Economic & Revenue Forecast

December 2024

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

December 2024 | Economic & Revenue Forecast

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Executive Summary

This report presents the budget outlook based on current law and the December 2024 forecast for General Fund revenue, cash fund revenue, and the state TABOR outlook. It also includes annual forecasts for kindergarten through twelfth grade (K-12) enrollment and assessed values, which inform an updated school finance outlook, and annual forecasts for the adult and juvenile corrections populations. Consistent with other quarterly forecasts, it includes summaries of expectations for the U.S. and Colorado economies and current economic statistical indicators for the state's nine regions.

General Fund Budget Outlook

FY 2023-24

Preliminary, unaudited reports from the Office of the State Controller indicate that the General Fund ended FY 2023-24 with a 22.9 percent reserve, $1.14 billion above the statutory requirement. State TABOR revenue exceeded the Referendum C cap by $1.36 billion, triggering a $1.65 billion TABOR refund obligation for FY 2024-25 that incorporates underrefunded prior year surpluses.

FY 2024-25

The General Fund is expected to end FY 2024-25 with a 13.8 percent reserve, $193.5 million below the statutory requirement. General Fund revenue is expected to decrease by 1.2 percent and total $17.04 billion, mostly on an expected decline in corporate income tax collections. Revenue is expected to exceed the Referendum C cap by $356.3 million, just 1.9 percent of the level of the cap, and could fall short of the Referendum C cap even without an economic downturn.

FY 2025-26 Unbudgeted

General Fund revenue is expected to grow 6.7 percent and total $18.18 billion, with state revenue subject to TABOR exceeding the Referendum C cap by $844.1 million. The General Fund is projected to have $1.16 billion, or 6.3 percent, more available to spend or save relative to what is budgeted to be spent in FY 2024-25 after the application of current law transfers, rebates, and expenditures, and the statutory reserve requirement. This amount does not incorporate caseload growth, inflationary, or other budgetary pressures.

The General Fund Budget Overview section also presents the budget outlook in the context of the Governor's November 2024 budget proposal for FY 2025-26 ("Scenario B"). In that scenario, the General Fund would be expected to end the year with a 15.3 percent reserve, $97.6 million above the statutory requirement.

FY 2026-27 Unbudgeted

General Fund revenue is expected to grow 5.1 percent and total $19.11 billion, with state revenue subject to TABOR exceeding the Referendum C cap by $1.21 billion. The budget outlook for this year depends in large part on choices the General Assembly will make for FY 2025-26.

Risks to the budget outlook. The revenue forecast carries risk to the budget outlook. Lower-than-expected General Fund revenue could cause revenue to fall below the Referendum C cap in any year of the three-year forecast period, even without a recession. Meanwhile, higher-than-expected cash fund revenue would put pressure on the General Fund budget by increasing the state TABOR refund obligation without offsetting General Fund revenue to accommodate the increase. Other risks include recession risk, volatile income tax revenue streams, and a volatile policy environment as the incoming Trump Administration takes office in January.

TABOR refund requirement for exceeding Proposition FF Blue Book estimate. Income tax revenue attributable to Proposition FF reached $127.0 million in FY 2023-24 on an accrual basis based on preliminary figures, exceeding the estimate provided to voters in the 2022 Blue Book by $26.3 million. The state will be required to refund the excess unless voters approve a ballot measure allowing the state to keep this amount.

Cash Fund Revenue

Preliminary figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled just below $2.8 billion in FY 2023-24, representing an increase of 1.5 percent from the prior fiscal year. In FY 2024-25, cash fund revenue subject to TABOR is expected to come in just over $2.9 billion, a 4.2 percent increase. Growth is expected to occur in all major categories, except for a decline in severance tax, the 2.9 percent sales tax on marijuana revenue, and the Housing Development Grant Fund.

Revenue is expected to moderately increase in FY 2025-26 and FY 2026-27. In FY 2025-26, total cash fund revenue is expected to grow 3.6 percent from the prior fiscal year and total about $3.0 billion. Revenue is expected to increase by another 2.2 percent in FY 2026-27. Discussion of the cash fund revenue outlook begins on page 45.

Economic Outlook

The U.S. economy avoided a hard landing to the post-pandemic inflation cycle, and continues to expand at a moderate pace. Consumer activity has stood up against persistently high prices, and businesses activity has stood up against still-high borrowing costs. While the labor market softened over the course of 2024, the unemployment rate remains at a healthy level. Upward revisions to personal income data indicate that workers saw stronger real wage growth in 2024 than previously anticipated, buoyed by receding inflation. The softening labor market paired with slowing inflation laid the foundation for the Federal Reserve to implement a series of interest rate cuts beginning in September 2024.

This forecast anticipates a continued moderate expansion in the U.S. and Colorado economies at a slower rate in 2025. Additional interest rate reductions and receding inflation will boost growth, while slowing employment growth will raise headwinds. Colorado's economy is expected to be comparable with the nation's, with slower consumer spending, similar unemployment rates, lower inflation, and higher income growth.

Discussion of the economic outlook begins on page 101, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 27 and 28 on pages 129 and 130.

School Finance Outlook

An update to the school finance outlook begins on page 23.

FY 2024-25. Relative to the FY 2024-25 appropriation made during the 2024 session, the state aid requirement for total program funding is expected to be $45 million higher than previously budgeted. This reflects higher-than-expected enrollment but lower-than-expected at-risk populations in the 2024-25 school year, which combined to increase the overall total program cost by $17 million. In addition, the local share is expected to be $28 million lower than previously forecast due to the property tax reduction bills passed by the General Assembly.

FY 2025-26. The state aid requirement is expected to decrease $83 million in FY 2025-26 relative to the current year level. This estimate assumes that the new formula is phased in as specified under current law, and is based on revised inflation expectations and the 2024 kindergarten through twelfth grade (K-12) enrollment forecast, which suggest that total program requirements will increase by $298 million year-over-year. Additionally, the 2024 assessed valuation forecast implies a $381 million increase in the local share in FY 2025-26 over the current year level.

K-12 Enrollment

Enrollment for the current school year totals 835,942 student FTE across Colorado's public schools, up 91 FTE or 0.01 percent from the previous year. Long-term statewide trends point to declining enrollment; however, enrollment increased in the current year due to additions from new immigrant students and extended high school enrollment. Enrollment is projected to decline through the forecast period, decreasing by 1,344 student FTE, or 0.2 percent, in 2025-26 and 1,719 student FTE, or 0.2 percent, in 2026-27.

There are both upside and downside risks to the forecast. Enrollment may exceed expectations if growth in the statewide population of five-year-olds increases kindergarten enrollment by more than projected, or if students who left public school during the COVID-19 pandemic return to public education. Enrollment may be lower than expected as a result of immigrant deportations, or if birth rates and housing affordability result in smaller cohorts than expected. Enrollment projections begin on page 59.

Assessed Values

A forecast for assessed values – the amount of property values that are subject to taxation at local mill levies – begins on page 67. The assessed value projections incorporate estimated impacts of policy changes passed during the 2024 regular session and the August 2024 special session. Among the legislative adjustments is the creation of two assessed values for each residential property in the state beginning with property tax year 2025, one that is used for mill levies assessed by school districts, and one that is used for all other local government entities.

Assessed values fell 2.8 percent in property tax year (PTY) 2024 as nonresidential value decreased with a decline in oil and gas valuations and legislative changes. In property tax year 2025, a reassessment year, assessed values for school districts are expected to increase 7.9 percent. In addition to slow but positive growth anticipated due to property reassessments, assessed value will be boosted largely by the end of temporarily lower residential assessment rates and value reductions that were effective for PTY 2024. In 2025, the residential assessment rate for school districts is projected to rise to 7.05 percent. In PTY 2026, assessed values for school districts are expected to decrease by 0.9 percent with further nonresidential assessment rate reductions offsetting growth in residential assessed values at a rate more typical for an intervening year. Although nonresidential assessment rate reductions continue through property tax year 2027, higher property values are projected to boost the 2027 reassessment, and assessed value is projected to increase 3.9 percent.

