for FY 2020-21 only, HB 20-1418 requires the first \$40 million in excise tax revenue go to the BEST Fund with the remainder going to the State Public School Fund. In

FY 2019-20, the excise tax generated \$81.1 million, a 37.5 percent increase from the prior year. Robust demand for marijuana products will continue to bolster the excise tax through the forecast period as revenue from marijuana excise taxes is expected to total \$111.5 million in FY 2020-21 and \$139.6 million by FY 2021-22.

Table 12
Marijuana Tax Revenue by Source
Dollars in Millions

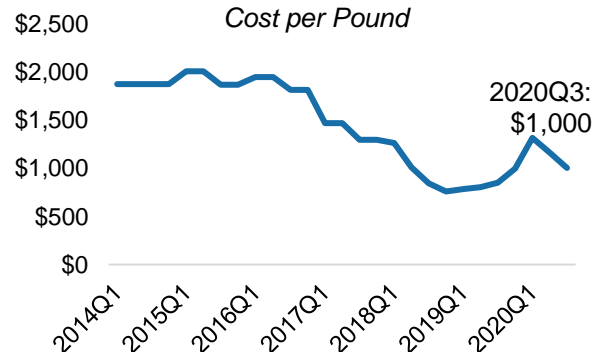
	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Proposition AA Taxes					
Special Sales Tax	\$245.5	\$297.6	\$336.0	\$368.9	14.5%
State Share of Sales Tax	\$220.9	\$267.8	\$302.4	\$332.0	
Local Share of Sales Tax	\$24.5	\$29.8	\$33.6	\$36.9	
15% Excise Tax	\$81.1	\$111.5	\$139.6	\$166.8	27.2%
Total Proposition AA Taxes	\$326.5	\$409.1	\$475.5	\$535.7	17.9%
2.9 Sales Tax (Subject to TABOR)					
Medical Marijuana	\$10.7	\$10.8	\$11.1	\$11.2	1.3%
Retail Marijuana	\$1.3	\$1.6	\$1.8	\$2.0	
Interest	\$0.3	\$0.4	\$0.5	\$0.5	
Total 2.9% Sales Tax	\$12.4	\$12.9	\$13.3	\$13.6	3.3%
Total Taxes on Marijuana	\$338.9	\$421.9	\$488.9	\$549.3	17.5%

*CAAGR: Compound average annual growth rate for FY 2019-20 to FY 2022-23.

The excise tax is based on the calculated or actual wholesale price of marijuana when it is transferred from the cultivator to the retailer. There is considerable uncertainty about the calculated price due to a lack of available information. The wholesale price bottomed out at \$759 per pound of marijuana flower in the fourth quarter of 2018 and has been steadily increasing each quarter before declining to \$1,000 per pound in the third quarter of 2020, as shown in Figure 4. The wholesale price is a significant determinant of the excise tax revenue and it is not clear if the price will continue to increase or fall, consistent with downward trends from 2016 to 2019. The wholesale price remains as both an upside and downside risk to the forecast.

The 2.9 percent state sales tax rate applies to medical marijuana and marijuana accessories purchased at a retail marijuana store. Medical marijuana sales tax revenue generated \$10.7 million in FY 2019-20 and is expected to modestly grow through the forecast period, generating \$10.8 million in FY 2020-21 and \$11.1 million in FY 2021-22. Retail marijuana dispensaries remitted the state sales tax on marijuana accessories totaling \$1.3 million in FY 2019-20, and this amount is expected to increase moderately through the forecast period. Revenue from the 2.9 percent sales tax is deposited in the Marijuana Tax Cash Fund and is subject to TABOR.

Figure 4
Calculated Average Wholesale Rate
Cost per Pound



Source: Colorado Department of Revenue.

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

FML revenue totaled \$62.1 million in FY 2019-20, a 45.4 percent decrease from FY 2018-19. This decrease is attributable to a royalty rate reduction granted by the Bureau of Land Management to the Colowyo coal mine in Routt County, as well as lower oil and natural gas prices and production. This rate reduction was approved for several prior years, causing the Department of Interior to refund revenue from prior years and will reduce distributions to Colorado. In FY 2020-21, FML revenue is forecast to decrease 2.1 percent to \$60.8 million. Due to the crash in oil prices and subsequent production cuts, oil prices are expected to remain around \$37 per barrel during 2020 and about \$46 per barrel during 2021, resulting in a decrease in royalties collected. Producers are cutting oil production due to lower prices, which causes a drop in natural gas production as well. Natural gas prices remain low due to an oversupply, but are expected to increase next year to around \$2.30 per thousand cubic feet, up from about \$2.12 in 2020. FML revenue will rebound gradually in the last two years of the forecast to \$70.2 million in FY 2021-22 and \$93.4 million in FY 2022-23.

The **Unemployment Insurance (UI) Trust Fund** is expected to end FY 2020-21 with a deficit of \$1.57 billion, as the high levels of state-funded unemployment insurance benefits being paid drain the fund without sufficient revenue increases to offset the losses. The fund is not expected to return to solvency within the forecast period. Forecasts for UI revenue, benefit payments, and year-end balances are shown in Table 13. Revenue to the UI Trust Fund is not subject to TABOR and is therefore excluded from Table 9. Revenue to the Employment Support Fund, which receives a portion of the UI premium surcharge, is subject to TABOR and is included in the revenue estimates for other cash funds in Table 9.

UI benefits paid have seen an unprecedented increase during the COVID-19-related rapid economic contraction. Benefits paid reached \$1.27 billion in FY 2019-20, an increase of 247.1 percent, with nearly \$1 billion in the last quarter alone. As a consequence, the fund balance as of June 30, 2020, was almost depleted, triggering a move to the second highest premium rate schedule beginning January 1, 2021. The fund became insolvent in August 2020. When the balance of the UI Trust Fund falls below zero, the federal government requires that another revenue source be found to continue funding the UI program. On August 18, 2020, Colorado began borrowing from the Federal Unemployment Account to fund benefit payments. Loans are currently extended interest free through the end of 2020. As of September 15, 2020, the state had \$244.4 million in federal loans outstanding.

The amount of UI benefits paid is expected to grow further in FY 2020-21 to \$2.62 billion, as unemployment remains elevated with the effects of COVID-19 continuing to reverberate and swaths of businesses shuttered or operating at reduced levels into 2021. Benefits paid are expected to fall back to \$764.5 million in FY 2021-22 and to \$744.4 million in FY 2022-23. The anticipated negative fund balances beginning in FY 2020-21 are expected to result in a shift to the highest rate schedule beginning January 1, 2022. This forecast incorporates the adjustments to fund revenues enacted with Senate Bill 20-207. Namely, the solvency surcharge will be suspended for 2021 and 2022, and the chargeable wage base will be held constant at \$13,600 for 2021. Beginning in 2022, the chargeable

wage base will increase incrementally, to \$17,000 in 2022 and to \$20,400 in 2023. The solvency surcharge will be turned on beginning January 1, 2023. The forecast fund balances do not account for the required federal borrowing to maintain the fund balance at \$0 or above.

Assuming no extension to the interest-free period, Colorado is expected to require new loans and to begin accruing interest in 2021. By law, a separate assessment is required to pay interest on federal loans used to fund the UI program. During the summer of 2021, businesses will be charged a special interest assessment to pay for the interest payment expected to be due in 2021. The amount individual businesses are charged is determined by a formula based on the amount owed to the federal government and each business' total wages as a percent of total wages statewide. Businesses will not owe a special interest assessment if their employees have not claimed UI benefits, or have claimed only a small amount of UI benefits.

Table 13
Unemployment Insurance Trust Fund
Revenues, Benefits Paid, and Fund Balance
Dollars in Millions

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Beginning Balance	\$1,104.1	\$412.2	(\$1,570.6)	(\$1,604.1)	
Plus Income Received					
UI Premium	\$532.8	\$632.1	\$731.0	\$910.6	19.56%
Solvency Surcharge	\$0.0	\$0.0	\$0.0	\$138.6	
Interest	\$25.9	\$3.3	\$0.0	\$0.0	
Total Revenues	\$558.7	\$635.4	\$731.0	\$1,049.2	23.37%
Percent Change	2.3%	13.7%	15.0%	43.5%	
Less Benefits Paid	\$1,268.5	\$2,618.3	\$764.5	\$744.4	-16.28%
Percent Change	247.1%	106.4%	-70.8%	-2.6%	
Accounting Adjustment	\$18.0	\$0.0	\$0.0	\$0.0	
Ending Balance	\$412.2	(\$1,570.6)	(\$1,604.1)	(\$1,299.3)	
Solvency Ratio					
Fund Balance as a Percent of Total Annual Private Wages	0.30%	-1.07%	-1.04%	-0.80%	

Totals may not sum due to rounding.

*CAAGR: Compound average annual growth rate for FY 2019-20 to FY 2022-23.

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Economic Outlook

Despite enduring a steep decline in activity earlier this year, the U.S. and Colorado economies continue to recover with resiliency, with most recent indicators outpacing the expectations that were set this spring. Available data illustrate extensive and some lasting damage. Jobs have recovered only partially after their collapse in April, and the unemployment rate remains high. Households have lost income from wages and salaries, business ownership, and investment. Consumers who have money to spend are choosing to save instead, as fewer outlets for spending meet shaken consumer confidence, with service sectors bearing the brunt of the pull-back. Investment in Colorado's energy sector has slowed nearly to a halt. Yet, in the face of these challenges, the economy is tracking ahead of consensus expectations from earlier this year. Monetary and fiscal relief have softened the blow to a greater extent than was anticipated, keeping the economy afloat even in the face of ongoing challenges.

Relative to the June forecast, economic expectations have been revised up across all major indicators. However, the national and state economies are each still expected to absorb major blows in 2020. As the steadying effects of monetary and fiscal stimulus dissipate, some economic challenges will become more pronounced in the second half of this year and into 2021. Many key determinants of state revenue, including employment and income, are expected to remain below trend levels through at least 2022. Tables 14 and 15 on pages 52 and 53 present histories and expectations for key indicators for the U.S. and Colorado economies, respectively.

Risks to the forecast. This forecast assumes that an effective vaccine will not be widely available until mid-2021, necessitating ongoing social distancing restrictions. Additional easing of business and social restrictions is expected in coming months, with targeted localized interventions in areas facing outbreaks. Widespread closures are not assumed in this forecast, but are possible and could result in a slower than expected economic recovery or a double-dip recession. The potential resurgence of COVID-19 poses significant downside risk to the forecast, while near-term development of a vaccine or additional federal stimulus pose sizable upside risks.

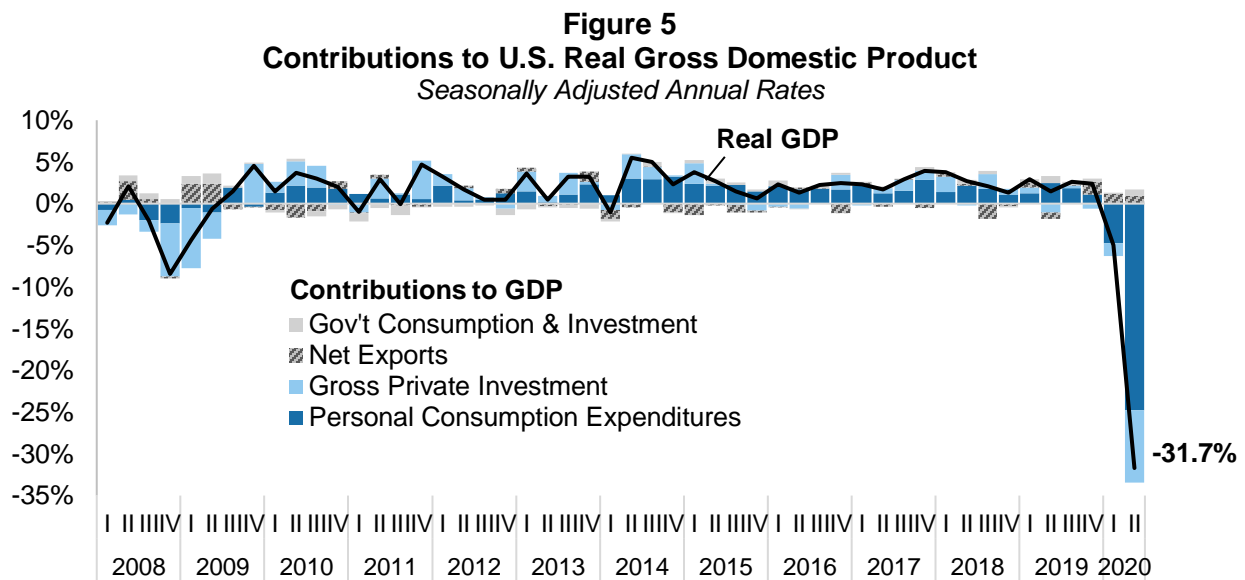
Gross Domestic Product

The most commonly cited estimate of total economic activity in the U.S. is real gross domestic product, (GDP), an estimate of the inflation-adjusted value of final goods and services. Data from the U.S. Bureau of Economic Analysis suggest that following a first-quarter decline of 5.0 percent, real GDP declined at an annualized rate of 31.7 percent in the second quarter of 2020, by far the sharpest contraction ever recorded for this measure (Figure 5). The steep decline came as the result of business closures and stay-at-home orders in effect from March through early May. With the contraction in economic activity, the National Bureau of Economic Research determined that the U.S. economy entered a recession following the peak in economic activity in February 2020, marking the end of the 128-month expansion, the longest in U.S. history.

The annualized rate of decline indicates that the economy would lose 31.7 percent of its output if the level of activity observed in the second quarter were sustained for the full year. A substantial rebound in GDP, on the order of a 30 percent annualized rate or more, is expected in the third quarter, as COVID-19-related restrictions lifted, consumers unleashed pent-up demand, and government stimulus bolstered spending and employment. Moderation of this initial bounce-back is expected in

the fourth quarter of 2020 and into 2021 as ongoing uncertainty, health concerns, and elevated unemployment levels continue to place a drag on growth.

- Real U.S. GDP is expected to decline 4.1 percent in 2020 as the contraction during the first half of the year pulls annual levels of economic activity below those experienced in 2019. Economic activity is expected to expand 4.5 percent in 2021, nearing pre-COVID-19 levels, and rise an additional 2.9 percent in 2022.



Source: U.S. Bureau of Economic Analysis. "Real" GDP is inflation-adjusted. Contributions to percent change and percent change in GDP reflect annualized quarter-over-quarter growth rates.

Consumers are expected to drive the economic contraction and recovery. Consumer spending, as measured by personal consumption expenditures and accounting for more than two-thirds of total economic output, dropped at an annualized rate of 34.1 percent in the second quarter of the year, the steepest pullback in activity ever recorded by this measure. The sharpest decline was in spending on services, which saw a 43.1 percent decline (annualized rates) led by health care, recreation, and food services and accommodations. Spending on big-ticket items was down 1.3 percent in the second quarter, but with increased spending on motor vehicles, recreational vehicles, and recreational goods. However, spending on nondurable products such as food and clothing was down 14.9 percent, compared with 7.1 percent growth in the previous quarter, as consumers curtailed purchases of clothing and gasoline while stay-at-home orders were in effect. The sharp halt to consumer activity is expected to reverse in the third quarter of the year, with consumer spending rebounding strongly. However, elevated unemployment and health concerns are expected to continue to restrain the recovery of consumer spending after initial bounce-backs, particularly in services.

Business investment outlook remains weak. Having already taken a hit from COVID-19 in the first quarter of 2020, business investment plunged further during the second quarter, reflecting shutdowns and elevated uncertainty about the course of the pandemic. During the second quarter of 2020, total gross domestic business investment fell by an annualized rate of 46.2 percent after declining by 9.0 percent in the previous quarter. Investment in business equipment plunged by 35.9 percent in the second quarter of the year, while spending on nonresidential structures dropped by 33.4 percent over

the same period. Spending on residential housing declined by 37.9 percent, after increasing by 19.0 percent in the first quarter. A slight rebound is expected in the third quarter of 2020, led by residential investment, although substantial uncertainty will continue to depress business expectations. An uptick in bankruptcies could signal widening business disruptions and a dampened outlook amidst a stalled recovery moving forward.

Import and export activity deteriorated significantly in the first half of 2020. After declining by an annualized rate of 9.5 percent in the first quarter, exports dropped off precipitously, by 63.2 percent, in the second quarter of 2020. Likewise, imports were down 15.0 percent and 54.0 percent in the first and second quarters, respectively. The fall in both imports and exports reflects supply-side constraints as well as a collapse in global demand for goods resulting from shutdowns across the globe. Further, travel restrictions brought the export of services to a standstill. Trade will show renewed growth along with the rebound in other spending categories in the third quarter of 2020. However, amid ongoing disruptions related to the ebb and flow of the pandemic worldwide, global trade is expected to remain subdued relative to pre-pandemic levels into 2021.

Further federal stimulus in question. Government spending rose sharply in the second quarter with the largest injection of federal fiscal stimulus, projected at about \$2 trillion between 2020 and 2025, in U.S. history. The federal Families First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security Act (CARES Act) included direct payments to households, expanded and extended unemployment insurance benefits, business assistance, health and education spending, and tax cuts to households and businesses. Reflecting the boost from stimulus, nondefense federal spending increased by 40.1 percent in the second quarter of 2020, staving off an even more severe decline in overall GDP. State and local government expenditures contracted by 5.5 percent during the same period, as state and local governments struggled to curb spending in the face of expected revenue shortfalls.

As this forecast goes to print, Congress is considering additional federal stimulus policy options. The paycheck protection program (PPP) and some additional federal unemployment insurance benefits expired at the start of August. Other extended federal unemployment insurance benefits are set to expire at the end of 2020. These supports and the boost in household consumption from April direct economic impact payments are expected to wear off in the months ahead, leading to a potential rise in job losses, and lower incomes and consumption for households. This forecast assumes that the pace of recovery will slow as the stimulus wears off, but that the economy will continue to expand from April lows. Additional stimulus poses an upside risk to the forecast, while the expiration of stimulus could give way to lower levels of consumer and business activity than expected.

Labor Markets

Labor market indicators for both the U.S. and Colorado suggest that the jobs recovery in May and June has slowed, with pre-COVID-19 employment levels remaining far from reach after the initial shutdown-related shock. Labor markets are expected to remain impaired through the remainder of 2020 and will fail to reach pre-pandemic levels in either 2021 or 2022, although substantial uncertainty about the impacts of the pandemic remains.