Correctional Populations

A forecast for the state's adult prison population and parole caseload begins on page 83. A forecast for juvenile correctional populations, including commitment, parole, and detention populations, begins on page 95.

The state's adult prison population rose to 17,489 in June 2024, increasing by 435 offenders, as growth continued to slow. The prison population is expected to increase to 17,545 inmates in June 2025 and 17,754 inmates in June 2026. The in-state adult parole population rose slightly in FY 2023-24, to 7,311 parolees. The parole population is expected to rise to 7,357 in June 2025, and to 7,444 in June 2026.

The juvenile commitment population rose to an average of 265 youths in FY 2023-24, the first time the average daily commitment population has registered a year-over-year increase since FY 2004-05, and is expected to increase in FY 2024-25, to 270 youths, before declining through FY 2026-27, to 257 youths. The juvenile parole population averaged 96 youths in FY 2023-24, and is expected to increase, to 108 youths in FY 2026-27. The detention population is expected to increase from 193 youths in FY 2023-24, to 220 youths in FY 2026-27. The average daily detention population is expected to exceed the statutory bed cap in FY 2026-27, and is expected to intermittently exceed the cap at times earlier in the forecast period.

General Fund Budget Overview

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

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

Legislative Assumptions

This forecast is based on current law and incorporates all 2024 legislation that became law, including legislation enacted during the August 2024 special session. It also accounts for the budgetary impacts of ballot measures approved at the November 2024 General Election.

FY 2023-24

Preliminary, unaudited reports from the Office of the State Controller indicate that the General Fund ended FY 2023-24 with a 22.9 percent reserve, $1.14 billion above the statutory reserve requirement (Table 1, line 21). The State Auditor identified a state TABOR surplus of $1.36 billion for FY 2023-24, equal to about 7.0 percent of state revenue subject to TABOR, or about 7.9 percent of gross General Fund revenue. The audited TABOR surplus amount was slightly less than the State Controller's September 1 certification reflected in the September forecast. The Auditor also confirmed an outstanding refund obligation of $289.4 million for prior year underrefunded TABOR surpluses, for a total refund obligation of $1.65 billion in FY 2024-25.

Table 1
General Fund Overview
Dollars in Millions

	Funds Available	FY 2023-24 Preliminary	FY 2024-25 Estimate	FY 2025-26 Estimate	FY 2026-27 Estimate
1	Beginning Reserve	$2,427.4	$3,169.4	$2,121.2	*
2	General Fund Revenue (Table 11)	$17,251.4	$17,042.6	$18,184.6	$19,106.7
3	Transfers from Other Funds (Table 6)	$93.3	$190.5	$65.9	$45.6
4	**Total Funds Available**	**$19,772.2**	**$20,402.5**	**$20,371.7**	**$19,152.3**
5	Percent Change	-7.0%	3.2%	-0.2%	-6.0%
	Expenditures	**Preliminary**	**Budgeted**	**Estimate**	**Estimate**
6	General Fund Appropriations Subject to the Limit[1]	$13,818.6	$15,330.2	*	*
7	Appropriations from Healthy School Meals Account[1]	$115.3			
8	Overexpenditure from General Fund	$153.8			
9	TABOR Refund Obligation Under Art. X, §20, (7)(d)	$1,646.0	$356.3	$844.1	$1,207.3
10	Rebates and Expenditures (Table 5)	$241.9	$182.9	$191.0	$186.6
11	Transfers to Other Funds (Table 6)	$543.9	$1,894.3	$450.0	$461.6
12	Transfers to the State Education Fund[2]	$0.0	$146.0	$0.0	$0.0
13	Transfers to Transportation Funds (Table 4)	$5.0	$117.5	$117.5	$117.5
14	Transfers to Capital Construction Funds (Table 4)	$351.4	$254.1	$20.0	$20.0
15	**Total Expenditures**	**$16,875.9**	**$18,281.3**	*	*
16	Percent Change	-11.3%	8.3%	*	*
17	Accounting Adjustments[3]	$273.1			
	Reserve	**Preliminary**	**Estimate**	**Estimate**	**Estimate**
18	Year-End General Fund Reserve	$3,169.4	$2,121.2	*	*
19	Year-End Reserve as a Percent of Appropriations	22.9%	13.8%	*	*
20	Statutorily Required Reserve[4]	$2,031.5	2,314.8	*	*
21	**Amount in Excess or (Deficit) of Statutory Reserve**	**$1,137.9**	**-$193.5**	*	*
22	Excess Reserve as a Percent of Expenditures	6.7%	-1.1%	*	*
	Perspectives on FY 2025-26 (Unbudgeted)		**Estimate**	**Estimate**	**Estimate**
	Scenario A: Holds FY 2024-25 Appropriations Constant[5]				
23	Amount in Excess or (Deficit) of 15% Reserve Requirement			$1,160.6	
24	As a Percent of Prior-Year Expenditures			6.3%	
	Scenario B: Governor's FY 2025-26 Budget Request[6]				
25	Amount in Excess or (Deficit) of 15% Reserve Requirement		-$169.7	$97.6	-$53.5
26	As a Percent of Current-Year Expenditures		-0.9%	0.5%	-0.3%
	Addendum	**Preliminary**	**Estimate**	**Estimate**	**Estimate**
27	Percent Change in General Fund Appropriations	3.8%	10.9%	*	*
28	5% of Colorado Personal Income Appropriations Limit	$20,836.4	$22,392.7	$23,530.3	$24,753.9
29	Transfers to State Education Fund per Amendment 23	$1,209.0	$1,089.4	$1,171.4	$1,224.2

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

[1] Line 6 shows appropriations subject to the statutory reserve requirement (line 20) and the appropriations limit (line 28). Line 7 shows appropriations from the Healthy School Meals Program Exempt Account, which are not subject to the reserve requirement and appropriations limit.

[2] Includes transfer pursuant to SB 23B-001. Does not include transfers to the SEF under Amendment 23, which are shown on line 29.

[3] Reversions of appropriated amounts and other accounting adjustments to arrive at the year-end balance published in the Annual Comprehensive Financial Report. FY 2023-24 includes $255.6 million underrefunded from prior TABOR refund obligations.

[4] The required reserve is calculated as 15 percent of operating appropriations, minus $41.25 million (beginning in FY 2023-24), plus $56.5 million (for FY 2024-25 only). Appropriations from the Healthy School Meals Account (line 7) are exempt from the reserve requirement.

[5] This scenario holds appropriations in FY 2025-26 equal to appropriations in FY 2024-25 (line 6) to determine the total amount of money available relative to FY 2024-25 expenditures, net of the obligations in lines 9 through 14.

[6] This scenario assumes the Governor's November 1, 2024, budget proposal. For FY 2024-25, it increases net transfers into the General Fund, increases appropriations, and decreases the TABOR refund obligation, increasing the FY 2025-26 beginning balance by $36.9 million on net. For FY 2025-26, it includes all requested appropriations, placeholders, and transfers. For FY 2026-27, it assumes the FY 2025-26 ending balance and includes estimated out-year appropriations and capital costs included in the request, and a placeholder for controlled maintenance. See the November 12, 2024, JBC Staff briefing document available at: https://leg.colorado.gov/sites/default/files/overview-11-12-24_0.pdf

FY 2024-25

The General Fund is expected to end FY 2024-25 with a 13.8 percent reserve, $193.5 million below the statutory reserve requirement (Table 1, line 21). In addition to normal forecast revisions, supplemental appropriations adopted during the 2025 legislative session and other legislative changes to appropriations and transfers will affect this amount.

General Fund revenue collections are expected to decrease by 1.2 percent, mostly due to a projected decline in corporate income tax collections. After incorporating tax credits enacted during the 2024 legislative session, state revenue subject to TABOR is expected to exceed the Referendum C cap by $356.3 million, much less than in recent fiscal years. The expected TABOR surplus is just 1.8 percent of projected state revenue subject to TABOR, suggesting that revenue could fall short of the cap in FY 2024-25, even without a recession. In this case, the FY 2024-25 budget would be constrained by available revenues, rather than the TABOR limit.