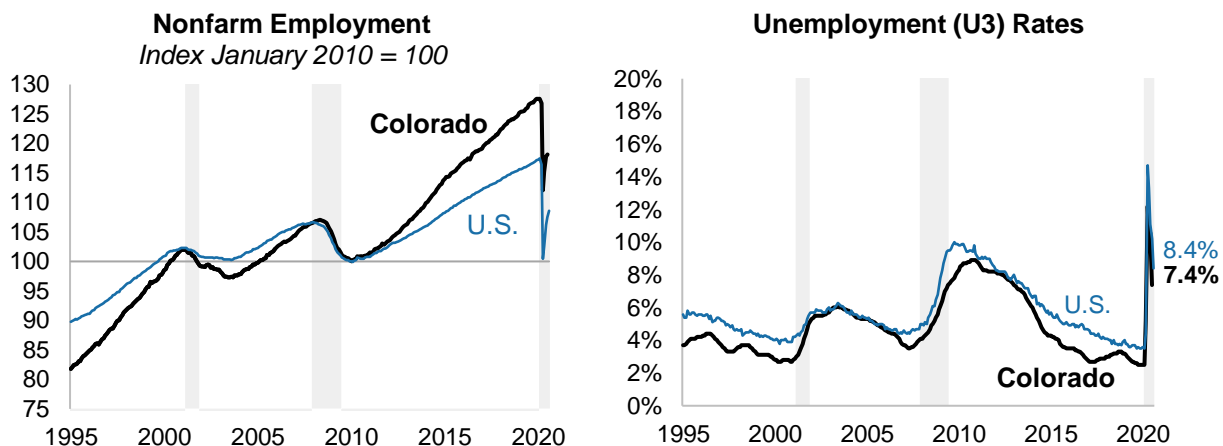
- U.S. nonfarm employment is expected to decrease at a pace of 5.5 percent in 2020 before returning to 4.1 percent growth in 2021. After reaching a historic low of 3.7 percent in 2019, the U.S.

unemployment rate is expected to rise to 8.2 percent in 2020, and to remain elevated at 6.3 percent in 2021.

- In Colorado, nonfarm employment is expected to decline by 4.5 percent in 2020 before beginning a recovery in 2021 to 3.0 percent growth. The Colorado unemployment rate is expected to increase sharply from 2.8 percent in 2019 to 6.9 percent in 2020, declining slightly in 2021 to 5.6 percent.

Unemployment remains elevated as recovery stalls. As the COVID-19 pandemic brought the U.S. and Colorado economies to a standstill, labor market conditions deteriorated sharply in March and April before showing signs of recovery in May and June with the re-opening of shuttered businesses (Figure 6). The jobs recovery stalled in July with the resurgence of COVID-19 cases in some areas of the U.S. and Colorado and the subsequent reversal of some reopening measures. The expiration of several CARES Act provisions during the summer and fall, which have been bolstering consumer demand and employment through the shutdown and reopening phases, cloud the outlook for sustained recovery during 2020, as does the substantial uncertainty regarding the trajectory of the virus and any further federal stimulus.

Figure 6
Selected U.S. and Colorado Labor Market Indicators

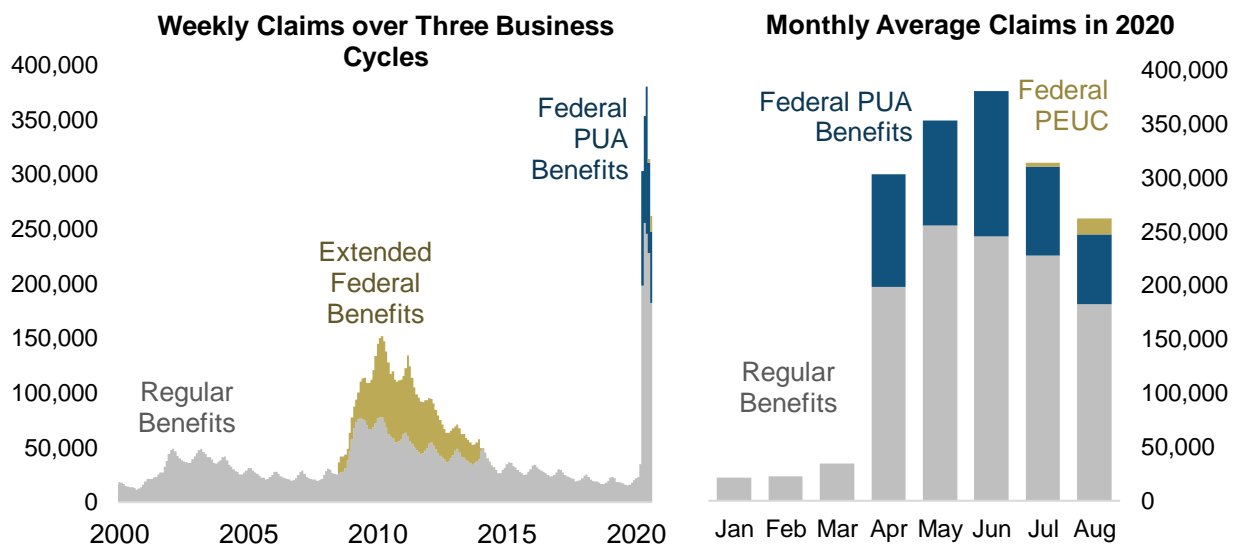


Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted and are through August 2020 for the U.S. and July 2020 for Colorado.

Unemployment insurance claims are falling but remain at historical highs. After falling since their spike of 6.9 million on a seasonally adjusted basis for the week ending March 28, initial unemployment claims in the U.S. fell to 884,000 for the week ending August 29, a decline partially reflecting an adjustment in the seasonal adjustment calculations performed by the U.S. Department of Labor. Advance estimates for the week ending September 5 indicate initial claims are unchanged, and are still four times higher than their 2019 weekly average of 218,000. These data suggest that layoffs are continuing at elevated levels. Likewise, weekly continued claims remain above 13 million, almost eight times the 2019 weekly average of 1.7 million. While initial claims for unemployment insurance in Colorado have fallen off considerably since their peak of 104,217 for the week ending April 11, they remain just below 6,000, more than three times the weekly average of 1,899 for 2019. Continued claims remain over 160,000, over eight times their 2019 weekly average of 18,580.

Figure 7 shows continued claims for Colorado, including the additional federal benefits offered during the Great Recession and current pandemic. Currently, these additional federal benefits include Pandemic Unemployment Assistance (PUA) for self-employed and other workers not usually covered by unemployment insurance, and Pandemic Emergency Unemployment Compensation (PEUC), which provides up to 13 additional weeks of unemployment benefits once the initial 13 weeks of regular state benefits are exhausted. PUA benefits debuted at the end of April, with 40,906 initial filings in Colorado, and have declined since then, for an August weekly average of 2,276 initial claims and 65,979 continued claims for these benefits. Notably, since early July, an increasing number of Coloradans have filed for PEUC, with over 25,000 filing for the week ending September 5, indicating that many Colorado workers are now experiencing longer-term unemployment.

Figure 7
Colorado Continued Claims for Unemployment Insurance



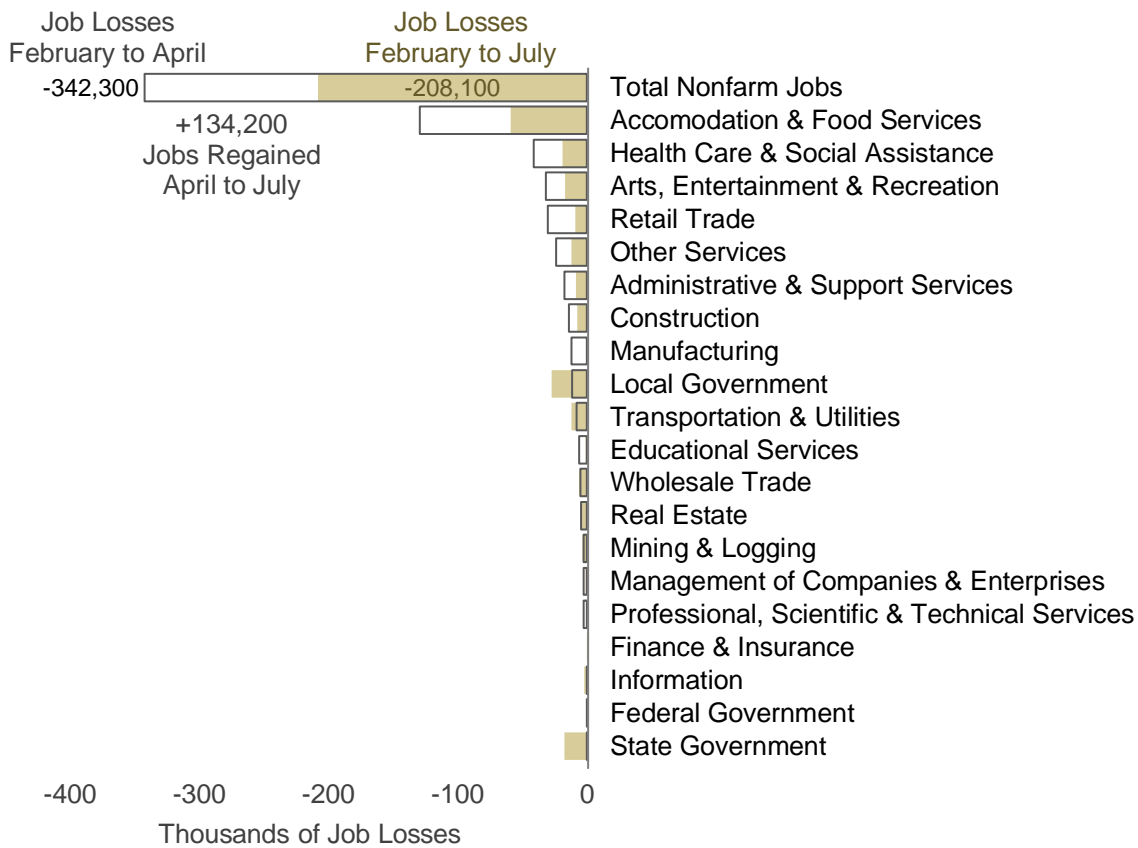
Source: Colorado Department of Labor and Employment. Data through the week of August 29, 2020.

Demographic and geographic variations in unemployment. The U.S. unemployment rate has declined since the April peak of 14.7 percent to 8.4 percent in August, for a year-to-date average of 8.7 percent. Unemployment rates vary across demographic groups, with higher rates for women (8.4 percent) than for men (8.0 percent), and for workers who are Black (13.0 percent), Hispanic (10.5 percent), and Asian (10.7 percent) than for those identified as White (7.3 percent). In Colorado, the statewide unemployment rate decreased from a peak of 12.2 percent in April to 7.4 percent in July, the 15th highest rate among the fifty states, for a year-to-date average of 7.2 percent (Figure 7, right). Unemployment rates in Gilpin and Summit Counties remained in the double digits, at 12.0 percent and 10.1 percent, respectively, while other areas of the state are showing rates below 10 percent. For more information on regional trends, see pages 54 through 79 of this forecast document.

A significant share of jobs have been regained, though losses remain staggering. The U.S. lost a staggering 22 million jobs between February and April. While 10.6 million jobs, or 48 percent, of those lost were regained between May and August, the U.S. economy has still lost over five years of growth, having not seen this level of employment since March 2015. Likewise, Colorado has gained 134,200, or 40 percent of the 342,300 jobs lost since the pandemic began (Figure 8), and has lost roughly

four years of employment growth. The U.S. gained 1.4 million jobs in August and Colorado gained 6,200 jobs in July, a substantial slowing of employment growth from recent months.

Figure 8
Colorado Job Losses in 2020



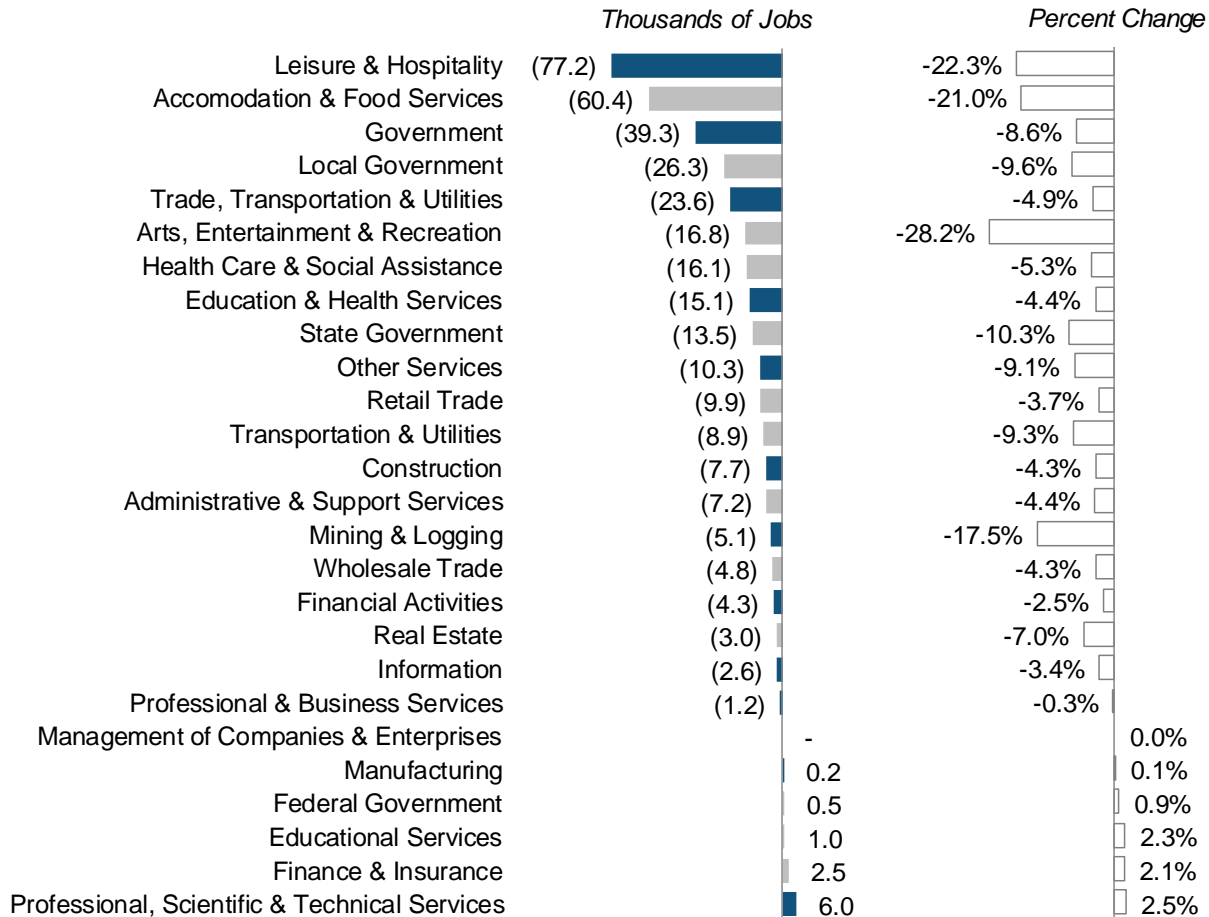
Source: U.S. Bureau of Labor Statistics with Legislative Council Staff calculations. Data are seasonally adjusted.

Job losses remain uneven across sectors. According to the August 2020 jobs report, the largest U.S. employment increases were in government employment, which increased by 344,000 in August and accounted for one-fourth of the gain in total nonfarm employment. This reflected the hiring of 238,000 temporary 2020 Census workers. Notable gains also came in retail trade, professional and business services, led by temporary help services, leisure and hospitality, led by food services and drinking places, and education and health services.

In Colorado, where data are only available through July, many of the hardest-hit industries continue to show signs of bouncing back, although at a slower pace than in May and June. Significant job gains in Colorado in July came in leisure and hospitality, trade, transportation, and utilities, professional and business services, education and health services, and other services. No private industry sector saw a significant decline over the month, although 33,900 jobs were lost in government between June and July, led by sizable losses in local and state government jobs. Compared to year-ago levels, the largest job losses in Colorado remain in leisure and hospitality; government; trade, transportation, and utilities; and education and health services. The year-over-year change in employment by

industry is shown for Colorado in Figure 9. Figure 8, by comparison, provides a view of the jobs that have been recovered since the trough in employment in April.

Figure 9
Colorado Job Gains and Losses by Industry
 Year-over-Year Change, July 2020 over July 2019



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

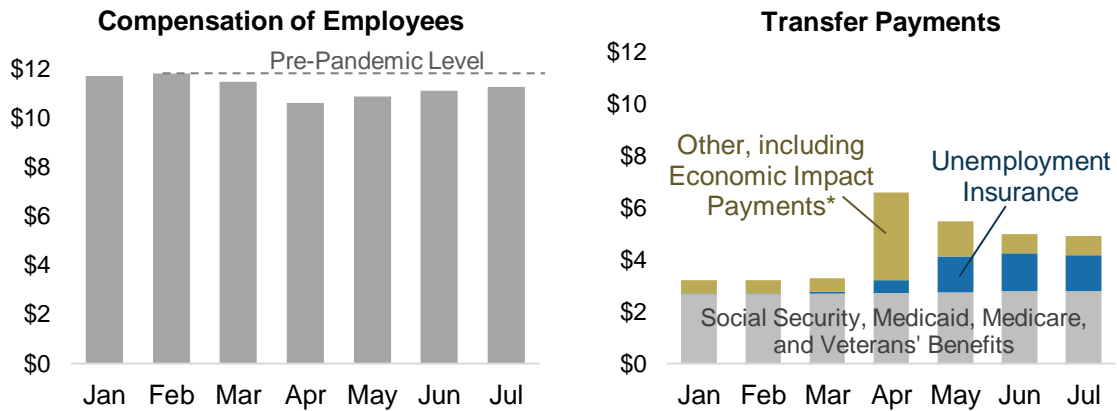
Personal Income

The second quarter of 2020, which represents the trough of the deep pandemic-led recession, defied convention by posting the highest level of personal income ever recorded in the United States. Consistent with economic performance, the principal sources of income earned through the private sector economy – employee compensation (by far the largest component), as well as investments, and income to business proprietorships – all stagnated or fell in absolute terms. Yet, households were buoyed by two unprecedented expansions of government transfer payments: the direct payments to households and businesses in the CARES Act, and expanded unemployment benefits (Figure 10, right).