2024 ballot measures incorporated in the forecast. The December forecast includes adjustments beginning in FY 2024-25 for:

- **Proposition JJ**, which permits the state to retain and spend the full amount of revenue collected from the Proposition DD voter-approved tax on sports betting revenue; and
- **Proposition KK**, which imposes an excise tax on retail sales of firearms, firearm parts and ammunition beginning in April 2025.

Refund obligation for exceeding Proposition FF Blue Book estimate. Preliminary, unaudited data for FY 2023-24 indicate that revenue from the income tax addition in Proposition FF totaled $127.0 million, exceeding the estimate of first full fiscal year revenue provided to voters in the 2022 Blue Book by $26.3 million. If voters do not approve a ballot measure allowing this revenue to be retained, the state will be required to refund this amount to taxpayers. This forecast assumes that this refund would be administered differently than refund obligations when the state exceeds the TABOR limit, and the amount is not included in the refund mechanisms presented in the TABOR Outlook section.

FY 2025-26 (Unbudgeted)

General Fund revenue is expected to grow at a moderate 6.7 percent in FY 2025-26. Collections from individual income and sales taxes are expected to rebound from the slower pace of growth expected in FY 2024-25. State revenue subject to TABOR is expected to exceed the Referendum C cap by $844.1 million. Because a budget has not yet been enacted for FY 2025-26, this forecast presents two scenarios for the General Fund budget outlook.

Scenario A: Holds appropriations constant in FY 2025-26. Scenario A, shown on lines 23 and 24 of Table 1, presents the amount of revenue available to be spent or saved in FY 2025-26 assuming that appropriations equal the amount appropriated in FY 2024-25. Based on this forecast, the General Fund will have $1.16 billion, or 6.3 percent, more available to spend or save than in FY 2024-25. This amount assumes current law obligations for FY 2025-26, including transfers, rebates, and expenditures (Table 1, lines 10 through 14), as well as the current law reserve requirement and the projected TABOR refund obligation. The $1.16 billion amount is a cumulative amount that reflects the FY 2024-25 budget situation and projected year-end balance. Any changes in revenue or adjustments made to the budget for FY 2024-25 will carry forward into FY 2025-26. This amount holds FY 2024-25 appropriations constant and therefore does not reflect any caseload, inflationary, or other budget pressures, including those presented in the School Finance section. This scenario does not include annualizations of 2024 legislation.

Scenario B: Governor's budget request. Scenario B, shown on lines 25 and 26 of Table 1, presents the amount of the General Fund reserve in excess or deficit of the statutory reserve requirement for FY 2024-25 through FY 2026-27 assuming adoption of the Governor's November 1, 2024, budget proposal. These estimates are provided for informational purposes and to allow for comparison with the budget overview from the Office of State Planning and Budgeting. The inclusion of Scenario B is not an endorsement of the Governor's proposal by Legislative Council Staff.

- **FY 2024-25.** Scenario B assumes a $36.9 million higher ending balance for the current fiscal year than under current law, which would be carried forward to FY 2025-26 as shown in Table 2, line 2. This amount is the net impact of the following:
  - $12.0 million in capital reversions identified in the request;
  - $98.9 million in proposed additional transfers into the General Fund during FY 2024-25, mostly from nonexempt cash fund interest revenue, severance tax, and select funds in the Department of Public Health and Environment;
  - $87.0 million in FY 2024-25 supplemental appropriations, for which the request includes a placeholder;
  - a $6.6 million reduction in the TABOR refund obligation, reflecting the proposed expansion of the Unemployment Compensation enterprise and reclassification of merchandise sales as TABOR-exempt; and
  - $6.4 million less in transfers out of the General Fund to the Advanced Industries Acceleration Cash Fund in the Office of Economic Development and International Trade.
- **FY 2025-26.** The Scenario B adjustments made to the FY 2025-26 budget outlook are summarized in Table 2. Scenario B assumes General Fund appropriations of $16,579.0 million for FY 2025-26. This amount includes all appropriations in the Governor's proposal, except that $191.1 million of the proposed appropriations are classified as rebates and expenditures in this forecast, and therefore are already included in Scenario A (Table 1, line 10). It incorporates all decision items in the Governor's proposal, including those that would change appropriations in the Long Bill (Table 2, line 7) and legislative placeholders that would change appropriations (Table 2, line 8).

  Beyond changes to appropriations, Scenario B incorporates the effects of the following budget actions proposed by the Governor for FY 2025-26:
  - a tax policy package that would repeal, or allow for the scheduled expiration of, certain tax expenditures, increasing both General Fund revenue (Table 2, line 3) and the TABOR refund obligation (Table 2, line 13) by $133.9 million;
  - the conversion of Pinnacol Assurance from a political subdivision of the state to an independent company, resulting in the receipt of an estimated $100.0 million in TABOR-exempt General Fund revenue in FY 2025-26 (Table 2, line 4);

- $209.1 million in additional transfers into the General Fund beyond those in current law (Table 2, line 5);
- $183.4 million in additional transfers from the General Fund to the Capital Construction Fund, beyond the $20.0 million authorized in current law (Table 2, line 10);
- $39.0 million in reduced transfers from the General Fund to transportation-related cash funds under Senate Bill 21-260, relative to the $117.5 million required in current law (Table 2, line 11);
- $2.5 million in additional net transfers from the General Fund to other cash funds, beyond the $450.0 million estimated under current law (Table 2, line 12);
- a $149.2 million decrease in the TABOR refund obligation attributable to reduced cash fund revenue subject to TABOR (Table 2, line 14), including proposed fee reductions and the creation of new state enterprises and expansion of existing state enterprises; and
- a $162.5 million net increase in the General Fund reserve requirement (Table 2, line 17), equal to 15 percent of the proposed increase in General Fund appropriations, less $24.8 million from the proposed exemption of direct General Fund distributions to PERA from the reserve requirement.

Relative to Scenario A, Scenario B includes $1,380.4 million more in total expenditures for FY 2025-26. This includes $1,248.8 million in additional appropriations and $131.6 million more, on net, in additional General Fund transfers and expenditures other than appropriations, including the TABOR refund obligation. The statutory reserve requirement is estimated to be $162.5 million higher than under Scenario A. The General Fund is estimated to end FY 2025-26 with a 15.3 percent reserve, $97.6 million above the statutory requirement.

Table 2
FY 2025-26 Budget Scenario B; Applies the Governor's Budget Proposal to this Forecast
Dollars in Millions

		FY 2025-26
1	**Excess Reserve Under Scenario A**	**$1,160.6**
	Change in Funds Available	
2	Effect of Proposed FY 2024-25 Budget Actions	$36.9
3	Revenue Increase from Tax Credit Expirations	$133.9
4	Revenue Increase from Pinnacol Conversion	$100.0
5	Proposed Additional Transfers to the General Fund	$209.1
6	**Total Change in Funds Available**	**$479.9**
	Change in Appropriations	
7	Change in Budget Requests Funded through Long Bill[1]	$1,242.5
8	Appropriations via Legislative Placeholders[2]	$6.4
9	**Total Change in Appropriations**	**$1,248.8**
	Change in Other General Fund Obligations	
10	Additional Transfers to Capital Construction Fund	$183.4
11	Reduction in SB 21-260 Transportation Transfers	-$39.0
12	Additional Transfers to Other Cash Funds	$2.5
13	TABOR Obligation from Tax Credit Expirations	$133.9
14	Reduced TABOR Obligation Arising from Cash Funds	-$149.2
15	**Total Change in Other General Fund Obligations**	**$131.6**
16	**Change in Expenditures** (Line 9 plus Line 15)	**$1,380.4**
17	**Change in Required Reserve**[3]	**$162.5**
18	**Total Change in General Fund Obligations**	**$1,542.9**
19	**Excess Reserve Under Scenario B** (Line 1 plus Line 6 minus Line 18)	**$97.6**

Source: December 2024 LCS Forecast and Joint Budget Committee Staff analysis of Governor's November 1, 2024, budget proposal.
[1] Nets out $191.1 million from the Governor's proposed appropriations for General Fund rebates and expenditures, which Legislative Council Staff forecasts independently.
[2] Net impact of decision items proposing changes to appropriations that require substantive legislation, plus the requested placeholders for executive and legislative priorities.
[3] Net impact of 15 percent reserve requirement applied to change in appropriations (line 9), less the reduced requirement due to the proposed exemption of PERA direct distributions from the reserve requirement (-$24.8 million).

- **FY 2026-27.** Scenario B assumes that the General Fund will begin FY 2026-27 with a balance of $2,518.4 million after incorporation of the assumptions for FY 2024-25 and FY 2025-26. The scenario assumes General Fund appropriations of $17,340.2 million for FY 2026-27. This amount includes out-year changes to appropriations in the Governor's proposal, except that $188.9 million of the proposed appropriations for budget line items are already included in this forecast as rebates and expenditures. It also incorporates changes to General Fund revenue due to proposed tax policy changes, and the equivalent increase in the TABOR refund obligation ($150.9 million), TABOR-exempt revenue from the Pinnacol Assurance conversion ($80.0 million), additional transfers to the General Fund above those in current law ($61.2 million), a decrease in the TABOR refund obligation attributable to reduced cash fund revenue subject to TABOR ($150.3 million), and proposed decreases in transfers out of the General Fund to transportation-related and other miscellaneous cash funds ($33.0 million). Finally, it assumes an additional capital transfer ($180.5 million) sufficient to accommodate out-year capital costs for building projects and IT projects included in the Governor's request for FY 2025-26, as well as a placeholder for controlled maintenance expenses equal to 1 percent of the current replacement value of state facilities, the State Architect's recommended amount. Under Scenario B, the General Fund is expected to end FY 2026-27 with a 14.4 percent reserve, $53.5 million below the statutory requirement.

2024 ballot measures incorporated in the forecast. The December forecast includes adjustments beginning in FY 2025-26 for **Amendment G**, which broadens eligibility for the homestead exemption for veterans with a disability beginning in property tax year 2025. The forecast does not include adjustments to appropriations for **Proposition 130**, which requires that the General Assembly appropriate $350 million to the Peace Officer Training and Support Fund. Adjustments to appropriations shown in the forecast will be made when the required appropriations are enacted as required by the ballot measure.

FY 2026-27 (Unbudgeted)

General Fund revenue is projected to increase 5.1 percent and total $19.11 billion, with modest-to-moderate growth most major components of General Fund revenue. State revenue subject to TABOR is expected to exceed the Referendum C cap by $1.21 billion. The amount available for the budget depends on the FY 2025-26 year-end reserve, which will depend on budget decisions made for FY 2025-26. The Scenario B discussion above provides one possible outlook for FY 2026-27 based on the Governor's November 1, 2024, proposed budget for FY 2025-26.

Risks to the General Fund Budget Outlook

Higher-than-expected cash fund revenue would increase General Fund budget pressures. Because TABOR surpluses are refunded using General Fund money, higher-than-expected cash fund revenue subject to TABOR would create additional budgetary pressures for the General Fund. Cash fund collections in FY 2023-24 exceeded expectations, resulting in additional pressure on General Fund budget space.

Recession risk is budget risk. This forecast postulates that the economy has achieved a soft landing, with no recession in the forecast period. However, economic growth is expected to decelerate. The incoming Trump administration has promised extensive changes to federal economic and tax policy, which widens economic risks in both directions relative to the September forecast baseline. A recession would likely reduce revenue below the Referendum C cap, thereby reducing the amount available for the General Fund budget.

Revenue may fall below the Referendum C cap even without a recession. FY 2024-25 revenue is expected to exceed the Referendum C cap by $356.3 million, or 1.9 percent. Even without a recession, it is within the range of normal forecast error for revenue to fall below the Referendum C cap, in which case revenue, and not the cap, would limit the amount available for the General Fund budget. The amount by which revenue is projected to exceed the Referendum C cap is within the range of normal forecast error during each year of the current forecast period.

The corporate income tax outlook is especially uncertain. Corporate income tax collections increased 18.2 percent in FY 2023-24, continuing to outperform expectations after 3 years of record highs. Corporate collections are expected to fall by 13.8 percent in FY 2024-25. Given recent volatility, there is significant bidirectional risk to the forecast. Greater revenue than forecast would result in a higher TABOR refund obligation with no downstream impact on the state budget. However, a larger decline in corporate collections could raise more significant budget consequences if revenue falls below the Referendum C cap.

Changes Between the September and December Forecasts

Table 3 presents revisions to the General Fund budget outlook relative to the September 2024 forecast. These changes are explained below.

FY 2023-24. As shown in Table 3, the estimated ending balance was increased by $95.1 million relative to the statutory reserve requirement compared with the September forecast. A portion of the revision, $23.1 million, is due to a lower estimated reserve requirement, reflecting the interpretation that overexpenditures do not contribute to the required reserve. The remaining revision, $72.0 million, represents a higher estimated year-end balance carried forward into FY 2024-25. This amount is the net impact of:

- $1.7 million less in transfers into the General Fund, mostly due to a change to how the FAMLI enterprise startup loan in Senate Bill 21-251 is accounted compared with the September forecast;
- a $14.3 million reduction in the TABOR refund obligation, based on audit adjustments to the September 1 TABOR revenue certification for FY 2023-24;
- $41.3 million less in transfers out of the General Fund, due to a change to how the College of Osteopathic Medicine startup loan in HB 24-1426 is accounted compared with the September forecast; and
- $18.2 million in positive accounting adjustments, which include FY 2023-24 General Fund reversions totaling $17.5 million and TABOR audit adjustments to prior year obligations totaling $0.7 million.

FY 2024-25. The September forecast anticipated that the General Fund would end FY 2024-25 with a reserve $370.8 million below the statutory requirement. Expectations for the amount of the reserve were increased by $177.3 million from September, and this forecast anticipates a reserve of $193.5 million below the statutory requirement.

The upward revision includes the $72.0 million higher beginning balance carried forward from FY 2023-24. For FY 2024-25, the forecast includes a $108.5 million upward revision to estimated General Fund revenue, mostly on upgraded expectations for individual income taxes and sales taxes. However, the forecast includes a small (-$8.9 million) downward revision to the expected TABOR refund obligation. Upgraded General Fund revenue expectations were almost entirely offset by downgraded expectations for cash fund revenue subject to TABOR, where decreases to the forecasts for transportation-related revenue, severance tax revenue, and sales taxes credited to the Housing Development Grant Fund more than offset increased expectations for miscellaneous cash fund revenue. The remaining difference is attributable to an upward revision to expectations for TABOR-exempt General Fund revenue.

Table 3 also shows increased expectations for transfers into the General Fund, due to a greater transfer than previously expected for the House Bill 24-1426 sweep of the Controlled Maintenance Trust Fund balance, and increased expectations for transfers out of the General Fund, mostly of TABOR-exempt marijuana, tobacco, and firearms taxes to their respective distribution cash funds. Finally, expectations for Old Age Pension and Property Tax, Rent, and Heat credit rebates and expenditures increased modestly.

FY 2025-26. Table 3 presents a comparison between the FY 2025-26 General Fund budget outlook under Scenario A in the September and December forecasts. Expectations for revenue available to be spent or saved were increased by $248.9 million, largely reflecting the higher expected beginning reserve (+$177.3 million), and a much larger upgrade to expectations for General Fund revenue (+$222.5 million) than for the TABOR refund obligation (+$96.8 million). Table 3 shows more available General Fund revenue after accounting for the TABOR obligation as a consequence of downgraded expectations for cash fund revenue subject to TABOR, upgraded expectations for TABOR-exempt General Fund revenue (though this revenue is mostly marijuana, tobacco, and firearms tax revenue which is then transferred out of the General Fund), and a slight upward revision to the projected TABOR limit.