Transfer payments more than offset declines in household and business income. Year-to-date through July 2020, wages and salaries, proprietors' income, and interest and dividend income all fell

in absolute terms, while rent income increased only modestly. However, all of the loss and stagnation in the private sector economy was more than offset by 43.8 percent growth in government transfer payments, which ballooned from an annualized \$3.0 trillion in early 2019 to about \$5.6 trillion in the second quarter of 2020. Unemployment benefits accounted for about \$1.1 trillion of the annualized increase, with the rest coming from social security, Medicare, Medicaid, and veterans' benefits (about \$200 billion together) and "other" government transfer payments (\$1.3 trillion), of which the largest component is CARES distributions.

Figure 10
Selected Components of U.S. Personal Income in 2020
Dollars in Trillions, Seasonally Adjusted Annualized Rates



Source: U.S. Bureau of Economic Analysis.

*Includes direct payments to households under the federal CARES act and other transfer receipts.

With every source of income included, personal income actually grew by 6.8 percent, a strong pace of growth even during a robust expansion. Absent all transfer payments, personal income would have decreased by 0.7 percent in the first half of 2020 compared with the first half of 2019. Absent unemployment insurance only, personal income would have increased by 3.8 percent, modestly exceeding the contributions of population growth and inflation.

Personal income growth will moderate considerably without additional stimulus. The outlook for personal income is highly dependent on the presence and scope of additional fiscal stimulus. In the absence of additional stimulus, personal income will decelerate over the third and fourth quarters of 2020 before declining in 2021, as anticipated increases in wages and salaries, investment income, and proprietors' income will be more than offset by declines in transfer payments. Consistent with prior business cycles, wages and salaries are expected to require longer to recover than other components of personal income, as a loose labor market will diminish competition for workers and attendant wage pressure. Because this forecast presents economic expectations consistent with current federal and state law, the expectations below assume no additional stimulus beyond that already authorized.

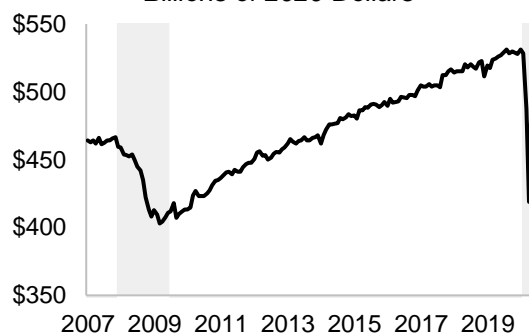
- Government transfer payments are expected to nurture moderate growth in personal income during 2020, when U.S. and Colorado personal incomes are expected to increase 4.5 percent and 4.9 percent, respectively. As transfer payments dissipate, personal income is expected to see more modest growth in 2021 at 1.2 percent and 2.6 percent for the U.S. and Colorado, respectively.

Consumer Activity

U.S. retail sales rebounded sharply after cratering in April this year (Figure 11). In August, inflation-adjusted U.S. retail sales increased 1.2 percent over year-ago levels. Nonstore retailers saw the strongest gains to date and now comprise 15.5 percent of total retail sales, up from 12.9 percent during August 2019. Although durable goods purchases fell by 5.2 percent through the first four months of the year on a nominal basis (not adjusted for inflation), they are up 0.3 percent through July over the same period last year. Automobile purchases normalized to pre-COVID levels in May and have continued to show strong growth, bolstered by stimulus checks, low interest rates, and dealer incentives.

While spending on goods has rebounded, spending on services remains severely depressed. Services expenditures, which typically comprise about 70 percent of all consumer spending, declined by 6.0 percent through July over the first seven months of last year. Spending on travel, restaurants, recreation, and transportation services are not expected to recover fully until brick-and-mortar services are allowed to operate at full capacity and pre-pandemic levels of in-person activities resume.

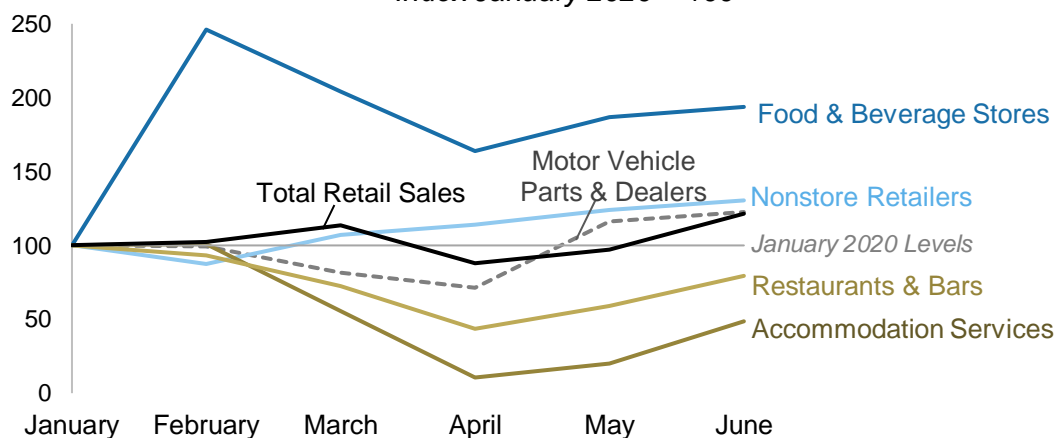
Figure 11
Monthly Real U.S. Retail Sales
Billions of 2020 Dollars



Source: U.S. Census Bureau, advanced monthly retail trade report. Data are through August 2020 and are inflation adjusted using the U.S. city average CPI-U.

Tourism-related sectors are struggling to recover in Colorado. The Colorado Department of Revenue monthly retail trade reports indicate that Colorado retail trade picked up steam in May and June as COVID-related restrictions eased and consumers unleashed pent-up demand. Spending at food and beverage stores remains almost double what it was pre-pandemic, while money spent at restaurants and bars is at about 80 percent of what it was in January (Figure 12).

Figure 12
2020 Colorado Retail Sales
Index January 2020 = 100



Source: Colorado Department of Revenue.

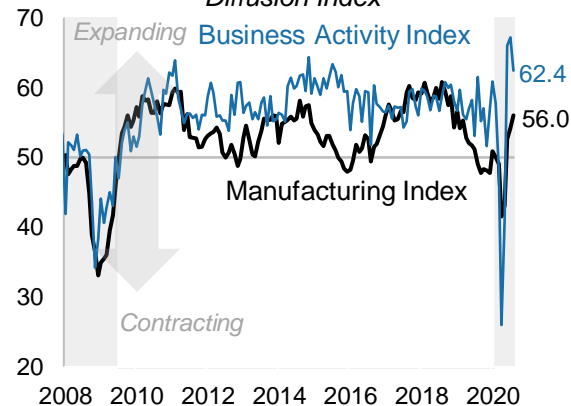
While motor vehicle spending was up over pre-pandemic levels in June, the state has experienced a sharp decline in spending on hotels with fewer tourists and business travelers. Consumer spending is expected to moderate in the fall with the expiration of CARES Act stimulus and lending programs. Unemployment is expected to remain elevated, and cooler temperatures will challenge restaurants and retailers given COVID-related safety precautions.

Business Activity

Current business activity indicators suggest that the recovery continues from May and June lows across sectors, but many businesses continue to trim employment, reduce their capital budgets, and delay projects to cut costs and maintain profits. In April, the federal government and many local governments began offering loans to assist small businesses through the pandemic. In spite of low- and no-interest loans, many companies continue to struggle, and some have closed or significantly reduced operations. Moreover, social distancing restrictions appear to be reshaping consumer-spending patterns, supporting recovery and expansion for some companies while hindering others.

Current business indicators show improvement, but many employers continue to reduce employment. The Institute for Supply Management (ISM) produces a monthly index of U.S. manufacturing and nonmanufacturing business activity based on a survey of firms. The August 2020 manufacturing index rose to 56.0 from 54.2 in July, the highest level of business expansion since November 2018 (Figure 13). Values above 50 represent expansion. Many companies reported an increase in new orders, and inventories fell at a faster pace. The employment component of the index registered 46.4, up 2.1 points from July, but remaining in contractionary territory.

Figure 13
Institute for Supply Management Indices
Diffusion Index



Source: Institute for Supply Management. Data through August 2020.

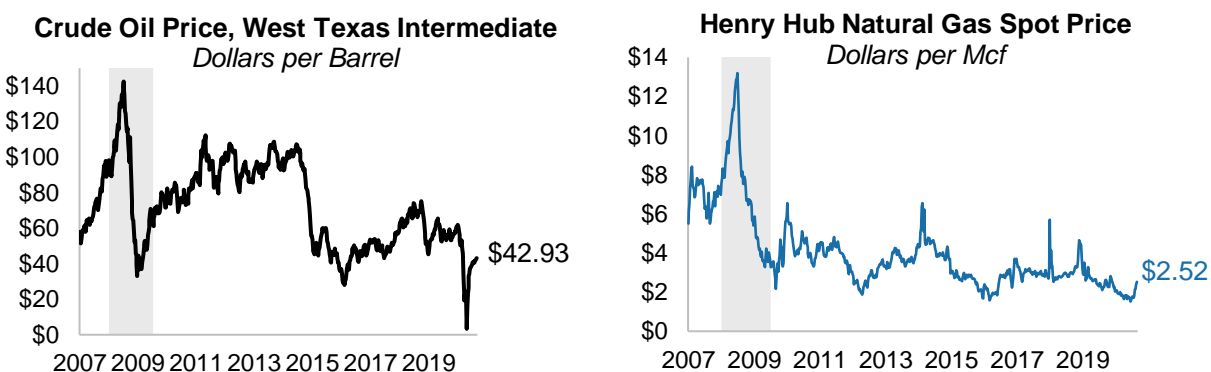
COVID-19 pandemic related restrictions are reshaping consumer-spending habits. Early indicators show businesses tied to the goods sector are recovering sooner than those that offer in-person services. Work-from-home orders have boosted demand for housing-related items, such as wood products for remodeling or new home construction, home office products, and supermarket-related items like laundry detergent and toiletries. Businesses tied to in-person services, such as transportation and live entertainment, continue to struggle. Similarly, goods-providers catering to in-person business-related consumption continue to suffer from reduced in-person activity. Exemplifying these pandemic-related shifts is the August bankruptcy filing of the professional attire retailer, Brooks Brothers, which has suffered declining sales with the increased number of people working from home.

Energy Markets

Energy prices remain subdued on higher energy production and stocks. U.S. demand for both oil and gas gathered steam in August, as summer temperatures peaked and road trips became the go-to summer vacation choice. Gasoline demand rose while jet fuel demand lagged on significantly reduced

flight activity. West Texas Intermediate crude oil prices hovered just over \$40 per barrel through August with little variance (Figure 14, left), as crude oil stocks were slow to decline and production is slow to recover. Natural gas prices peaked in August at over \$2.50 per million BTU, higher than pre-pandemic prices (Figure 14, right). As cooler weather rolls in and production picks back up, prices are expected to fall and remain around \$2.30 per million BTU through at least 2021. Both crude oil and natural gas markets are subject to high levels of uncertainty as the U.S. and the rest of the world follow different paths to recovery and the risk of another wave of infections increases in the fall.

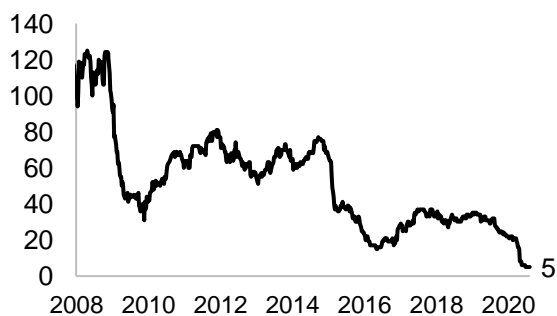
Figure 14
U.S. Energy Prices



Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted. Data are through the week of September 4, 2020.

Oil and gas producers lack drilling incentives. Drilling rig counts remain at historic lows through August with only five active rigs currently operating in Colorado (Figure 15). Low oil prices, expected to remain below \$50 per barrel through 2021, are putting downward pressure on investment, while natural gas prices are expected to slowly creep up as long as production is low. Crude oil production remained flat in Colorado through June over the same period last year; however, comparing June year-over-year levels, production is down 13.9 percent. Many wells are still shut throughout the Denver-Julesburg Basin, since demand for fuel has yet to recover. Natural gas production levels in the region are up 4.4 percent year-to-date through June over year-ago levels, mainly on strong production during the first few months of 2020. Downside risks currently outweigh upside risks in oil and natural gas production with both consumer and business demand projected to remain below pre-pandemic levels into 2021.

Figure 15
Colorado Active Oil and Gas Drilling Rigs



Source: Baker Hughes. Data are not seasonally adjusted. Data are through the week of August 7, 2020.

As the energy sector contracts, job losses and bankruptcies have mounted. Unemployment claims in the oil and gas sector totaled 8,092 through August 15 of this year. About 60.0 percent of claims have been concentrated in oil and gas support services, which are primarily exploration and production service jobs. These jobs are not likely to return until drilling and production recover.

Real Estate and Construction Activity

After COVID-19-related restrictions slowed U.S. and Colorado housing activity in March and April, residential real estate market indicators are showing signs of heating up. Tight inventories and historically low mortgage rates are increasing demand and driving home price appreciation throughout the U.S. and especially in Colorado. Mortgage rates have been steadily declining since March when the Federal Reserve cut the federal funds rate to near zero to support the economy. In August, the average 30-year fixed mortgage rate was 2.94 percent, down almost 19 percent from the same month last year. In addition, a shift to working at home has many buyers looking for bigger homes, often in suburban areas as commuting time has become less of a factor. High lumber prices may constrain growth, but tight inventories and low mortgage rates are expected to support the U.S. and Colorado housing market in spite of economic uncertainty.

- After contracting 9.4 percent in 2019, Colorado housing construction activity, as measured by residential construction permits, will grow a modest 0.9 percent in 2020. In 2021, the number of new housing permits is expected to increase 4.3 percent as low inventory, mortgage rates, and pent-up demand bolster the market.

Nonresidential construction activity has slowed. Construction was exempt from city and state stay-at-home orders, and work continued on current projects. However, the pandemic is expected to affect nonresidential investment, specifically for retail and office development, as companies demand less space and future projects are delayed. In Colorado, spending on office buildings was down almost 40 percent through July compared with the same period last year. A strong online shopping market is increasing demand for warehouse construction. Through July, total spending on warehouse construction was up 300 percent in Colorado from the same period last year.

Public outlays have been the main driver for U.S. nonresidential construction activity over the past several years. In July, spending on public nonresidential construction was up 5.1 percent from the same month one year ago, while private spending was down 1.8 percent over the year. However, investment in public projects is expected to slow as the COVID-19 crisis has strained state and local government budgets. In addition, many public projects that were scheduled to start in the summer were pulled forward into the spring as there was less traffic on the roads to hinder construction.

- The value of nonresidential construction starts in Colorado is expected to drop in 2020 and 2021, declining by 3.2 percent and 4.6 percent, respectively, as many industries hold off on new construction projects in an uncertain economic climate.

Monetary Policy and Inflation

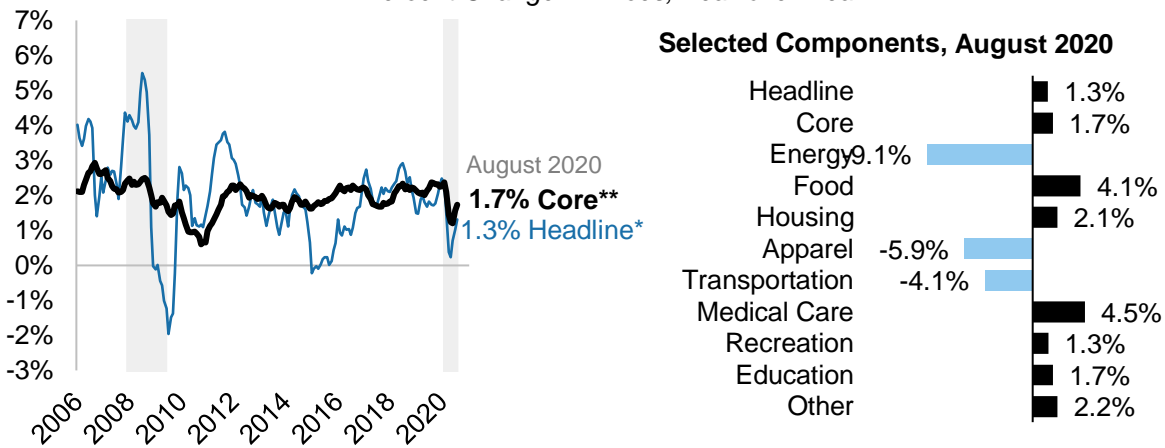
The Federal Reserve (Fed) is using a broad arsenal of monetary policy tools to address the economic damage caused by the COVID-19 pandemic. In March, the Fed reduced the federal funds rate to a zero lower bound, the lowest possible positive interest rate, and has communicated an openness to a higher inflation target in future years in order to allow for a stronger economic recovery amid ongoing uncertainty surrounding the COVID-19 pandemic. Interest rates are expected to remain at lower-bound levels through the current forecast period.

To put downward pressure on longer-term interest rates and support economic activity, the Fed is increasing and broadening its asset purchases. The Fed's portfolio grew by roughly \$3.0 trillion to

peak at \$7.2 trillion in early June. The Fed’s balance sheet has since settled at about \$7.0 trillion. The Fed is purchasing U.S. Treasury securities, which are part of its traditional portfolio, and mortgage-backed securities—a newer portion of the portfolio dramatically expanded during the Great Recession. The Fed’s purchases this year also include debt issued by businesses, states, and local governments. These purchases amount to a vast injection of liquidity for borrowers, shoring up their cash flows at a time when other liquidity facilities are scarce.