Table 3
Changes in the General Fund Budget Relative to the September 2024 Forecast (Scenario A)
Dollars in Millions, Positive Amounts Reflect an Increase Relative to September

Components of Change	FY 2023-24	FY 2024-25	FY 2025-26	Description of Changes
Funds Available	**-$1.7**	**$193.7**	**$395.7**	
Beginning Reserve	$0.0	$72.0	$177.3	Carries forward higher anticipated year-end balances.
General Fund Revenue	$0.0	$108.5	$222.5	See Table 11. Primarily reflects changes to income and sales tax revenue forecasts.
Transfers from Other Funds	-$1.7	$13.1	-$4.2	See Table 6. For FY 2023-24, changes accounting of SB 21-251. Includes greater-than-expected transfer under HB 24-1426 for FY 2024-25.
Expenditures	**-$55.6**	**$16.4**	**$146.8**	
Operating Appropriations	$0.0	$0.0	$0.0	
TABOR Refund Obligation	-$14.3	-$8.9	$96.8	See Table 9. Changes to General Fund and cash fund revenue forecasts. For FY 2023-24, includes audit adjustments to September 1 TABOR certification.
Rebates and Expenditures	$0.0	$4.0	$5.2	See Table 5. Increased expenditures for Old Age Pension program and Property Tax, Rent, and Heat Credit program.
SEF Transfers	$0.0	$0.0	$0.0	
Transportation Transfers	$0.0	$0.0	$0.0	
Capital Const. Transfers	-$41.3	$0.0	$0.0	See Table 4. Change to accounting of HB 24-1231.
Other Cash Fund Transfers	$0.0	$21.2	$44.8	See Table 6. Higher expectations for marijuana, tobacco, and Prop KK firearms taxes collected in the General Fund and transferred out.
Required Reserve	-$23.1	$0.0	$0.0	Removes FY 2023-24 overexpenditures from the reserve requirement.
Accounting Adjustment	$18.2	$0.0	$0.0	General Fund reversions (+$17.5 million), plus a small adjustment to the unrefunded prior year TABOR obligation (+$0.7 million)
Surplus Relative to Required Reserve	**$95.1**	**$177.3**	**$248.9**	Nets the above changes.

General Fund Transfers for Transportation and Capital Construction

Statutory transfers from the General Fund to transportation and capital construction funds are shown in Table 4. In the General Fund overview shown in Table 1, these transfers are included on lines 13 and 14. Other non-infrastructure-related transfers to and from the General Fund are summarized in Table 6, and shown on lines 3 and 11 of Table 1.

Table 4
Infrastructure Transfers from the General Fund
Dollars in Millions

Transportation Funds	FY 2023-24	2024-25	2025-26	2026-27
SB 21-260		$117.5	$117.5	$117.5
SB 23-283	$5.0			
Total	**$5.0**	**$117.5**	**$117.5**	**$117.5**

Capital Construction Funds	FY 2023-24	2024-25	2025-26	2026-27
HB 15-1344*	$20.0	$20.0	$20.0	$20.0
SB 23-243	$294.2			
SB 23-294	$18.2			
HB 24-1215	$19.0			
HB 24-1425		$232.2		
SB 24-222		$1.9		
Total	**$351.4**	**$254.1**	**$20.0**	**$20.0**

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

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

General Fund transfers for capital projects. In 2024, the General Assembly enacted three bills making transfers for capital construction and IT projects. House Bill 24-1215 transferred $19.0 million in FY 2023-24, while House Bill 24-1425 and Senate Bill 24-222 together transfer $234.1 million in FY 2024-25. The September forecast identified a $41.25 million transfer in FY 2023-24 to the College of Osteopathic Medicine Escrow Money Cash Fund under House Bill 24-1231. However, this forecast removes this amount from Table 4 because the State Controller reports that it was accounted as a "deferred outflow of resources," rather than a transfer out of the General Fund.

Fiscal Policies Dependent on Revenue Conditions

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

Tax credit availability and amounts. In 2023 and 2024, the General Assembly adopted four bills that create income tax credits for which availability and amounts depend on revenue forecasts. Forecast assumptions for each credit are described below.

- **Tax credits related to decarbonization in HB 23-1272.** The bill extends pre-existing income tax credits for electric and plug-in hybrid electric passenger vehicles (through 2028) and trucks (through 2032). It also creates new income tax credits for installation of heat pumps or sales of electric bicycles, both through 2032. Beginning in tax year 2026, credit amounts are reduced by half in tax years where the preceding June forecast from either Legislative Council Staff (LCS) or the Office of State Planning and Budgeting (OSPB) anticipates that state revenue subject to TABOR will grow by less than 4 percent. The trigger will first apply based on the June 2025 forecasts of revenue for FY 2025-26. Under this forecast, revenue subject to TABOR is expected to increase by 6.2 percent in FY 2025-26, and the full credit amounts are expected to be available for tax year 2026.
- **Workforce shortage tax credit in HB 24-1365.** The bill creates a tax credit for tax years 2026 through 2032 for facility improvement and equipment acquisition costs associated with training programs to alleviate worker shortages. Total credit certificates issued for each tax year may not exceed $15 million. This amount is reduced to $7.5 million in tax years where the preceding September forecast from either LCS or OSPB anticipates that state revenue subject to TABOR will grow by less than 4 percent. The trigger will first apply based on the September 2025 forecasts of revenue for FY 2025-26. Under this forecast, revenue subject to TABOR is expected to increase by 6.2 percent in FY 2025-26, and $15 million credit cap is expected to be apply for tax year 2026.
- **Earned income tax credit in HB 24-1134 and family affordability tax credit in HB 24-1311.** These bills expand the state earned income tax credit (HB 24-1134) and create a family affordability income tax credit (HB 24-1311). Both credits apply unconditionally in tax year 2024. For tax year 2025 and later tax years, the credits in the bills may be reduced based on revenue projections for the fiscal year that begins during the tax year, as projected in the December forecast that is prepared by the agency whose forecast was selected by the Joint Budget Committee (JBC) to balance that fiscal year's budget. Since the JBC selected the March 2024 OSPB forecast to balance the FY 2024-25 budget, the amounts of the credits for tax year 2025 depend on the December 2024 OSPB forecast for FY 2025-26 revenue subject to TABOR. Based on the December 2024 OSPB forecast, both credits will be allowed in full for tax year 2025.

  Revenue growth for FY 2026-27 is expected to be sufficient to allow both credits in full for tax year 2026. Actual credit availability and amounts will depend on a December 2025 forecast from either LCS or OSPB.

Partial refundability of the conservation easement tax credit. The conservation easement income tax credit is available as a nonrefundable credit in tax years when the state does not refund a TABOR surplus. In tax years when the state does refund a TABOR surplus, taxpayers may claim an amount up to $50,000, less their income tax liability, as a refundable credit. The state collected a TABOR surplus in FY 2023-24, and this forecast expects a TABOR surplus in each of FY 2024-25, FY 2025-26, and FY 2026-27. Therefore, partial refundability of the credit is expected to be available for tax years 2024 through 2027. Under **Senate Bill 24-126**, the refundable amount will increase to $200,000 per taxpayer per year beginning in tax year 2027.

Contingent transfers for affordable housing. **House Bill 19-1322** created conditional transfers from the Unclaimed Property Trust Fund (UPTF) to the Housing Development Grant Fund for affordable housing projects for three fiscal years. **House Bill 20-1370** delayed the start of these contingent transfers until FY 2022-23. The transfers are contingent based on the balance in the UPTF as of June 1 and the Legislative Council Staff June 2023 forecast and subsequent June forecasts. For the fiscal year in which the June forecast is published, if revenue subject to TABOR is projected to fall below a "cutoff" amount, equal to the projected Referendum C cap minus $30 million dollars, a transfer will be made. The transfer is equal to the lesser of $30 million or the UPTF fund balance. Based on the June 2023 and June 2024 LCS forecasts, no transfers were made for FY 2022-23 or FY 2023-24.

Based on this forecast, no transfer is expected for FY 2024-25, FY 2025-26, or FY 2026-27, as revenue subject to TABOR is expected to come in above the cutoff amount in all three years.