In the near-term, deflationary risk outweighs inflationary pressure. At the national level, inflation has tapered off since the beginning of the recession (Figure 16). Headline inflation was measured at 1.3 percent in August 2020 relative to year-ago levels. Core inflation, which excludes the volatile food and energy components, was 1.7 percent, outpacing headline inflation as the drag from energy prices more than offset an increase in food prices. At the national level, transportation and apparel prices have dropped, and prices for most other goods and services have increased only modestly on subdued aggregate demand. Economic conditions are expected to hold down inflation through the forecast period.

Figure 16
U.S. Consumer Price Index (CPI) Inflation
Percent Change in Prices, Year-over-Year



Source: U.S. Bureau of Labor Statistics. Data are through August 2020. Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.

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

Denver-Aurora-Lakewood inflation is expected to continue to exceed the U.S. average. Prices in the Denver-Aurora-Lakewood combined statistical area have comfortably outpaced national inflation. Housing prices, in particular, have inflated more quickly than at the national level, as demand remains high and supply remains comparatively constrained.

- Headline inflation for U.S. urban consumers is expected to raise prices by 1.3 percent in 2020 and 1.9 percent in 2021. Headline inflation in the Denver-Aurora-Lakewood combined statistical area is forecast at 1.7 percent in 2020 and 2.2 percent in 2021.

Average inflation targeting will distinguish monetary policy in the next expansion. At its Jackson Hole symposium in August, the Fed adopted a new policy framework called average inflation targeting. Rather than coaxing the economy to reach and maintain a particular inflation target, the Fed will pursue a course of interest rates that produces average inflation at target over a period of years. In order to reach the desired average, periods of low inflation following recessions may be offset by periods of above-target inflation later in expansions. This is a comparatively “dovish” approach to monetary policy that will prioritize the full employment side of the Fed’s dual mandate. In a complementary move, the Fed also announced that it will act to control “shortfalls” relative to full employment, rather than “deviations” from it. Together, these two moves are expected to delay an increase in interest rates until beyond the current forecast period. Interest rates are broadly expected to remain at lower levels for longer periods than they would have under the old policy framework.

Global Economy and International Trade

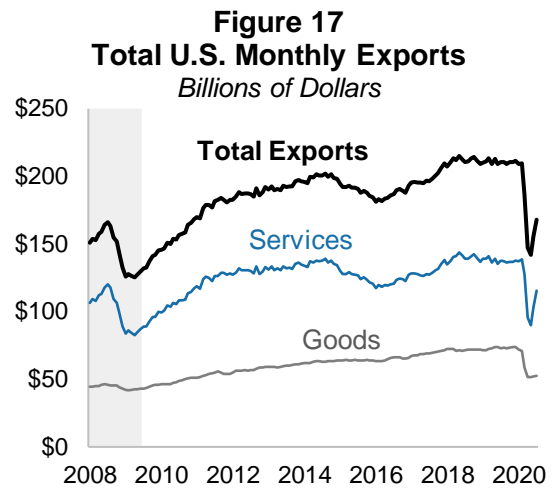
The economic recovery has stalled in most advanced economies, as the initial bounce-back in activity following global shutdowns has moderated, and reduced global demand for goods and services dampens growth prospects. Posing an ongoing threat to economic activity, COVID-19 infection rates remain high in the Americas and are on the upswing in parts of Europe. The International Monetary Fund (IMF) revised its June World Economic Outlook global growth projections downward from its April projections to a 4.9 percent contraction in global economic activity in 2020. The global economy is expected to recover slowly and unevenly in the months and year ahead, as regional outbreaks and related economic challenges from the pandemic weigh on growth.

Advanced economies are posing the largest drag on the global growth outlook. Advanced economies, driven by the U.S., United Kingdom, France, and Spain, are projected to contract by 8.0 percent during 2020 before growing by 4.8 percent in 2021, according to the IMF. Emerging and developing economies are projected to contract by 3.0 percent in 2020 before rebounding in 2021 with 5.9 percent growth. China is the only major emerging economy expected to buck this trend. As the country experienced both the outbreak and recovery before other nations, its economy is set to expand by 1.0 percent in 2020 and see a strong rebound to 8.2 percent growth in 2021.

Over the next two years, Mexico and Canada, Colorado’s largest trading partners, are expected to fare worse and slightly better, respectively, than the U.S. Mexico may be poised to enter a more protracted downturn, with the IMF projecting a 10.5 percent contraction in 2020 and a more modest recovery of 3.3 percent growth next year. Mexico is one of the only Group of 20 (G-20) countries not to respond to the twin health and economic crises with a large fiscal stimulus package or borrowing. This may put additional pressure on U.S. export volumes to Mexico in coming years.

Pandemic headwinds pull global trade into the doldrums. Ongoing economic woes portend lower global trade volumes in 2020 and 2021. U.S. exports to foreign partners fell dramatically in May 2020, led by the decline in services on travel restrictions and lower global demand (Figure 17). According to data published by WiserTrade, U.S. exports are down 16.3 percent year-to-date through June over year-ago levels. Leading the decline, U.S. oil exports fell by more than 20 percent in the first half of the year on lower global demand and increased supply of crude and refined oil. Exports of cars, electrical and industrial machinery, and aerospace crafts and parts also contributed to the double-digit decline. On the upside, agricultural product exports increased over year-ago levels with partial

recovery from the impacts of higher tariffs over the last 18 months. U.S. imports fell by 12.0 percent during the same period, with similar patterns emerging as in exports. The import of pharmaceutical and chemical products increased, resulting from higher demand for drugs to combat the pandemic. According to data from WiserTrade, Colorado, which is less dependent on exports than the country as a whole, saw a small uptick, 1.3 percent, in exports year-to-date through June over the same period last year; however, this is largely due to anomalous exports of spacecraft totaling \$500 million to French Guiana, the United Arab Emirates, and New Zealand. Meat exports, typically one of Colorado’s largest categories of exports, are up 4.3 percent in the first half of the year, also buoying the state’s trade volume. Imports to the state are down almost 12 percent, with a 35 percent drop in fuel imports driving the decline. Trade is expected to remain subdued through 2020 and into 2021, while countries’ infection rates ebb and flow with their economies in tow.

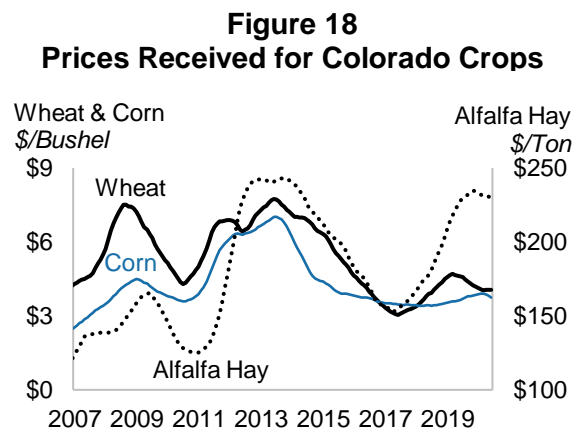


Source: U.S. Bureau of Economic Analysis (balance of payments basis). Data are through July 2020 and are seasonally adjusted but not adjusted for inflation.

Agriculture

Colorado agricultural producers, already in the midst of a prolonged economic downturn, have been beset by multiple challenges in 2020, including significant market disruptions caused by the global pandemic, severe weather conditions, and natural disasters. Farm income declined in the second quarter at its fastest pace since 2016. Weaknesses in income and credit conditions are expected to continue in the coming months, with increasing numbers of farmers experiencing difficulty repaying loans. While government assistance programs provide support, and August has seen some stabilization in prices, farm finances remain precarious and highly dependent on the trajectory of the pandemic, improvement in weather conditions, and ongoing support from government programs.

COVID-19 roiled agricultural markets. The pandemic drastically disrupted agricultural markets, sending commodity prices tumbling while increasing labor and marketing costs for producers. Disruptions caused by the COVID-19 pandemic resulted in price declines for most major Colorado agricultural commodities, including corn, wheat, alfalfa hay, milk, and live cattle. In addition to the closure of schools and restaurants, which provide major markets for farm commodities, virus outbreaks led to temporary closures of several processing plants, as well as migration challenges leading to farm labor shortages. Commodity prices have recovered somewhat, particularly for milk, while corn and wheat prices



Source: U.S. Department of Agriculture, National Agriculture Statistics Service. Data shown as a 12-month moving average through June 2020.

have been bolstered by poor harvest conditions. Prices for most major commodities remain down year-to-date below year-ago levels (Figure 18).

Severe weather and natural disasters have had widespread impacts on Colorado agriculture. April through July 2020 was the third driest on record for Colorado, such that over 90 percent of the state entered severe, extreme, or exceptional drought conditions, up from 20 percent in January 2020. Four major wildfires burned in Colorado in August, including the largest wildfire in the state’s recorded history, the Pine Gulch fire north of Grand Junction, which has burned vast tracts of grazing land and fencing infrastructure. Hot and dry conditions along with low snow have depleted the already-stressed aquifer on which farmers rely in the San Luis Valley region. Dry conditions have resulted in one of the smallest wheat harvests in the past decade, and corn production is expected to be impacted as well. Without adequate water and grazing land, ranchers may be forced to cull their cattle herds, or incur increased costs of purchasing hay from neighboring states. Finally, an April frost severely depleted this year’s Palisade peach crop, which would normally be marketed during late summer.

Crop, livestock, and dairy producers receive federal support. Government aid programs have provided some relief to producers, boosting farm incomes and supporting credit conditions. The Coronavirus Food Assistance Program (CFAP) provides \$16 billion in direct financial assistance to agricultural producers who have suffered COVID-19-related losses. As of August 31, Colorado crop, livestock, and dairy farmers and ranchers had received \$149.8 million, or 1.6 percent of the \$9.4 billion distributed through that date. Of the amount the state received, 84.7 percent has gone to support dairy and livestock producers, 12.2 percent to non-specialty crop producers, and 3.1 percent to specialty crop producers. The Small Business Administration’s Paycheck Protection Program (PPP) has also provided substantial support to agricultural producers.

Summary

Over the past three months, the U.S. and Colorado economies have recovered at a stronger pace than expected, as fiscal stimulus and the resiliency of businesses and consumer activity have buoyed growth. That said, data illustrate extensive and some lasting damage from the pandemic. In particular, labor markets have recovered only partially after their collapse in April. As the steadying effects of monetary and fiscal stimulus dissipate, some economic challenges will become more pronounced in the months ahead. Consumer activity and business investment are expected to grow, but unevenly and cautiously as the uncertainty surrounding the spread of COVID-19 continues. Risks to the forecast remain elevated, with a resurgence in the virus posing the largest downside risk to economic activity, and a near-term treatment for the virus or the passage of additional federal stimulus posing the greatest upside risks.

Risks to the Forecast

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

Downside. The most sizeable downside risk to the economic outlook is a resurgence of COVID-19, accompanied by a resumption of widespread business closures and stay-at-home orders. Additionally, as the effects of federal fiscal stimulus wear off, households and businesses may tighten consumption and investment more than expected. Other downside risks include stronger-than-expected headwinds from fiscal struggles among state and local governments, elevated

levels of corporate debt, gaps in workforce skills and training, and income inequalities that may constrain labor market growth and consumer activity.

Upside. Risks to the upside include containment of COVID-19 and/or a near-term vaccine or other treatment resulting in a rapid and sustained return to pre-recessionary economic activity. Additional federal stimulus could further soften the impact of the recession on households, businesses, and state and local governments, stabilizing and boosting job growth and incomes. Finally, the resilience of businesses and consumer activity has surprised on the upside over the past several months. The challenges of the COVID-19 pandemic have expedited shifts toward remote work, leveraging technology, and simpler supply chains. These shifts in consumer demands and further innovations in business operations could produce stronger than expected growth over the forecast period.

Table 14
National Economic Indicators

Calendar Years	2015	2016	2017	2018	2019	Legislative Council Staff Forecast		
						2020	2021	2022
Real GDP (<i>Billions</i>) ¹	\$17,432.2	\$17,730.5	\$18,144.1	\$18,687.8	\$19,091.7	\$18,308.9	\$19,132.8	\$19,687.7
Percent Change	3.1%	1.7%	2.3%	3.0%	2.2%	-4.1%	4.5%	2.9%
Nonfarm Employment (<i>Millions</i>) ²	141.8	144.3	146.6	148.9	150.9	142.6	148.5	153.2
Percent Change	2.1%	1.8%	1.6%	1.6%	1.4%	-5.5%	4.1%	3.2%
Unemployment Rate ²	5.3%	4.9%	4.3%	3.9%	3.7%	8.2%	6.3%	5.6%
Personal Income (<i>Billions</i>) ¹	\$15,724.2	\$16,160.7	\$16,948.6	\$17,851.8	\$18,551.5	\$19,386.3	\$19,619.0	\$20,031.0
Percent Change	4.9%	2.8%	4.9%	5.3%	3.9%	4.5%	1.2%	2.1%
Wage and Salary Income (<i>Billions</i>) ¹	\$7,859.5	\$8,089.1	\$8,471.5	\$8,894.2	\$9,309.3	\$9,225.5	\$9,465.4	\$9,881.9
Percent Change	5.1%	2.9%	4.7%	5.0%	4.7%	-0.9%	2.6%	4.4%
Inflation ²	0.1%	1.3%	2.1%	2.4%	1.8%	1.3%	1.9%	2.2%

Sources

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).

Table 15
Colorado Economic Indicators

Calendar Years	2015	2016	2017	2018	2019	Legislative Council Staff Forecast		
						2020	2021	2022
Population (<i>Thousands, as of July 1</i>) ¹	5,450.6	5,539.2	5,611.9	5,691.3	5,758.7	5,810.6	5,857.0	5,915.6
Percent Change	1.9%	1.6%	1.3%	1.4%	1.2%	0.9%	0.8%	1.0%
Nonfarm Employment (<i>Thousands</i>) ²	2,541.2	2,601.2	2,660.2	2,727.5	2,785.8	2,660.4	2,740.3	2,781.4
Percent Change	3.2%	2.4%	2.3%	2.5%	2.1%	-4.5%	3.0%	1.5%
Unemployment Rate ²	3.9%	3.3%	2.8%	3.2%	2.8%	6.9%	5.6%	4.6%
Personal Income (<i>Millions</i>) ³	\$284,234	\$289,581	\$310,755	\$332,943	\$353,089	\$370,391	\$380,021	\$397,122
Percent Change	4.8%	1.9%	7.3%	7.1%	6.1%	4.9%	2.6%	4.5%
Wage and Salary Income (<i>Millions</i>) ³	\$146,531	\$151,016	\$160,719	\$170,115	\$182,118	\$181,936	\$187,394	\$196,577
Percent Change	5.7%	3.1%	6.4%	5.8%	7.1%	-0.1%	3.0%	4.9%
Housing Permits (<i>Thousands</i>) ¹	31.9	39.0	40.7	42.6	38.6	39.0	40.7	41.0
Percent Change	11.1%	22.3%	4.4%	4.8%	-9.4%	0.9%	4.3%	0.8%
Nonresidential Building (<i>Millions</i>) ⁴	\$4,990.8	\$5,989.0	\$6,156.1	\$8,140.3	\$5,038.3	\$4,877.1	\$4,652.7	\$4,750.4
Percent Change	14.7%	20.0%	2.8%	32.2%	-38.1%	-3.2%	-4.6%	2.1%
Denver-Aurora-Lakewood Inflation ⁵	1.2%	2.8%	3.4%	2.7%	1.9%	1.7%	2.2%	2.4%

Sources

¹U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.

²U.S. Bureau of Labor Statistics.

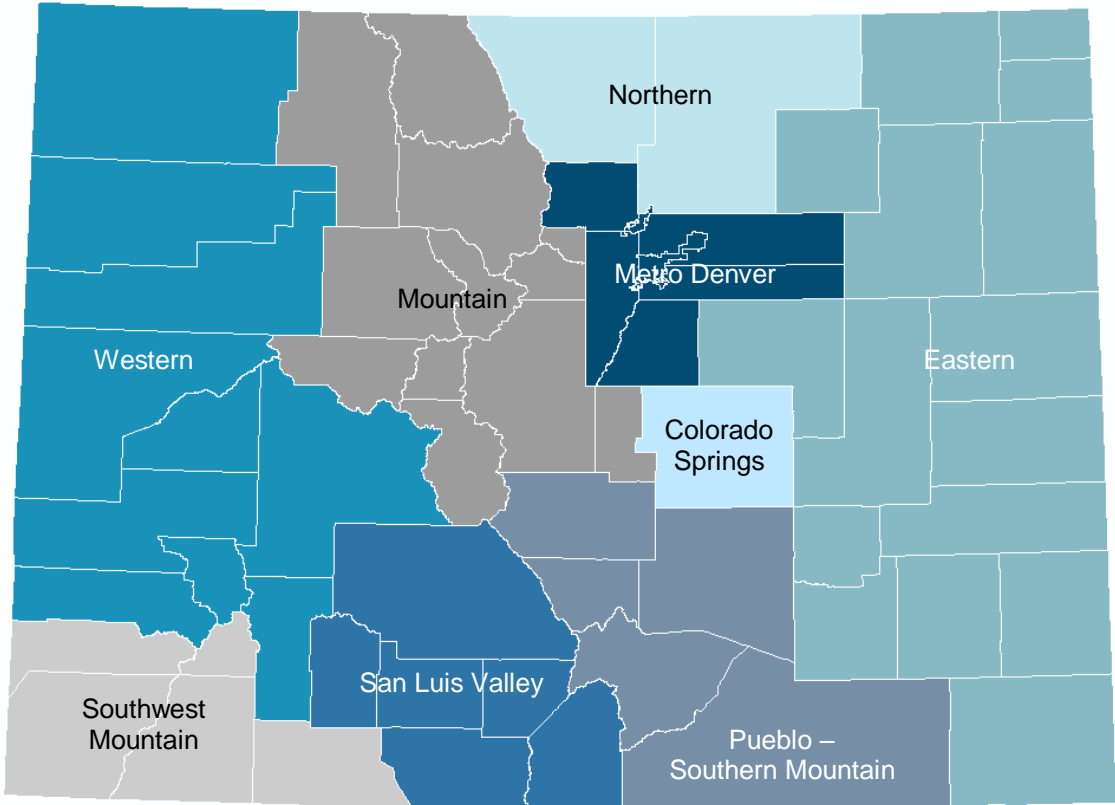
³U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation. Forecast shown for 2019.

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 undergoes an annual revision, which is published in March of each year. This annual revision may affect one or more years of data values.

Like the employment data, residential housing permits and agriculture data are also based on surveys. These data are revised periodically. Nonresidential construction data in the current year reflects reported construction activity. These data are revised the following year to reflect actual construction activity.

Metro Denver Region

Colorado's diverse seven-county metro Denver region holds the largest share of the state's population and workforce of the nine economic regions identified in this forecast. The impacts of the COVID-19 pandemic and related recession have taken a toll on the region's labor market, with only a fraction of the jobs lost in March and April regained in subsequent months. In response to the downturn in tourism and business travel and shifts in consumer activity, many businesses have reduced their workforce or shuttered their doors. Reflecting ongoing elevated demand, residential real estate and construction markets remain hot in the metro Denver area. Nonresidential construction activity, however, continues to cool from 2016 highs. Economic indicators for the region are summarized in Table 16.



Table 16
Metro Denver Region Economic Indicators
 Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

	2016	2017	2018	2019	YTD 2020
Employment Growth ¹	2.3%	1.9%	2.4%	2.1%	-4.0%
Unemployment Rate ²	3.0%	2.7%	3.0%	2.6%	7.0%
Housing Permit Growth ³					
Denver-Aurora MSA Single Family	12.2%	3.8%	7.9%	-6.1%	-3.8%
Boulder MSA Single Family	10.2%	-4.3%	15.7%	-9.5%	-18.0%
Nonresidential Construction Growth ⁴					
Value of Projects	27.9%	-10.8%	46.2%	-38.9%	-28.0%
Square Footage of Projects	6.9%	-14.2%	-11.6%	-10.0%	-19.9%
Level (<i>Millions</i>)	22,624	19,406	17,149	15,430	7,369
Number of Projects	9.9%	-23.8%	-18.5%	-13.0%	-9.8%
Level	1,242	946	771	671	359

MSA = Metropolitan statistical area.

¹U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through July 2020.

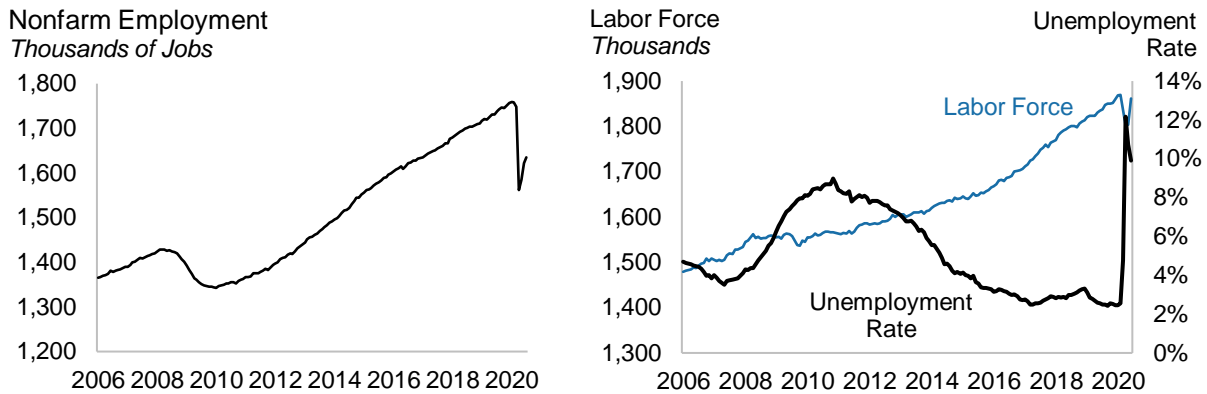
²U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2020.

³U.S. Census. Growth in the number of residential building permits. Data through June 2020.

⁴F.W. Dodge. Data through July 2020.

Labor market. Data published by the U.S. Bureau of Labor Statistics for the metro Denver region suggest a 4.0 percent decline in the number of jobs year-to-date through July relative to the same period last year. Between January and April, the region lost 197,800 jobs (more than one in every ten jobs) of which 73,200 have been recovered between May and July (Figure 19, left). The metro Denver region is home to a wide range of tourism-related and business travel activities, with Denver International Airport serving as the main air transit hub in and out of Colorado. While conditions have improved since the lows of April, reduced air travel and ongoing social distancing continue to hit employment hard for leisure and hospitality industries, including performing arts and entertainment, hotels, brick and mortar retail establishments, and restaurants and bars. The Denver metro area is home to a large concentration of oil and gas firms, many of which have reduced the size of their workforce amid the low energy price environment. The area unemployment rate rose from 2.6 percent in February to a high of 12.2 percent in April before ticking down to 9.9 percent in June (Figure 19, right). Year-to-date through June, the regional unemployment rate is 7.0 percent.

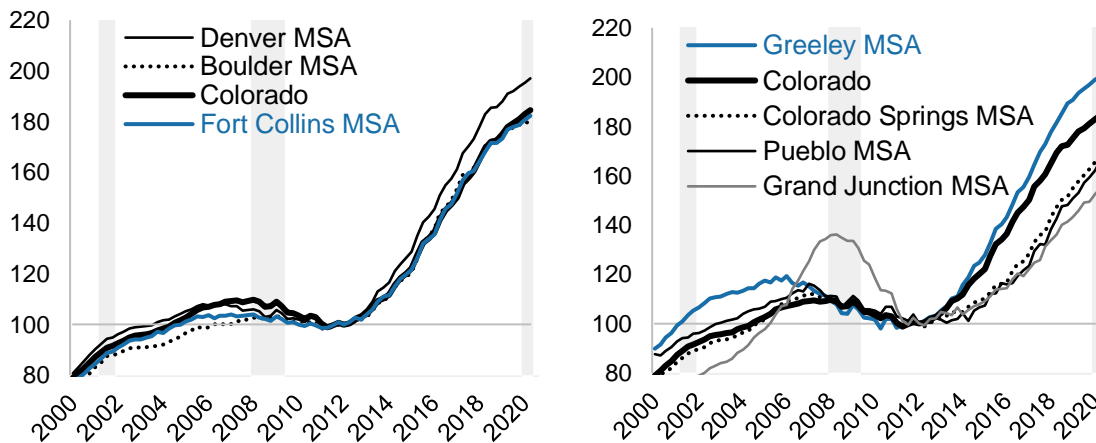
Figure 19
Metro Denver Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics. CES (left) data are through July 2020. LAUS (right) data are through June 2020. Data are seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff.

Home prices. Home price appreciation continues to moderate in the metro Denver region along with other regions of the state following several years of double-digit gains (Figure 20). COVID-19-related restrictions and uncertainty limited the number of homes put on the market in recent months. Home prices are expected to remain elevated as demand for housing in the metro Denver area continues to outstrip limited supply. According to data from the Denver Metro Association of Realtors, August 2020 posted the most home sales of any August on record in spite of the lowest inventory of any August on record. The average single family home price in the area reached a record \$606,330 in August, a 5.6 percent increase year-to-date over year-ago prices.

Figure 20
FHFA All-Transaction Home Price Indices
Index 100 = 2012Q1 (Recessionary Trough in Prices)

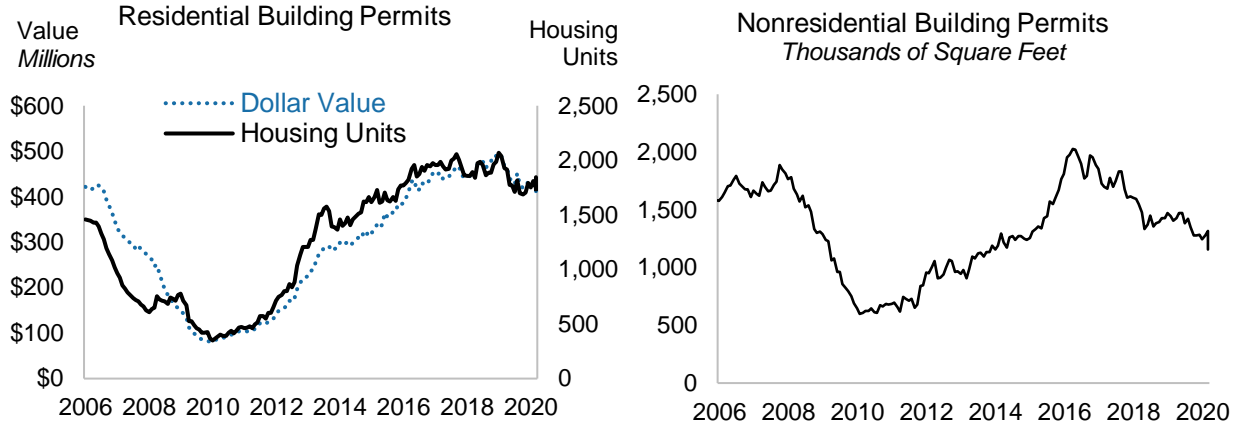


Source: Federal Housing Finance Agency (FHFA).

Residential construction. Metro Denver residential construction activity eased in the first half of the year (Figure 21, left). The region is coming off a multi-year residential construction boom, with the high cost of housing dampening interest among many would-be buyers, and construction labor and land shortages constraining the pace of new building. Permits for new single family residential construction activity in the Denver-Aurora metropolitan statistical area (MSA) fell 3.8 percent

year-to-date through July relative to the same period last year. Construction activity in the Boulder MSA contracted 18.0 percent over the same period, continuing the slowdown in activity from 2019.

Figure 21
Metro Denver Region Construction Activity



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through July 2020.

Nonresidential construction. Metro Denver nonresidential building activity continues to moderate. In the first seven months of the year, the value (Figure 21, right), square footage, and number of projects declined coming off of 2016 highs. The shift toward remote work and business impacts of the COVID-19 crisis are expected to put downward pressure on demand for commercial real estate in the region and is expected to slow nonresidential construction activity in the years ahead. While many major projects in the region remain in the pipeline, demand is expected to continue to slow. Future nonresidential building is expected to shift from office space and new commercial storefronts or brick-and-mortar retail establishments to favor nonresidential development that supports e-commerce, such as warehousing space.

Northern Region

Larimer and Weld counties comprise the diverse economies of the northern region. Larimer County's economy continues to expand with population growth drawn to the Fort Collins area, while Weld County's economic activity is driven largely by the oil and gas and agricultural industries. Colorado's energy industry is at significant risk from low oil prices and reduced global demand for oil and gas, which threatens both the private sector through industry income and consumption and public sector through property and sales taxes. The region's labor market has been one of the tightest in the state, but may face stronger headwinds than other regions due to the composition of its economy. Construction industry activity showed strong growth at the beginning of the year, with strong residential construction activity offsetting subdued nonresidential construction. Table 17 shows economic indicators for the northern region.



Table 17
Northern Region Economic Indicators
Weld and Larimer Counties

	2016	2017	2018	2019	YTD 2020
Employment Growth¹					
Fort Collins-Loveland MSA	3.8%	3.7%	2.7%	2.5%	-3.0%
Greeley MSA	-0.3%	-0.4%	2.4%	1.3%	-3.5%
Unemployment Rate²					
Fort Collins-Loveland MSA	2.8%	2.4%	2.7%	2.3%	6.2%
Greeley MSA	3.4%	2.7%	2.9%	2.5%	6.3%
State Cattle and Calf Inventory Growth³	1.0%	6.7%	2.6%	8.0%	-1.8%
Natural Gas Production Growth⁴	14.6%	5.6%	18.9%	19.2%	21.1%
Oil Production Growth⁴	-7.3%	13.5%	36.0%	4.9%	5.0%
Housing Permit Growth⁵					
Fort Collins-Loveland MSA Total	47.9%	-18.2%	8.4%	-18.2%	2.6%
Fort Collins-Loveland MSA Single Family	-2.9%	21.0%	-14.1%	-4.9%	40.6%
Greeley MSA Total	-7.8%	23.1%	24.6%	-2.2%	16.6%
Greeley MSA Single Family	-9.9%	16.4%	32.1%	-8.4%	17.2%
Nonresidential Construction Growth⁶					
Value of Projects	-0.5%	32.2%	64.5%	-71.5%	30.9%
Square Footage of Projects	-14.8%	17.8%	-29.0%	-14.4%	-0.5%
Level (<i>Thousands</i>)	3,393	3,996	2,838	2,428	1,266
Number of Projects	11.3%	2.9%	13.0%	-16.8%	-3.9%
Level	276	284	321	267	148

MSA = Metropolitan statistical area.

¹U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through July 2020.

²U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2020.

³National Agricultural Statistics Service. Cattle and calves on feed through July 2020.

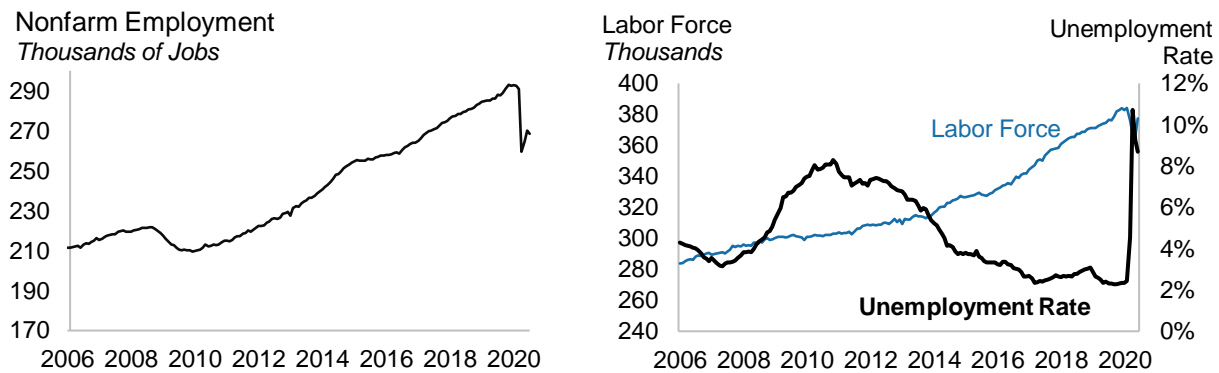
⁴Colorado Oil and Gas Conservation Commission. Data through April 2020.

⁵U.S. Census Bureau. Growth in the number of residential building permits. Data through July 2020.

⁶F.W. Dodge. Data through July 2020.

Labor market. The region’s labor market saw some of the fastest job growth and lowest unemployment rates in the state leading up to 2020 (Figure 22). Even accounting for significant layoffs in March, the unemployment rate sat at 6.2 percent in Fort Collins-Loveland and 6.3 percent in Greeley year-to-date through June 2020. On COVID-19-related business closures, employment contracted in both cities in March and April, but has since rebounded slightly through July. The oil and gas rout, which turned from a supply crisis at the beginning of March to a demand crisis nearing the end of the month, took hold during April and May and incited layoffs across the industry as well as in secondary industries. Employment, still down around 20,000 jobs in the region, is not expected to fully recover until well after a vaccine is available and energy markets return to pre-crisis levels.

Figure 22
Northern Region Labor Market Activity

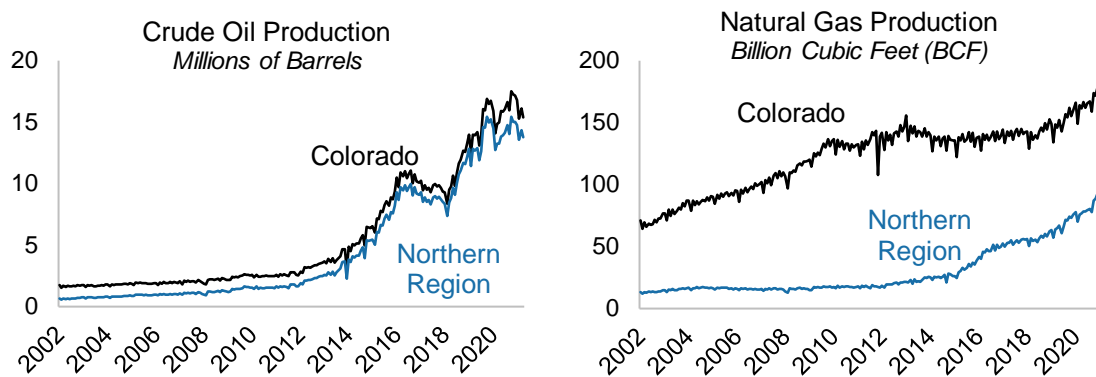


Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through July 2020.

Agriculture. The northern region produces about a quarter of the value of Colorado’s agricultural products due to the heavy concentration of the livestock industry in Weld County. Despite increasing by 1.0 percent through April, the number of cattle and calves on feed decreased by 1.8 percent year-to-date through July over the same period last year. The COVID-19 crisis has wreaked havoc on food supply chains, both domestic and abroad, with demand decreasing significantly from large institutional consumers, including schools and restaurants. In April, COVID-19 outbreaks at the JBS meat-processing facility in Greeley slowed production and put upward pressure on consumer prices for beef; however, production and prices have started to normalize over the last month and are expected to rebound and remain near pre-pandemic levels.

Energy sector. Oil production in the northern region, particularly in Weld County, has dominated statewide production for over a decade (Figure 23, left). Oil and gas production climbed through April, increasing 5.0 percent and 21.1 percent, respectively, over year-ago levels. However, the significant fall in oil prices this spring combined with the drop in demand due to COVID-19-related shut downs led to reductions in oil and gas production as well as capital expenditures, as evidenced by the drop in Colorado rig counts through the summer. Oil prices have remained around \$40 per barrel over the last few months, which is an unprofitable price for many producers in the Denver-Julesburg Basin. Some companies have filed for bankruptcy to restructure debt loads, and thousands of workers have been laid off, particularly those directly involved in production. With oil storage in the U.S. still at higher than normal levels as demand remains subdued, prices are expected to remain depressed through 2020 and well into 2021.