Table 5
General Fund Rebates and Expenditures
Dollars in Millions

Category	Preliminary FY 2023-24	Percent Change	Estimate FY 2024-25	Percent Change	Estimate FY 2025-26	Percent Change	Estimate FY 2026-27	Percent Change
Senior and Veterans Property Tax Exemptions	$161.2	-1.5%	$166.2	3.1%	$172.2	3.6%	$184.9	7.4%
TABOR Refund Mechanism[1]	-$161.2		-$166.2		-$172.2		-$184.9	
Property Tax Assessed Value Reductions	$291.8		$0.0		$31.9		$40.8	27.7%
TABOR Refund Mechanism[2]	-$238.6		NA		-$31.9		-$40.8	
Cigarette Rebate	$6.8	-10.9%	$5.6	-17.2%	$5.4	-4.4%	$5.2	-3.8%
Old Age Pension Fund	$92.9	9.3%	$86.5	-6.9%	$96.5	11.6%	$92.3	-4.3%
Aged Property Tax and Heating Credit	$12.1	1.0%	$15.1	24.3%	$13.2	-12.4%	$13.6	2.6%
Older Coloradans Fund	$10.0	0.0%	$10.0	0.0%	$10.0	0.0%	$10.0	0.0%
Interest Payments for School Loans	$26.2	148.9%	$23.2	-11.5%	$22.7	-2.3%	$22.1	-2.3%
Firefighter Pensions	$4.1	-3.5%	$4.1	-0.9%	$4.5	9.8%	$4.5	0.0%
Amendment 35 Distributions	$0.6	-8.7%	$0.6	-2.1%	$0.6	-1.5%	$0.6	-0.5%
Marijuana Sales Tax Transfer to Local Governments	$19.5	-11.0%	$19.6	0.5%	$19.8	1.0%	$20.6	3.9%
Business Personal Property Exemptions[3]	$16.4	-1.2%	$18.3	11.0%	$18.3	0.5%	$17.8	-3.2%
Total Rebates and Expenditures	**$241.9**	**43.4%**	**$182.9**	**-24.4%**	**$191.0**	**4.4%**	**$186.6**	**-2.3%**

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

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

[2] Includes reimbursements to local governments under to SB 22-238, SB 23B-001, and SB 24-111. Reimbursements under SB 22-238 and SB 24-111 are the second TABOR refund mechanism used to meet the refund obligations incurred in FY 2022-23, FY 2025-26, and FY 2026-27.

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

Table 6
Cash Fund Transfers
Dollars in Millions

Transfers to the General Fund		2023-24	2024-25	2025-26	2026-27
HB 92-1126	Land and Water Management Fund	$0.08	$0.0	$0.0	$0.0
HB 05-1262	Amendment 35 Tobacco Tax	$0.6	$0.6	$0.6	$0.6
HB 08-1216	Consumer Outreach and Education Program	$0.01	$0.0	$0.0	$0.0
SB 13-133 & HB 20-1400	Limited Gaming Fund	$23.6	$23.2	$24.6	$26.9
HB 20-1427	2020 Tax Holding Fund	$4.1	$4.1	$4.1	$4.1
SB 21-213	Use of Increased Medicaid Match	$8.8	$7.2	$1.2	$0.0
HB 23-1041	Prohibit Greyhound Wagering				$0.1
HB 23-1272	Decarbonization Tax Credits Administration	$12.9	$33.8	$35.4	$13.9
HB 23-1290[1]	Proposition EE Revenue Retention	$5.6			
SB 23-116	Affordable Housing Financing Fund	$0.03			
SB 23-215	State Employee Reserve Fund	$4.9			
HB 24-1413	Severance Tax Cash Funds		$69.3		
HB 24-1414	COVID Heroes Collaboration Fund		$3.4		
HB 24-1415	State Employee Reserve Fund	$31.2			
HB 24-1424	College Opportunity Fund	$1.5			
HB 24-1426	Controlled Maintenance Trust Fund		$48.9		
Total Transfers to the General Fund		**$93.3**	**$190.5**	**$65.9**	**$45.6**

Transfers from the General Fund		2023-24	2024-25	2025-26	2026-27
SB 11-047 & HB 13-1001 & SB 23-066 & HB 24-1396	Bioscience Income Tax Transfer to OEDIT	$14.4	$15.1	$15.9	$16.8
SB 14-215	Marijuana Tax Cash Fund	$126.1	$126.8	$128.0	$133.0
SB 15-244 & SB 17-267	State Public School Fund	$22.1	$22.2	$22.4	$23.3
HB 20-1116 & HB 24-1398	Procurement Technical Assistance Program	$0.2	$0.2	$0.2	$0.2
HB 20-1427	2020 Tax Holding Fund	$207.8	$231.7	$243.5	$247.2
SB 22-191[2]	Procurement of Information Technology Resources	$0.0			
SB 22-195	Conservation District Grant Fund	$0.1	$0.1	$0.1	$0.1
SB 22-215 & SB 23-283	Infrastructure Investment and Jobs Act Cash Fund	$84.0			
HB 23-1041	Prohibit Greyhound Wagering		$0.03	$0.05	
HB 23-1107	Crime Victim Services	$3.0			
HB 23-1269[3]	Extended Stay & Boarding Permits				
HB 23-1273	Wildfire Resilient Homes Grant Program	$0.1			
HB 23-1290[4]	Proposition EE Revenue Retention	$5.6			
HB 23-1305	Continue Health Benefits in Work-Related Death	$0.2	$0.2	$0.2	

[1] Because Proposition II was approved by voters, the $5.6 million set aside from the General Fund to pay refunds if Proposition II had failed was returned to the General Fund under HB 23-1290.
[2] Beginning in FY 2023-24, SB 22-191 directs transfers of unspent prior year General Fund appropriations for IT procurement. Any transfer amount is already included in General Fund appropriations and not counted again here.
[3] For FY 2022-23 and FY 2023-24, HB 23-1269 requires transfers from unexpended funds appropriated for county child welfare programs. Future transfer amounts are already included in General Fund appropriations amounts and not counted again here.
[4] HB 23-1290 required that $23.65 million be transferred to the Proposition EE Refund Cash Fund on September 1, 2023. Of this amount, $18.03 million was transferred from the Preschool Programs Cash Fund, and the remaining $5.62 million was transferred from the General Fund.

Table 6 (Cont.)
Cash Fund Transfers
Dollars in Millions

Transfers from the General Fund (Continued)		2023-24	2024-25	2025-26	2026-27
SB 23-001	Public-Private Collaborations for Housing	$5.0			
SB 23-005	Forestry and Wildfire Mitigation Workforce	$1.0	$1.0	$1.0	$1.0
SB 23-044	Veterinary Education Loan Repayment Program	$0.5			
SB 23-056[1]	Compensatory Direct Distribution to PERA	$10.0			
SB 23-166	Wildfire Resiliency Code Board	$0.3			
SB 23-199	Marijuana Cash Fund	$4.1			
SB 23-205	Universal High School Scholarship Program	$25.0			
SB 23-255	Wolf Depredation Compensation Fund	$0.2	$0.4	$0.4	$0.4
SB 23-257	Auto Theft Prevention Cash Fund	$5.0			
HB 23B-1001	Housing Development Grant Fund	$15.1			
HB 24-1043	Death and Disability Payment Cash Fund			$2.1	$2.1
HB 24-1152	ADU Fee Reduction and Encouragement Program	$5.0	$8.0		
HB 24-1176	Behavioral and Mental Health Cash Fund		$4.0		
HB 24-1211	Senior Services Contingency Reserve Fund	$2.0			
HB 24-1213	Judicial Collection Enhancement Fund	$2.5			
HB 24-1214	Community Crime Victims Cash Fund	$4.0			
HB 24-1237	Child Care Facility Development Cash Fund		$0.3		
HB 24-1280	Welcome, Reception, and Integration Cash Fund		$2.5		
HB 24-1313	Transit-Oriented Communities Infrastructure Fund		$35.0		
HB 24-1349	Firearms and Ammunition Excise Tax Cash Fund		$9.0	$35.8	$36.9
HB 24-1364	Longitudinal Data System Cash Fund		$5.0		
HB 24-1365	Opportunity Now Grants		$4.0		
HB 24-1379	Clean Water Cash Fund				$0.2
HB 24-1386	Broadband Infrastructure Cash Fund		$4.6		
HB 24-1390[2]	Healthy School Meals for All Program Cash Fund		14.9		
HB 24-1397	Creative Industries Cash Fund		$0.5		
HB 24-1420	Crime Victim Services Fund		$4.0		
HB 24-1421	Multidisciplinary Crime Prevention Crisis Intervention		$3.0		
HB 24-1439	Apprenticeship Programs		$4.0		
HB 24-1465	Family and Medical Leave Insurance Fund	$0.4			
HB 24-1466	ARPA Recipient Cash Funds		$1,394.6		
SB 24-170	America 250 - Colorado 150 Cash Fund		$0.3		
SB 24-214[3]	State Agency Sustainability Revolving Fund	$0.1	$0.4	$0.4	$0.4
SB 24-218	Lineworker Apprenticeship Grant Program Cash Fund		$0.8		
SB 24-221	Rural Hospital Cash Fund		$1.7		
Total Transfers from the General Fund		**$543.9**	**$1,894.3**	**$450.0**	**$461.6**
Net General Fund Impact		**-$450.5**	**-$1,703.7**	**-$384.2**	**-$416.0**