Figure 23
Colorado Energy Production

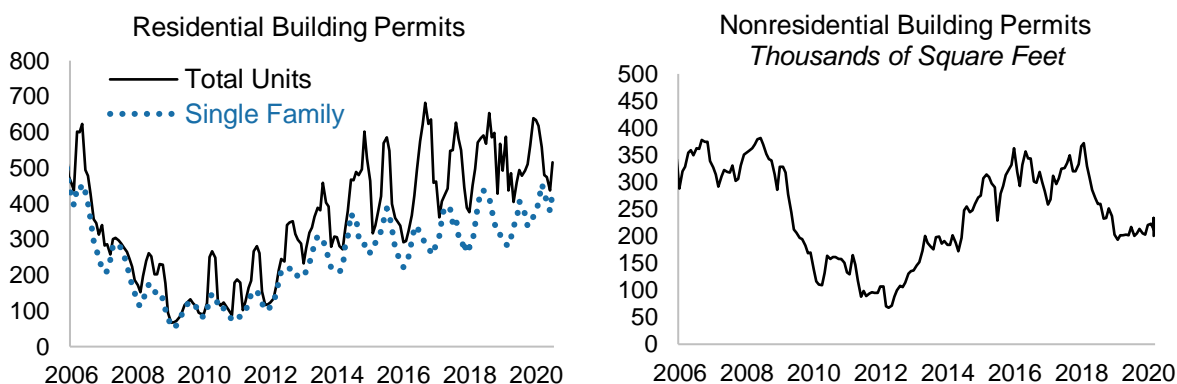


Source: Colorado Oil and Gas Conservation Commission. Monthly data through April 2020.

Housing. Housing construction in the northern region softened in 2019 after robust growth in preceding years (Figure 24, left). Due to strong demand, the median sales price of single-family homes in the region increased about 10 percent during 2019, pushing buyers further afield. In 2020, sustained demand combined with reduced mortgage rates have pushed single family housing permits up 40.6 percent in the Fort Collins-Loveland area and 17.2 percent in Greeley year-to-date through July over the same period last year. Through July, the Colorado Association of Realtors reports that single family home sales are down by 1.7 percent in Weld County and up by 0.3 percent in Larimer County prices are up in both counties through July, and are expected to remain elevated due to constrained supply.

Nonresidential construction. Nonresidential construction activity in the region started the year strong, with 78.0 percent growth in the value of nonresidential construction projects through April over year-ago levels (Figure 24, right). These levels have moderated through July to 30.9 percent growth and are expected to continue to fall through the rest of 2020. Activity will likely remain lower into 2021, as the oil and gas sector cuts expenditures further and large capital projects are put on hold during uncertain economic conditions.

Figure 24
Northern Region Construction Activity



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through July 2020.

Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through July 2020.

Pueblo – Southern Mountains Region

The Pueblo – Southern Mountains region includes five southern Front Range counties surrounding the City of Pueblo. The region suffered substantial job losses due to the COVID-19-related closures; however, recent data suggests that the area’s labor market has begun to heal, pushing down the unemployment rate from historical highs. Though the nonresidential construction market is expected to slow as some projects are delayed or canceled, recent successes in attracting new, high tech industries to the region combined with a relatively affordable housing market have helped support economic growth. Indicators for the regional economy are presented in Table 18.



Table 18
Pueblo Region Economic Indicators
 Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

	2016	2017	2018	2019	YTD 2020
Employment Growth					
Pueblo Region ¹	2.8%	2.7%	0.8%	1.6%	-5.1%
Pueblo MSA ²	1.8%	1.1%	0.1%	1.0%	-3.3%
Unemployment Rate ¹	4.9%	4.3%	4.8%	4.2%	7.9%
Housing Permit Growth ³					
Pueblo MSA Total	6.0%	14.9%	45.1%	3.8%	15.5%
Pueblo MSA Single Family	29.9%	16.2%	52.6%	-6.2%	36.6%
Nonresidential Construction Growth ⁴					
Value of Projects	-22.6%	-64.5%	222.9%	44.2%	-71.4%
Square Footage of Projects	-3.8%	-52.6%	145.1%	-19.7%	-13.2%
Level (<i>Thousands</i>)	341	162	397	318	192
Number of Projects	50.0%	-72.2%	50.0%	23.3%	109.5%
Level	72	20	30	37	44

MSA = Metropolitan statistical area.

¹U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through July 2020.

²U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2020.

³U.S. Census. Growth in the number of residential building permits. Data through July 2020.

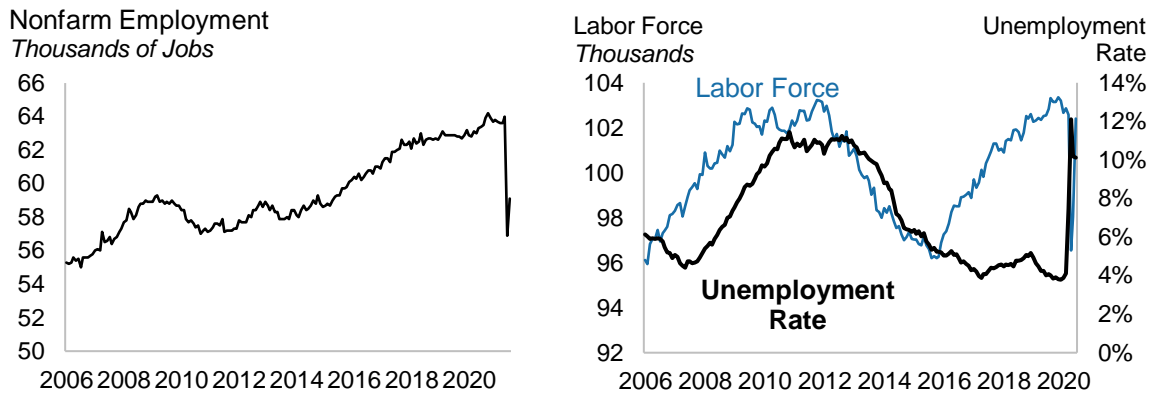
⁴F.W. Dodge. Data through July 2020.

Labor market. The five-county Pueblo region and metropolitan statistical area representing Pueblo County continue to recover after substantial job losses early in the year; however, the total number of employees in these areas remain below levels from the same period last year. In April 2020, the first full month of the pandemic shutdown, the region lost just over 10,000 jobs from the month prior, with Pueblo County accounting for nearly three-quarters of job losses (Figure 25, left). Job loss occurred across all major industry sectors with the transportation, retail, financial, and leisure and hospitality sectors most heavily impacted by the COVID-19 crisis. Since then, businesses in the region have slowly added employees each month, but at a slower pace from the same period last year. Year-to-date through July, employment growth in the Pueblo metropolitan statistical area was down 3.3 percent from the same period last year, while employment for the entire region was down 5.1 percent.

Unemployment insurance initial claims in the Pueblo region spiked in April because of COVID-19-related closures, pushing the region’s unemployment rate up to 12.1 percent and

surpassing rates during the Great Recession. The unemployment rate has steadily declined each month since then, but remains at historical highs. As of June, the region’s unemployment rate ticked down to 10.1 percent and has averaged 7.9 percent year-to-date through June (Figure 25, right). The region’s unemployment rate is expected to remain elevated but gradually decline through the rest of year.

Figure 25
Pueblo Region Labor Market Trends

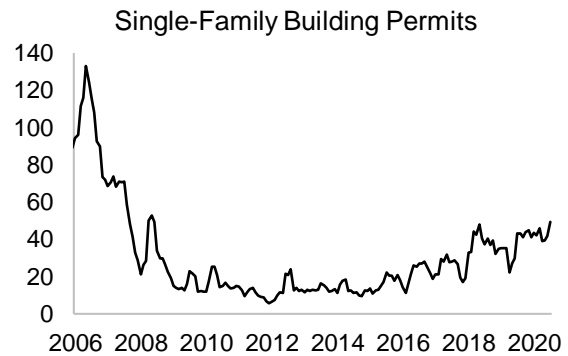


Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through June 2020.

Housing. Despite COVID-19-related headwinds, residential real estate market indicators in the region continued to improve in 2020. Through July, Pueblo County issued 321 total residential building permits, a 15.5 percent increase from the same period last year (Figure 26).

An affordable housing market compared with the northern and Metro Denver regions has helped soften the COVID-19-related economic impacts in the Pueblo region housing market. The median sales price for a single-family home in Pueblo County was \$250,000 in April 2020, compared to \$510,000 in the Metro Denver region, according to data from the Colorado Association of Realtors. Many realtors in the region reported minimal impacts from the change in buyer-seller protocol (e.g. virtual tours) which were in effect through early May. The low inventory of homes for sale in Pueblo County is also buoying the residential real estate market. In July, the county reported 306 single family homes for sale, down almost 40 percent from the same month last year, while the number of townhouse/condos was down 33.3 percent.

Figure 26
Single-Family Residential Permits
Number of Housing Units



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through July 2020.

Nonresidential construction. Early market indicators show that the region’s nonresidential market was continuing to gain momentum through the first months of the year, but the impacts from COVID-19 are expected to slow the start of new projects in the region. The value of nonresidential projects fell by 71.4 percent year-to-date through July over the same period last year, but the number and size of new nonresidential projects is up from the same period last year. Amusement and public improvement-related projects have provided most of the lift for the region. The City of Pueblo has recently opened a convention center expansion along the Historic Arkansas Riverwalk. Through this project, the city is adding a large exhibit hall and Professional Bull Riders Sports Performance Center to the Pueblo Convention Center, a three-story parking garage across the street from the convention center, and a Gateway Plaza outdoor space. The total cost for the improvements is projected to top \$30 million. The bulk of the project will be paid for by state sales taxes under the state Regional Tourism Act program, in addition to state and federal grants. In addition, EVRAZ Rocky Mountain Steel in Pueblo reached a long-term contract with Xcel Energy to develop a 240-megawatt solar array at the steel mill site.

Colorado Springs Region

The Colorado Springs economy started the year with some of the strongest growth rates across the state. While construction activity remains elevated, the negative effects of COVID-19-related closures have distressed the regional labor market. While the region’s leisure and hospitality industries continue to feel the effects of pandemic-related closures and dampened activity, low real estate prices relative to the northern Front Range continue to attract young professionals into the area and support the economic recovery. Home sales and prices have increased year-to-date through July despite the challenges social distancing placed on the industry. Finally, nonresidential construction activity, especially in downtown Colorado Springs, remains robust. Indicators for the regional economy are presented in Table 19.



Table 19
Colorado Springs Region Economic Indicators
El Paso County

	2016	2017	2018	2019	YTD 2020
Employment Growth ¹					
Colorado Springs MSA	2.9%	1.8%	2.2%	2.2%	-2.7%
Unemployment Rate ²	3.7%	3.2%	3.8%	3.3%	7.4%
Housing Permit Growth ³					
Total	41.3%	-3.9%	15.4%	-3.8%	0.1%
Single Family	19.7%	6.7%	9.6%	-4.1%	15.3%
Nonresidential Construction Growth ⁴					
Value of Projects	48.9%	-22.6%	20.8%	0.3%	110.7%
Square Footage of Projects	26.1%	10.5%	9.2%	4.6%	178.1%
Level (<i>Thousands</i>)	2,353	2,599	2,838	2,973	5,345
Number of Projects	11.6%	30.0%	-1.5%	-31.2%	0.4%
Level	423	550	542	373	260

MSA = Metropolitan statistical area.

¹U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through July 2020.

²U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2020.

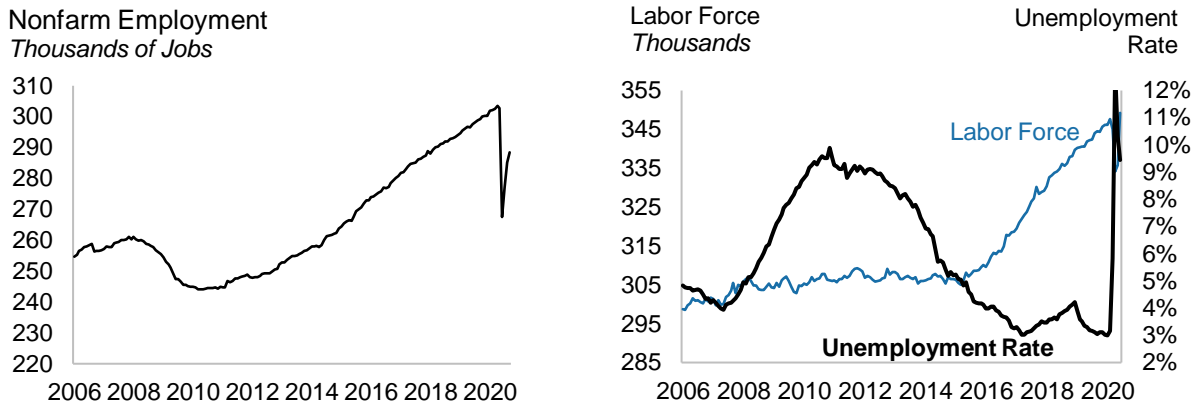
³U.S. Census. Growth in the number of residential building permits. Data through July 2020.

⁴F.W. Dodge. Data through July 2020.

Labor market. The Colorado Springs labor market started 2020 strong, adding nearly 1,400 new jobs in January and February over December 2019 levels before the COVID-19 outbreak began weighing heavily on the region’s economy (Figure 27, left). In April, the Colorado Springs metropolitan statistical area lost a staggering 35,300 jobs from the prior month. The region’s labor market has steadily recovered and has added jobs each month since then, but the total number of workers in the region remains below pre-COVID-19 levels, and the rate at which employers are adding employees to their payrolls is down 2.7 percent between January and July compared with the same period last year.

The region’s unemployment rate spiked to 12.2 percent in April after hovering near 3.0 percent over the past year (Figure 27, right). The rate steadily dropped in May and June, but still remains near historical highs. Year-to-date through June, the region’s unemployment rate averaged 7.4 percent, up from the 3.3 percent average rate one year prior. The region’s unemployment rate is expected to steadily fall through the remainder of the year.

Figure 27
Colorado Springs Labor Market Activity



Source: U.S. Bureau of Labor Statistics; CES data (left) and LAUS data (right) are through June. Data are seasonally adjusted through July 2020.

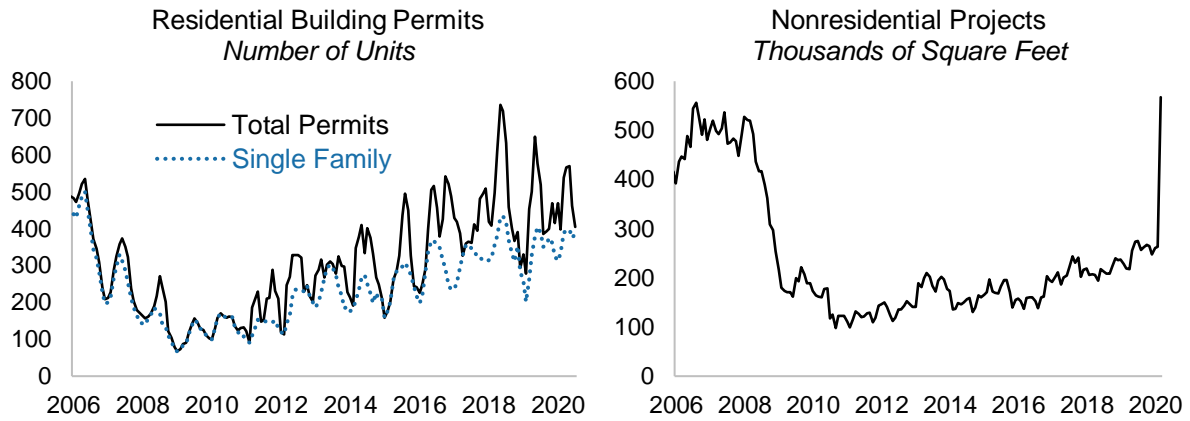
Tax collections. Similar to other areas in the state, the City of Colorado Springs saw a sharp decline in tax collections due to COVID-19-related closures. According to reports released by the City of Colorado Springs, year-to-date revenue collected from the city’s general sales and use tax between January and July is down 6.5 percent from the same period one year prior. Tax collections were down for the majority of the city’s retail industries, with only the medical marijuana, business services, grocery stores, and building materials industries posting gains.

Housing. The Colorado Springs residential real estate market continues to perform well despite the headwinds from the COVID-19 pandemic. Year-to-date through July, total new residential permit issuances were flat compared with the same period last year (Figure 28, left). In July 2020, the median sales price for a single family home in the region was \$378,000, up 13.7 percent from the previous year, according to the Colorado Association of Realtors. The average number of days on the market declined to 18 days in July, down from 22 days in the same month one year ago.

The region’s healthy economy and several years of robust home price gains have pushed the cost of living higher, and affordable housing is becoming a concern. Strong demand has pushed down the months supply of inventory in the region to just one month as of July 2020, and the number of homes for sale declined by almost 40 percent. While still more affordable than real estate in the Denver metro region, Colorado Springs home prices continue to rise at solid rates as demand continues to outstrip supply.

Nonresidential construction. Investment in nonresidential projects in the region picked up pace in 2019 and is expected to maintain this momentum through 2020 (Figure 28, right). In March, Amazon broke ground on their \$369 million fulfillment center near the Colorado Springs airport. The fulfillment center is expected to open in the summer of 2021 and bring over 1,000 jobs to the region. The new Olympic Museum in downtown Colorado Springs continues to take shape and is expected to open soon. Other major projects announced in the region and expected to start construction soon include the Weidner Field at Switchbacks Stadium, Robson Arena at Colorado College, and several new hotels in the downtown area of Colorado Springs.

Figure 28
Colorado Springs Construction Activity



Source: U.S. Census Bureau. Data are shown as three-month moving averages. Data are not seasonally adjusted and are through July 2020.

Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through July 2020.

San Luis Valley Region

Among the nine economic regions of the state identified in this forecast, the San Luis Valley has the state's smallest and oldest population with the lowest household incomes. The economy of the region's six counties is largely agricultural. Nonfarm employers include commercial, health, and government services, as well as a small but resilient tourism sector. The COVID-19 crisis, which continues to depress labor markets, has been compounded by drought conditions threatening the region's agricultural production. Economic indicators for the region are summarized in Table 20.



Table 20
San Luis Valley Region Economic Indicators
 Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2016	2017	2018	2019	YTD 2020
Employment Growth ¹	6.1%	4.5%	3.3%	2.4%	-7.5%
Unemployment Rate ¹	4.5%	3.9%	4.2%	3.8%	6.9%
San Luis Valley Agriculture District ²					
Barley					
Acres Harvested	NA	NA	44,500	NA	NA
Crop Value (\$/Acre)	\$685	\$607	\$650	\$628	NA
Potatoes					
Acres Harvested	51,500	51,500	51,600	48,500	NA
Crop Value (\$/Acre)	\$3,696	\$3,506	\$3,892	\$4,033	NA
Housing Permit Growth ³	-1.1%	16.8%	16.3%	-11.1%	1.7%

NA = Not available.

¹U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2020.

²National Agricultural Statistics Service. Data through 2019.

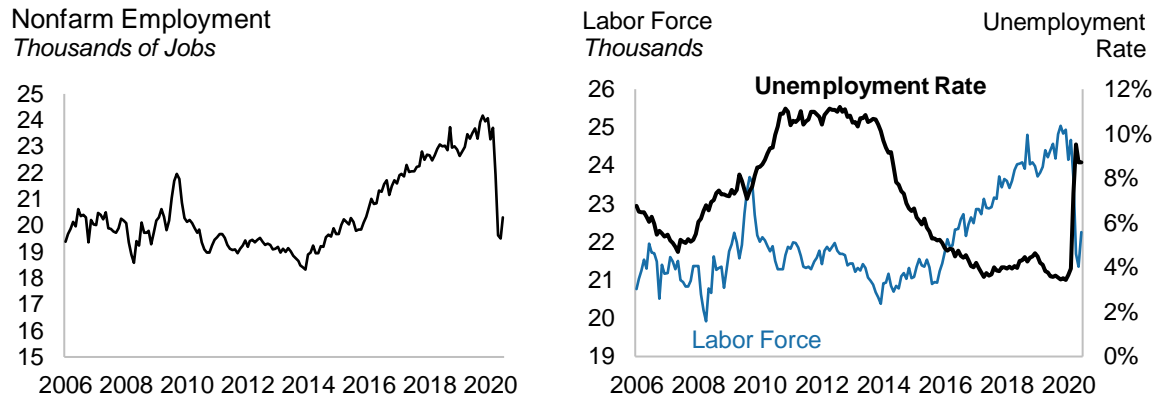
³F.W. Dodge. Data through July 2020.

Agricultural industry. Principal crops in the San Luis Valley include potatoes, head lettuce, wheat, and barley, with hemp and quinoa acreages on the upswing. Grazing and alfalfa hay are important in areas lacking sufficient access to water rights. After suffering significant disruption during the statewide COVID-19-related lockdown, potato markets show signs of stabilizing. Potato shipments from the San Luis Valley through June were down 10.3 percent compared with the same period last year, but prices, which plummeted during the lockdown, recovered to pre-pandemic levels in July. Supply and demand mismatches remain an issue as restaurant demand surges ahead of new crop supply. Of greater immediate concern are the hot and extremely dry weather conditions plaguing the region and state. Severely diminished water resources are impacting the already-taxed aquifer that many local farmers rely on to irrigate their crops and threatening crop yields and pasture forage in the Rio Grande Basin, which spans the San Luis Valley.

Labor market. In addition to the agricultural industry, tourism, a regional medical center, a large retirement community, and government services, including Adams State University, support the San Luis Valley economy. The arts community has a growing regional economic presence, as well. Employment conditions in the region declined sharply with statewide shutdowns beginning in March. Labor markets remain significantly impaired although slightly improved over their April

trough. A 13.5 percent decline in the labor force between February and May was offset by a 17.7 percent decline in employment, pushing the unemployment rate up from 3.9 percent in February to 8.7 percent in May. While employment and the labor force were up in June, the unemployment rate held steady at 8.7 percent, still far above pre-pandemic levels (Figure 29, right).

Figure 29
San Luis Valley Labor Market Activity



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through June 2020.

Housing and population growth. After two consecutive years of strong growth, housing permits issued in the San Luis Valley region declined by 11.1 percent in 2019, and are up slightly (1.7 percent) through July 2020 compared with the same period last year. Population growth in the region is mixed. Declining or relatively unchanged populations in Conejos, Costilla, Rio Grande, and Saguache counties are expected to be offset by population growth in Alamosa and Mineral counties over the next ten years, according to the Colorado State Demography Office. After declining by 3.1 percent through April 2020, single-family home prices in Alamosa County are up 2.6 percent through July compared with the same period last year, although the small number of home purchases in the region tends to cause volatility in the data. At \$214,000, median home prices remain at about half of the statewide average, according to the Colorado Association of Realtors, making this region an attractive destination for retirees.

Tourism. Visits to the Great Sand Dunes National Park and Preserve are down 37.7 percent through July compared with the same period last year, after increasing by 19.1 percent year-over-year in 2019. The park closed in April due to social distancing measures enacted as a result of the COVID-19 crisis, and remained closed until early June when a phased reopening began. After dropping to zero in May, park visits have quickly recovered and by July were less than 1 percent below year-ago levels. National forest land, recreation areas, and wetlands surround the national park, making the region a destination for outdoor enthusiasts. In addition, the San Luis Valley is home to three national wildlife refuges, reflecting its role as a flyway for many migratory bird species, including sandhill cranes, which stop there en masse during the spring and fall, and are a significant seasonal attraction for the region. Visits to the San Luis Valley are expected to continue to recover during the fall months as travelers' preferences for outdoor activities and drivable destinations persist due to safety concerns.

Southwest Mountain Region

The southwest mountain region comprises five counties in the southwest corner of the state. The area economy receives significant contributions from agriculture, tourism, and natural gas extraction, as well as typical regional services like health care and education. Tourism impacts and business closures associated with the COVID-19 pandemic have raised significant obstacles for the region's economy and especially the tourism sector, and are expected to continue to dampen area economic activity through 2020 and into 2021. However, regional observers note that the hit to businesses and local governments over the summer months was less severe than initially anticipated. Economic indicators for the region are summarized in Table 21.



Table 21
Southwest Mountain Region Economic Indicators
 Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2016	2017	2018	2019	YTD 2020
Employment Growth ¹	3.8%	2.4%	2.0%	0.8%	-9.1%
Unemployment Rate ¹	3.5%	2.9%	3.4%	3.0%	7.5%
Housing Permit Growth ²	-4.6%	29.8%	24.1%	-40.8%	-6.0%
National Park Recreation Visits ³	7.5%	4.4%	-7.6%	-2.1%	-64.9%

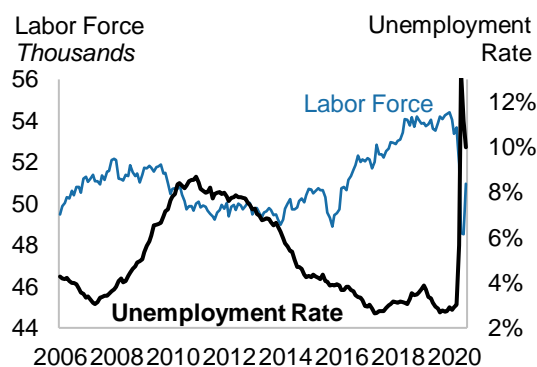
¹U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2020.

²F.W. Dodge. Data through July 2020.

³National Park Service. Data through June 2020. Recreation visits for Mesa Verde National Park and Hovenweep National Monument.

Labor market. Consistent with other regions of the state, employment contracted heavily during the spring and summer on COVID-19-related business closures and stay-at-home orders. The regional unemployment rate peaked at 13.3 percent in April, which would have been the highest rate posted in any Colorado region during any month since 1990 if not for the even higher rate posted in the mountain region during the same month. The unemployment rate fell back to 10.0 percent in June, but the region's 5,100 unemployed people number three times those counted as unemployed in February. Indicators for the regional labor market are presented in Figure 30. As shown, the unemployment rate spiked during the spring in spite of a drop-off in labor force participation, and fell heading into the summer despite reentries to the labor force population.

Figure 30
Southwest Mountain Region Labor Market



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through June 2020.

Housing. After significant additions to the regional housing supply in 2017 and 2018, homebuilding slowed last year and remains below peak levels. The City of Durango announced in August that median single-family home prices have risen to \$517,000, up from \$485,500 two years ago, with

median townhouse and condominium prices rising to \$340,000. Demand for housing in La Plata County remains high, but supply has dwindled in the face of the pandemic. The city is taking steps to promote new affordable and market-rate housing construction in order to boost supply and ameliorate the still-hot housing market.

Tourism. The region boasts tourist opportunities for year-round outdoor recreation, historical cultural sites, and in-town destinations. After a 2018 summer season marked by severe forest fires, regional tourism remained subdued in 2019. In 2020, tourism faced new challenges when visitors canceled or scaled back travel plans in response to the COVID-19 crisis.

The impacts on regional tourism have been mixed. Travel cancellations have diminished visitations in some areas. For instance, closures of archaeological sites and hiking trails at Mesa Verde National Park in response to both the COVID-19 pandemic and extreme fire danger resulted in entrances falling nearly 65 percent from already low year-ago levels at Mesa Verde and nearby Hovenweep National Monument. Potential cancellations of ski trips to Durango and Silverton could portend a poor winter travel season. On the other hand, some travelers report substituting road trips and camping vacations for canceled air travel, and summer sales tax receipts in the region's communities fell less from 2019 levels than initially expected.

Western Region

The ten-county western region has a diverse economy. Key industries in the more northern counties of Mesa, Garfield, Moffat, Rio Blanco, and Routt include energy and agriculture, while the counties of Delta, Gunnison, Hinsdale, Montrose, Ouray, and San Miguel are more reliant on tourism, mining, and retiree-related spending. Compounding the negative impacts of the COVID-19 crisis in the spring of 2020, summer wildfires have engulfed large swathes of the region, shutting down popular tourist destinations altogether. Economic indicators for the region are summarized in Table 22.

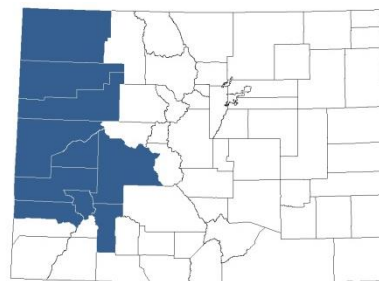


Table 22
Western Region Economic Indicators

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

	2016	2017	2018	2019	YTD 2020
Employment Growth					
Western Region ¹	2.1%	3.6%	2.9%	2.1%	-5.9%
Grand Junction MSA ²	-0.3%	-0.4%	2.4%	1.3%	-3.5%
Unemployment Rate ¹	4.5%	3.4%	3.6%	3.1%	7.3%
Natural Gas Production Growth ³	-6.7%	-2.1%	1.3%	2.2%	3.5%
Housing Permit Growth ⁴	6.7%	42.8%	15.5%	-15.0%	31.7%
Nonresidential Construction Growth ⁴					
Value of Projects	16.4%	-33.1%	4.5%	54.5%	-81.5%
Square Footage of Projects	-3.9%	-17.6%	30.4%	-0.6%	-40.0%
Level (<i>Thousands</i>)	579	477	622	618	287
Number of Projects	41.1%	-36.7%	20.0%	16.7%	20.0%
Level	79	50	60	70	42

MSA = Metropolitan statistical area.

¹U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2020.

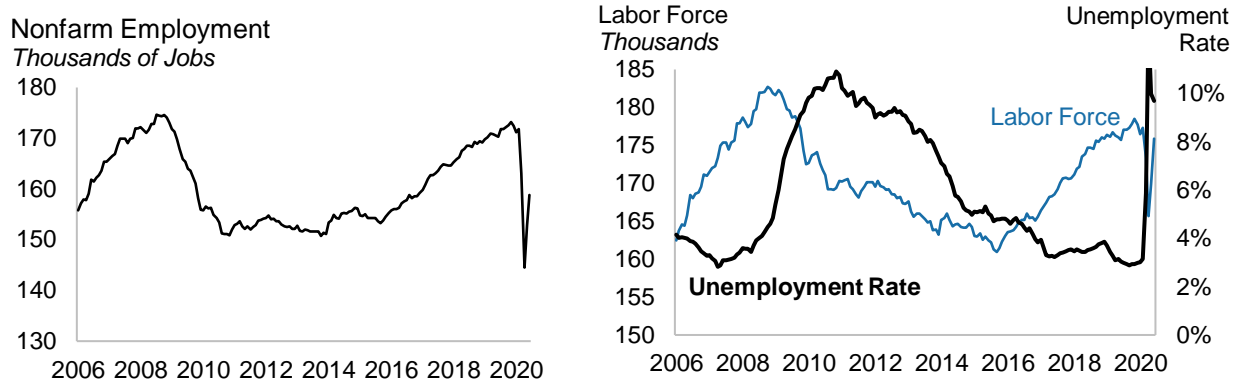
²U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through July 2020.

³Colorado Oil and Gas Conservation Commission. Data through April 2020.

⁴F.W. Dodge. Data through July 2020.

Labor market. A steep decline in employment in March and April resulted in 5.9 percent fewer jobs from January through June over the same period last year (Figure 31, left). The tourism and energy sectors have been hit hardest by the COVID-19-induced economic downturn. The Grand Junction area has fared better than other areas within the region, declining by 3.5 percent during the same period, due to its more diverse employment options. Only around half of the jobs that were lost have been recovered through June, keeping the unemployment rate high at 7.3 percent year-to-date through June. The regional labor force shrunk as people stopped searching for jobs during the crisis, pushing the unemployment rate lower than it would otherwise be (Figure 31, right).

Figure 31
Western Region Labor Market Activity

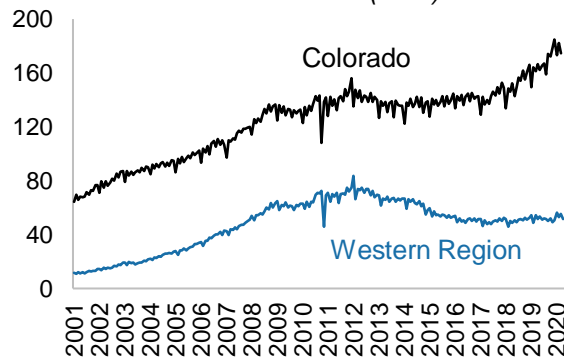


Source: U.S. Bureau of Labor Statistics; Data are seasonally adjusted and are through June 2020.

Construction. Residential construction activity, as measured by housing permits, declined 15.0 percent in 2019 over year-ago levels, despite rising demand for housing in the region. In 2020, permit activity rebounded year-to-date through July, growing by 31.7 percent over year-ago levels. This about-face in the housing sector coincided with the lifting of COVID-related restrictions and the shift in housing demand toward more rural areas and to houses with more space. After two large projects drove up the value of nonresidential construction during 2019, the first seven months of 2020 experienced a decrease of 81.5 percent in the value of projects, as demand for office space has plummeted and business investment is curbed due to uncertainty and many small businesses closures. Nonresidential construction activity is expected to remain at lower levels during 2020, as professional workers continue to work from home and businesses refrain from significant investments due to high levels of ongoing uncertainty.

Energy sector. The Piceance Basin is located in the western region of Colorado and is the second largest potentially developable natural gas resource in the country. Natural gas production in the region increased 3.5 percent through April 2020 over year-ago levels on strong production during the first quarter of the year (Figure 32). A hot summer helped to boost demand for natural gas; however, industrial production across sectors, which constitutes a large share of natural gas demand, lags in its recovery as global demand remains subdued. The oil supply and demand crises have put downward pressure on production and investment over the last few months, resulting in lower than anticipated natural gas production, since natural gas is a byproduct of oil production. Natural gas prices are forecast to tick up towards the end of the year when industrial production gains momentum and residential demand increases with the colder seasons. This provides a slightly more positive outlook for the Piceance Basin and the Western Slope in the coming quarters.

Figure 32
Natural Gas Production
Billion Cubic Feet (BCF)



Source: Colorado Oil and Gas Conservation Commission. Monthly data through April 2020. BCF = Billion cubic feet.

National park visitors. Recent wildfires in the region have hampered outdoor recreation this summer, along with the ongoing impacts of COVID-19 and subdued tourism. After a strong start to the year, the number of visitors to the Black Canyon of the Gunnison National Park was down 51.5 percent during the first six months of 2020 compared with the same period last year, while the nearby Curecanti National Recreation Area experienced a 13.2 percent increase during the same period. Both parks were closed due to social-distancing measures and the temporary limitation of tourists to Gunnison County enacted as a result of the COVID-19 crisis. Both parks started to partially reopen on May 15, before wildfires ravaged thousands of acres in Mesa and Garfield Counties, further halting visitations this season. Visitations to the Colorado National Monument near Grand Junction also decreased 10.9 percent through June this year compared with the first six months of 2019. Tourist revenue to the region is expected to remain depressed through 2020 and likely into 2021.

Mountain Region

The mountain region comprises twelve counties stretching from Poncha Pass north to the Wyoming border. The region is the state's most dependent on tourism, and to this point has been the most acutely affected by COVID-19 travel restrictions and the ongoing recession. Economic indicators for the mountain region are presented in Table 23.



Table 23
Mountain Region Economic Indicators
 Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2016	2017	2018	2019	YTD 2020
Employment Growth ¹	3.4%	4.2%	3.2%	2.7%	-4.9%
Unemployment Rate ¹	2.8%	2.4%	2.7%	2.3%	8.7%
Housing Permit Growth ²	29.0%	-10.7%	73.9%	6.2%	-36.9%
Nonresidential Construction Growth ²					
Value of Projects	-28.9%	298.4%	-78.1%	41.6%	199.9%
Square Footage of Projects Level (<i>Thousands</i>)	23.0%	221.0%	-65.1%	29.2%	88.8%
	632	2,028	708	915	745
Number of Projects Level	57.5%	-1.6%	17.7%	-35.6%	158.8%
	63	62	73	47	44

¹U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through June 2020.

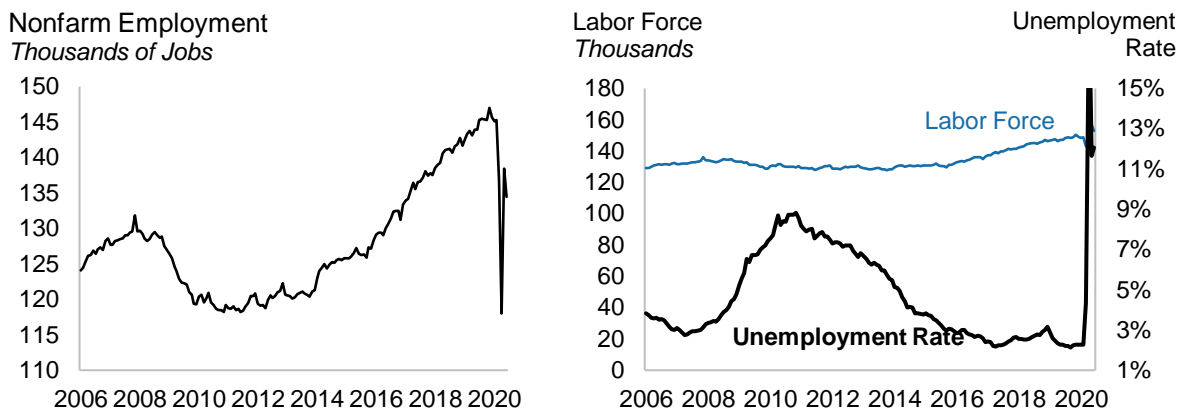
²F.W. Dodge. Data through July 2020.