[1] SB 23-056 requires that a $10.0 million warrant be paid from the General Fund to PERA. This amount is shown in this table as a General Fund obligation that is not included in the appropriations amount in Table 1, line 6.
[2] The balance of the Healthy School Meals for All General Fund Exempt Account is transferred to a new cash fund on July 1, 2024.
[3] This bill increased the amount of a transfer to the Energy Fund that occurred in June 2022. The additional amount, $125,000, was deposited in the Energy Fund in FY 2023-24.

School Finance Outlook

This section presents information on the state budget outlook for school finance, both in the current year (FY 2024-25) and the budget year (FY 2025-26). This outlook incorporates both the K-12 enrollment and assessed value projections, located on page 59 and page 67 of the forecast document.

Enrollment changes are a major determinant of required formula funding (total program) since funding is allocated on a per pupil basis. Similarly, assessed values determine a school district's property tax base, which, along with a school district's total program mill levy, determine a school district's property tax revenue. This revenue, supplemented by specific ownership tax revenue from vehicle registrations, constitutes the district's local share funding. The difference between total program and the local share is the required state equalization payments, or state aid.

FY 2024-25 state aid. Relative to last year's appropriation, the FY 2024-25 requirement for state aid has increased by just over $45 million. This is because:

- total program requirements have increased by nearly $17 million; and
- revenue available for the local share decreased by nearly $28 million.

FY 2025-26 state aid. For FY 2025-26, the state aid requirement is expected to decrease by $83 million on a year-over-year basis because:

- total program requirements will increase by $298 million relative to current year levels, due to updated inflation and enrollment estimates combined with the switch to the new school finance formula; and
- revenue available for the local share will increase by $381 million relative to the current year.

State funding for total program will depend on decisions made by the General Assembly including the scheduled phase-in of the new formula and the funding allocation between the General Fund and State Education Fund (SEF). For example, the contribution for school finance from the SEF for FY 2025-26 would decrease by $209 million and the SEF would maintain a $739 million ending balance in FY 2025-26. under the following scenario:

- the General Fund contribution to school finance grows by 4.5 percent on a year-over-year basis; and
- the new formula is phased in by 18 percent as required under current law in FY 2025-26.

Funding for the Current Fiscal Year (FY 2024-25)

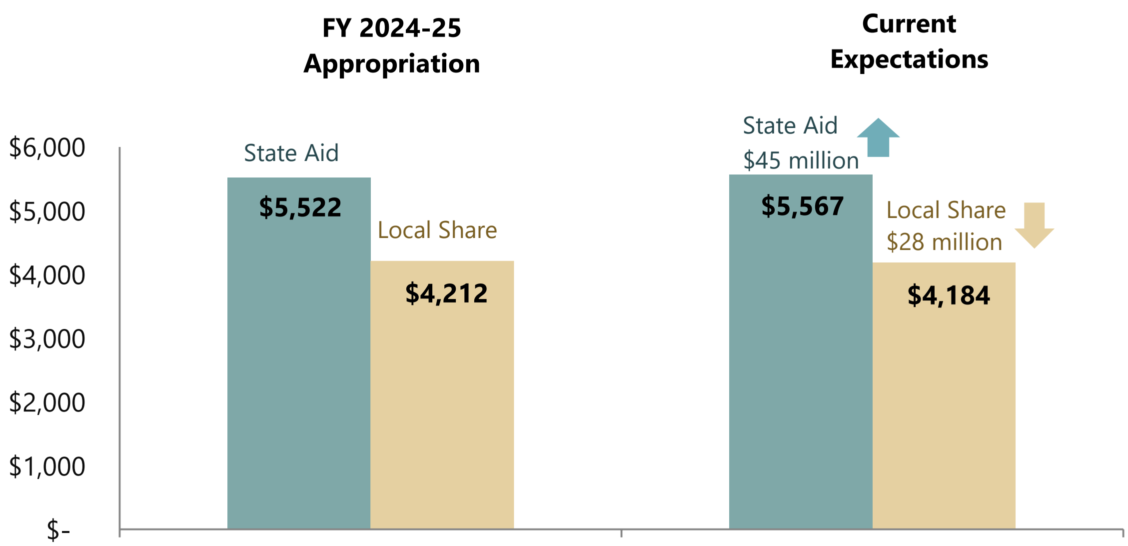
Slightly higher than expected enrollment and decreased expectations for property tax revenue collections are expected to increase the state aid requirement by $45 million in the current fiscal year relative to the initial appropriation enacted in the 2024 legislative session.

Enrollment counts. While preliminary funded pupil counts are higher than estimates made last year, at-risk pupil and ELL pupil counts decreased significantly. Specifically, the funded pupil count increased by about 3,600 students, while funded at-risk and ELL estimates decreased by nearly 7,500 and 12,000 students, respectively. The Colorado Department of Education (CDE) is aware of a significant reporting problem with the districts and numbers of at-risk students. LCS has worked with CDE to construct our best estimate of the true at-risk count, and this count is included in the forecast. Combined, the changes increase the overall total program cost by nearly $17 million relative to the initial appropriation.

Local share. At the same time, the preliminary estimate for the local share is about $28 million, or 0.7 percent, lower than expected during the 2024 legislative session. This is the net impact of a decrease of just over $47 million in property taxes and an increase of just over $19 million in specific ownership taxes.

Funding. As shown in Figure 1 below, the combination of these changes means that the state's obligation for school finance is $45 million higher than the appropriation for state aid made in the 2024 legislative session. The General Assembly could choose to increase either the General Fund or the State Education Fund appropriation by $45 million, or make a combined increase of the two totaling $45 million, to address this increase in the state's obligation.

Figure 1
Change in Expectations for School Finance Funding, FY 2024-25
Dollars in Millions



At-Risk Population Undercount

To date, preliminary counts of at-risk students in FY 2024-25 are significantly lower than the estimates used in determining the state share appropriation for Senate Bill 24-188. CDE is aware of the underreporting, and has identified several potential reasons, including confusion around distribution of the correct income forms, Medicaid recertification, which is used in directly certifying students for free and reduced priced meals, and the Community Eligibility Provision (CEP) requirements for the Healthy School Meals for All program.

In up to 147 districts, students have been identified as ineligible for free and reduced lunch in FY 2024-25 who were directly certified as eligible in FY 2023-24. These districts have been contacted and are in the process of resubmitting their at-risk counts.

In preparing this forecast, LCS has worked with CDE using district level data to approximate the number of undercounted at-risk students. Actual counts to date have been augmented by about 18,000 students to approximate the magnitude of the undercount. Updated counts will be available for the January supplemental budget request.