The mountain region economy is especially procyclical, in that it performs better than other areas during expansions and suffers more than others during recessions. In normal economic circumstances, the mountain economy performs best when households have enough disposable income to travel on vacation to the region. The COVID-19 crisis is uniquely detrimental for the mountain economy because it brought most tourist visitations to an immediate halt, while also sparking a recession that will limit travel budgets over the next few years.

Labor market. The labor market distortions brought upon the mountain region economy by COVID-19 are the most significant observed in any Colorado region at any time since at least 1990. In April, the U.S. Bureau of Labor Statistics (BLS) estimated that nearly 28,400 people were without jobs, representing an unemployment rate of 19.4 percent. This figure is based on a sample of household surveys for a relatively small population, and is therefore imprecise. However, it is clear that closures of ski areas, casinos, parks and other recreational sites, bars, and dine-in seating at restaurants, alongside a near stop in national and international travel, devastated the region's heavily tourism-dependent economy.

Figure 33 illustrates the extent of the labor market effects measured in April and their partial reversal over the months since. The BLS estimates that the number of unemployed persons fell by about 10,000 between April and June to reach 18,400 – still nearly five and a half times the count of unemployed persons in the region in February. The regional unemployment rate fell to 12.1 percent in June – well below its April peak, but still by far the highest in the state.

Figure 33
Mountain Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through June 2020.

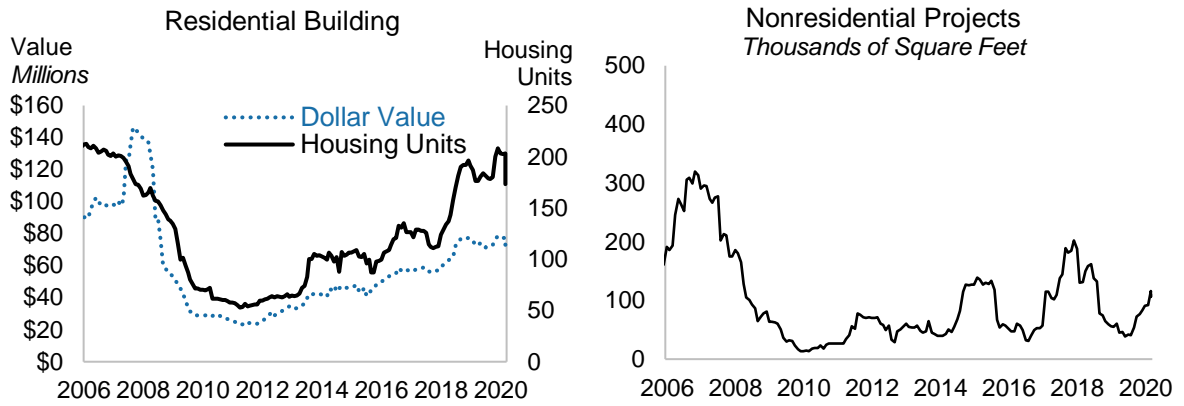
Following the 2008 recession, the mountain region unemployment rate increased more significantly than all other regions except the western region, and remained elevated relative to other regions for about three and a half years. The region’s labor market trajectory following the 2020 recession will depend on the severity and duration of economic damage incurred to date and the ongoing dampening effects of the pandemic.

Tourism. Reduced recreational travel in 2020 and potentially 2021 will pose significant economic challenges for the tourism-dependent areas that comprise most of this region. As the impacts of the recession damage household budgets, consumers who need to tighten their spending will cut travel budgets, posing a major downgrade to the outlook for the mountain region. Some mountain region tourist outfits also had to cope with wildfire-related summer road closures during 2020, including the unusual August closure of Independence Pass between Lake and Pitkin counties and the August closure of Trail Ridge Road in Larimer and Grand counties to most traffic.

The implications of COVID-19 for tourism during the coming winter are becoming clearer. Delta Airlines announced in August that it will not service ski season flights to Aspen, citing “the COVID-19 pandemic, travel restrictions and customer demand” in a statement. Previously, in May, the U.S. Department of Transportation announced that Delta was exempted from its prior requirement to serve Aspen, and that American Airlines was exempted from its prior requirement to serve Aspen, Eagle, and Montrose.

Construction. The regional construction indicators shown in Table 23 represent permitted activity through July on which construction remains underway. Year-to-date through July, residential construction has begun to slow, while nonresidential construction activity has shown sizable growth relative to very low year-ago levels (Figure 34). During the years following the current economic downturn, reduced demand for vacation properties combined with reduced business activity in the region is expected to lead to less building, consistent with the declines following the Great Recession.

Figure 34
Mountain Region Construction Activity



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through July 2020.

Eastern Region

The eastern region includes 16 rural counties on Colorado's eastern plains. Agriculture is the primary industry in the region, with local businesses and government operations supporting the region's farming and ranching communities. Out-migration and an aging population continue to put pressure on the labor force in the region, which is the most sparsely populated in the state. The COVID-19 crisis disrupted labor markets and agricultural prices beginning in March and is expected to weigh on the outlook for the region throughout 2020. Economic indicators for the region are presented in Table 24.

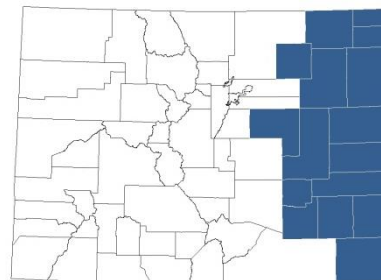


Table 24
Eastern Region Economic Indicators
 Baca, Bent, Logan, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln,
 Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

	2016	2017	2018	2019	YTD 2020
Employment Growth ¹	4.0%	3.3%	2.3%	1.7%	-8.3%
Unemployment Rate ¹	3.0%	2.4%	2.8%	2.4%	4.5%
Crop Price Changes ²					
Wheat (\$/Bushel)	-27.9%	-2.9%	34.6%	-7.0%	-4.8%
Corn (\$/Bushel)	-7.7%	-3.4%	2.8%	9.3%	-5.4%
Alfalfa Hay (Baled, \$/Ton)	-15.5%	4.8%	23.8%	14.9%	-3.9%
Livestock ³					
State Cattle and Calf Inventory Growth	1.0%	6.7%	2.6%	8.0%	-1.8%
Milk Production	5.2%	6.7%	8.8%	5.5%	6.8%

¹U.S. Bureau of Labor Statistics, LAUS (household survey). Data through June 2020.

²National Agricultural Statistics Service. Data through June 2020.

³National Agricultural Statistics Service. Data through July 2020.

Agriculture and livestock. The eastern plains is the largest agricultural region in the state and the sector drives much of the region's economy. Farm income declined after the drop in commodity prices in 2014 and has yet to recover. More recently, farmers have also struggled with a glut of global supplies, unpredictable weather, and trade disputes, all of which have kept incomes subdued.

The COVID-19 pandemic has substantially disrupted agricultural markets and resulted in price declines for most major Colorado agricultural commodities, including corn, wheat, alfalfa hay, milk, and live cattle. According to the U.S. Drought Monitor, this turmoil has been accompanied by unusually hot and dry conditions, which have brought severe to extreme drought conditions to nearly all of the eastern plains, with parts of Kiowa County suffering from exceptional drought. The recently completed winter wheat harvest was one of the smallest in the last decade, and corn yields are expected to be down, as well. Faced with shrinking rangeland and a lack of water, ranchers across the region will be forced to reduce their cattle herd size if forage conditions fail to improve going into the fall.

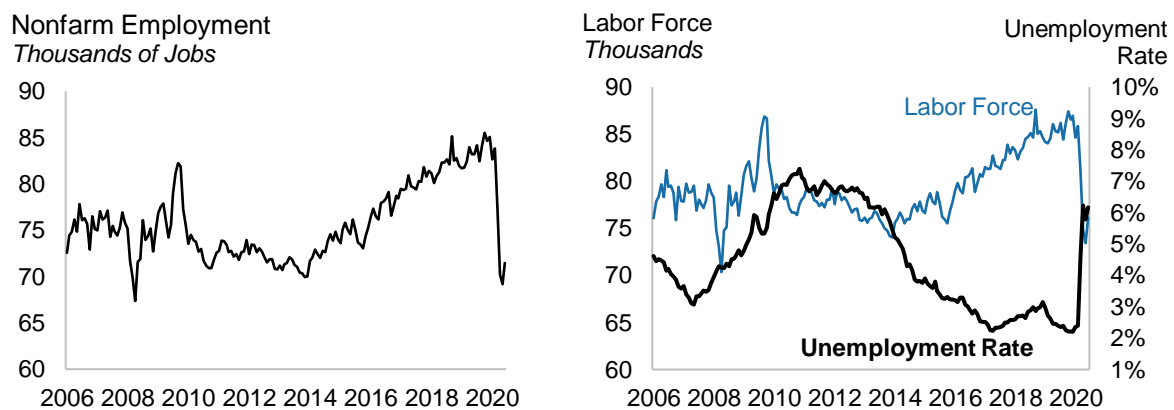
Agriculture and livestock. The eastern plains is the largest agricultural region in the state and the sector drives much of the region's economy. Farm income declined after the drop in commodity prices

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Labor market. As in other areas of the state and nation, the eastern plains saw a deterioration in labor market conditions during the first quarter of 2020 as a result of COVID-19-related shutdowns. The unemployment rate rose from 2.4 percent in February to 6.2 percent in April, before declining to 5.8 percent in May. The number of nonfarm jobs fell by 17.4 percent between February and May, while the labor force shrank by 16.9 percent in the same period. June showed signs of recovery, despite unemployment rising slightly to 6.2 percent. Consistent with historical trends, the region's unemployment rate remains the lowest among the nine state regions. Indicators of labor market activity for the eastern region can be found in Figure 35.

Figure 35
Eastern Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through June 2020.

Housing. Despite the contraction of many rural populations, counties bordering the northern region and the Front Range are seeing population growth, as former residents of larger, more expensive metropolitan areas search for more affordable housing. The median sales price for a single-family home in Elbert County, for example, which borders the metro Denver region, has risen from about \$330,000 in 2014 to \$520,000 in 2020, according to the Colorado Association of Realtors. After declining during the early months of the pandemic, home prices in the county are up 1.6 percent through July 2020 compared to the same period last year. Median home prices in Morgan County are up 7.7 percent through July 2020 compared with the same period in 2019. Single-family home prices in Morgan

County began climbing around mid-2017, rising from about \$145,000 in 2014 to almost \$265,000 in 2020. Yet, Morgan County home prices are still well below the median price in neighboring Weld and Adams counties.

Renewable energy. Renewable energy projects, including solar and wind, have expanded rapidly in the eastern plains in recent years, bringing jobs and bolstering incomes and local tax revenues. In 2018, the region accounted for 100 percent of wind energy and 55 percent of Colorado's solar capacity, comprising 95 percent of the state's renewable energy capacity overall. Xcel Energy's Rush Creek Wind Farm and Transmission project, completed in 2018, spans five counties and is the largest single-phase wind project in the U.S. Investment is expected to continue to expand in the region, with several projects underway or planned for completion. By 2024, the region's renewable energy capacity is expected to expand by more than 22 percent, according to a recent report by The Western Way.

Appendix: Historical Data

National Economic Indicators

Calendar Years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (\$ <i>Billions</i>) ¹	\$13,814.6	\$14,451.9	\$14,712.8	\$14,448.9	\$14,992.1	\$15,542.6	\$16,197.0	\$16,784.9	\$17,527.3	\$18,238.3	\$18,745.1	\$19,543.0	\$20,611.9	\$21,433.2
Percent Change	6.0%	4.6%	1.8%	-1.8%	3.8%	3.7%	4.2%	3.6%	4.4%	4.1%	2.8%	4.3%	5.5%	4.0%
Real GDP (\$ <i>Billions</i>) ¹	\$15,338.3	\$15,626.0	\$15,604.7	\$15,208.8	\$15,598.8	\$15,840.7	\$16,197.0	\$16,495.4	\$16,912.0	\$17,432.2	\$17,730.5	\$18,144.1	\$18,687.8	\$19,091.7
Percent Change	2.9%	1.9%	-0.1%	-2.5%	2.6%	1.6%	2.2%	1.8%	2.5%	3.1%	1.7%	2.3%	3.0%	2.2%
Unemployment Rate ²	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.3%	3.9%	3.7%
Inflation ²	3.2%	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%
10-Year Treasury Note ³	4.8%	4.6%	3.7%	3.3%	3.2%	2.8%	1.8%	2.4%	2.5%	2.1%	1.8%	2.3%	2.9%	2.1%
Personal Income (\$ <i>Billions</i>) ¹	\$11,381.7	\$12,007.8	\$12,442.2	\$12,059.1	\$12,551.6	\$13,326.8	\$14,010.1	\$14,181.1	\$14,991.7	\$15,724.2	\$16,160.7	\$16,948.6	\$17,851.8	\$18,551.5
Percent Change	7.4%	5.5%	3.6%	-3.1%	4.1%	6.2%	5.1%	1.2%	5.7%	4.9%	2.8%	4.9%	5.3%	3.9%
Wage & Salaries (\$ <i>Billions</i>) ¹	\$6,057.0	\$6,396.8	\$6,534.3	\$6,248.6	\$6,372.1	\$6,625.9	\$6,927.5	\$7,113.2	\$7,475.2	\$7,859.5	\$8,089.1	\$8,471.5	\$8,894.2	\$9,309.3
Percent Change	6.4%	5.6%	2.1%	-4.4%	2.0%	4.0%	4.6%	2.7%	5.1%	5.1%	2.9%	4.7%	5.0%	4.7%
Nonfarm Employment (<i>Millions</i>) ²	136.5	138.0	137.2	131.3	130.3	131.9	134.2	136.4	138.9	141.8	144.3	146.6	148.9	150.9
Percent Change	1.8%	1.1%	-0.6%	-4.3%	-0.7%	1.2%	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.4%

Sources

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Nonfarm Employment (<i>Thousands</i>) ¹	2,278.7	2,330.3	2,349.6	2,244.2	2,220.9	2,257.7	2,311.8	2,380.3	2,463.5	2,541.2	2,601.2	2,660.2	2,727.5	2,785.8
Percent Change	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.7%	2.4%	3.0%	3.5%	3.2%	2.4%	2.3%	2.5%	2.1%
Unemployment Rate ¹	4.3%	3.7%	4.9%	7.3%	8.7%	8.4%	7.9%	6.9%	5.0%	3.9%	3.3%	2.8%	3.2%	2.8%
Personal Income (<i>\$ Millions</i>) ²	\$189,476	\$201,876	\$208,738	\$198,800	\$205,372	\$223,153	\$237,142	\$249,282	\$271,308	\$284,234	\$289,581	\$310,755	\$332,943	\$353,089
Percent Change	8.1%	6.5%	3.4%	-4.8%	3.3%	8.7%	6.3%	5.1%	8.8%	4.8%	1.9%	7.3%	7.1%	6.1%
Per Capita Income (<i>\$</i>) ²	\$40,140	\$42,024	\$42,689	\$39,982	\$40,682	\$43,570	\$45,659	\$47,298	\$50,711	\$52,147	\$52,278	\$55,374	\$58,500	\$61,348
Percent Change	6.1%	4.7%	1.6%	-6.3%	1.8%	7.1%	4.8%	3.6%	7.2%	2.8%	0.3%	5.9%	5.6%	4.9%
Wage & Salary Income (<i>\$ Millions</i>) ²	\$105,649	\$112,526	\$116,710	\$112,228	\$113,670	\$118,414	\$124,947	\$129,521	\$138,626	\$146,531	\$151,016	\$160,719	\$170,115	\$182,118
Percent Change	7.0%	6.5%	3.7%	-3.8%	1.3%	4.2%	5.5%	3.7%	7.0%	5.7%	3.1%	6.4%	5.8%	7.1%
Retail Trade Sales (<i>\$ Millions</i>) ³	\$70,437	\$75,329	\$74,760	\$66,345	\$70,738	\$75,548	\$80,073	\$83,569	\$90,653	\$94,920	NA	NA	NA	NA
Percent Change	7.5%	6.9%	-0.8%	-11.3%	6.6%	6.8%	6.0%	4.4%	8.5%	4.7%				
Residential Housing Permits ⁴	38,343	29,454	18,998	9,355	11,591	13,502	23,301	27,517	28,698	31,871	38,974	40,673	42,627	38,633
Percent Change	-16.4%	-23.2%	-35.5%	-50.8%	23.9%	16.5%	72.6%	18.1%	4.3%	11.1%	22.3%	4.4%	4.8%	-9.4%
Nonresidential Construction (<i>\$ Millions</i>) ⁵	\$4,641	\$5,259	\$4,114	\$3,354	\$3,147	\$3,923	\$3,695	\$3,624	\$4,351	\$4,991	\$5,989	\$6,156	\$8,140	\$5,038
Percent Change	8.6%	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.8%	-1.9%	20.1%	14.7%	20.0%	2.8%	32.2%	-38.1%
Denver-Aurora-Lakewood Inflation ¹	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%	1.2%	2.8%	3.4%	2.7%	1.9%
Population (<i>Thousands, July 1</i>) ⁴	4,720.4	4,803.9	4,889.7	4,972.2	5,047.3	5,121.1	5,192.6	5,269.0	5,350.1	5,450.6	5,539.2	5,611.9	5,691.3	5,758.7
Percent Change	1.9%	1.8%	1.8%	1.7%	1.5%	1.5%	1.4%	1.5%	1.5%	1.9%	1.6%	1.3%	1.4%	1.2%

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.

³Colorado Department of Revenue. Data are not available after 2015.

⁴U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.

⁵F.W. Dodge.