Local Share Change Under SB 24-233 and HB 24B-1001

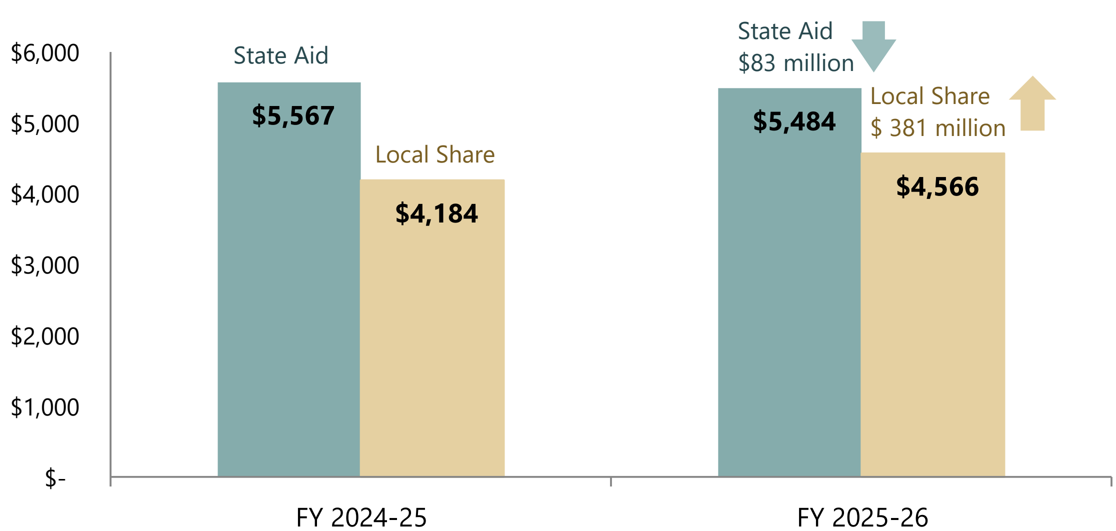
During the 2024 session, the General Assembly enacted Senate Bill 24-233, which reduced residential and nonresidential property tax beginning with the 2024 property tax year and introduced a local revenue growth limit. During the 2024 special legislative session, the General Assembly enacted House Bill 24B-1001, which reduced residential assessment rates for lodging properties beginning in the 2024 property tax year, and reduced assessment rates for most other types of property beginning in the 2025 property tax year. The bill also modified the local revenue growth limit and created a new limit for school districts. As a result, estimated statewide assessed values for school finance for FY 2024-25 decreased from the $194.3 billion forecast last December, to $176.0 billion.

Funding Outlook for Next Fiscal Year (FY 2025-26)

Total program funding requirements are expected to increase by about $298 million between FY 2024-25 and FY 2025-26. The estimated funded pupil count is expected to decrease by over 7,000 pupils on a year-over-year basis, while inflation expectations in 2024 have decreased from 5.2 percent to 2.4 percent year-over-year. Current law, however, requires the phase-in of the new school finance formula, beginning in FY 2025-26.

These factors combine to produce a nearly $450 increase in per pupil funding. At the same time, assessed values, adjusted for TIF districts, are projected to increase by nearly 9 percent in FY 2025-26 on a year-over-year basis, driving a $381 million increase in the local share. As shown in Figure 2, the net impact of the change in the total program cost and the expected local share increase is a year-over-year decrease of $83 million in the state aid requirement.

Figure 2
Change in Expectations for School Finance Funding, FY 2024-25 to FY 2025-26
Dollars in Millions



House Bill 24-1448

House Bill 24-1448 created a new school finance formula to distribute funding to school districts. The new formula begins in FY 2025-26 and is phased in over six years. Compared to the current formula, the new formula is expected to increase statewide total program by about $101.1 million and the state share by approximately $63 million in FY 2025-26, increasing in each year through FY 2030-31, when the total increase compared to the current formula is expected to be approximately $468 million.

Under the bill, implementation of the formula is paused if any of the following conditions are met:

- the change in local share of total program is less than inflation minus 2 percent over the prior year in a property tax assessment year;
- the local share decreases by at least 2 percent in a property tax non-assessment year; or
- the March revenue forecast used by the JBC for the budget predicts that the income tax diversion to the SEF will decrease by 5 percent or more in the current or next budget year.

The changes in the local share as a result of SB 24-233 and HB 24B-1001 are not expected to pause the implementation of the new formula in FY 2025-26. The Legislative Council Staff June Forecast included a $135.1 million one-time, upward adjustment of transfers to the State Education Fund in FY 2024-25 to correct for past under-transfers. As a result, the March 2025 Forecast for FY 2025-26 is likely to impact the State Education Fund trigger as written. However, legislative intent is assumed to be that the trigger would occur in years when there was a reduction in income tax collections, and not as a result of a one-time upward correction to the diversion. As a result, while statute may require additional clarity, this forecast does not assume a pause in implementation of the new school finance formula.

General Fund and SEF Funding Projections

Funding Scenario. As shown in Table 7 below, assuming the new school finance formula is phased in by 18 percent in FY 2025-26 and the General Fund contribution to school finance is grown by 4.5 percent annually through the four-year forecast period, the ending balance in the State Education Fund would be $739 million in FY 2025-26, $334 million in FY 2026-27, $162 million in FY 2027-28, and $102 million in FY 2028-29. The contribution from State Education Fund would decrease by $209 million in FY 2025-26 and by nearly $34 million in FY 2026-27, respectively, on a year-over-year basis.

The above scenario spends down the State Education Fund to 10 percent of its current level over a four-year period, leaving a $100 million balance in place as a buffer. It must be emphasized, however, that this scenario largely depends on the assumed increases in property tax revenue within the local share. Specifically, this scenario assumes 8.4 percent and 3.8 percent increases to the local share in the 2025 and 2027 reassessment years, respectively, with little change during the intervening years. Any significant departure from these assumptions will have an important impact on scenario results.

Sensitivity Analysis of SEF Expenditures. Historically, the General Assembly has increased the General Fund contribution annually, doing so in 10 of the last 13 years. In FY 2023-24 and FY 2024-25, the General Assembly held the General Fund contribution constant with the level from the prior year, largely due to the historically high balance in the State Education Fund and the large increases in the local share.

Changes in the General Fund contribution significantly impact the balance of the SEF, and increasing the growth in the General Fund contribution would increase the size of the buffer in the scenario above. For example, Table 7 shows the projected SEF contributions to school finance and the associated ending balances in the State Education Fund for FY 2024-25 through FY 2028-29, for each of the following General Fund contribution scenarios:

- remains constant;
- grows proportionately to projected General Fund revenue (about 5 percent annually);
- grows proportionately to the historical General Fund contribution to the state share of district total program funding (4.2 percent annually); and
- grows at a rate to maintain a positive ending balance (4.5 percent annually).

Estimates beyond FY 2025-26 have significantly elevated uncertainty, which increases with each additional year. Additionally, these scenarios assume that the new school finance formula is implemented as specified under current law, and a flat $54 million contribution from the State Public School Fund through the forecast period.

Table 7
State Education Fund Modeling Scenarios
Based on Assumptions for General Fund Contributions to the State Education Fund
Dollars in Millions

General Fund Scenario:	**Constant** (0% Growth)		**Based on GF Revenue Growth** (~5% Growth)		**Historical Growth** (4.2% Growth)		**Required Maintain SEF Balance** (~4.5% Growth)	
	SEF Contribution	**SEF End Balance**	**SEF Contribution**	**SEF End Balance**	**SEF Contribution**	**SEF End Balance**	**SEF Contribution**	**SEF End Balance**
FY 2024-25	$1,209	$1,157	$1,209	$1,157	$1,209	$1,157	$1,209	$1,157
FY 2025-26	$1,191	$540	$979	$759	$1,013	$726	$1,000	$739
FY 2026-27	$1,424	-$256	$989	$400	$1,060	$294	$1,034	$334
FY 2027-28	$1,442	-$1,026	$774	$298	$885	$81	$844	$162
FY 2028-29	$1,596	-$1,902	$683	$336	$838	-$36	$780	$102

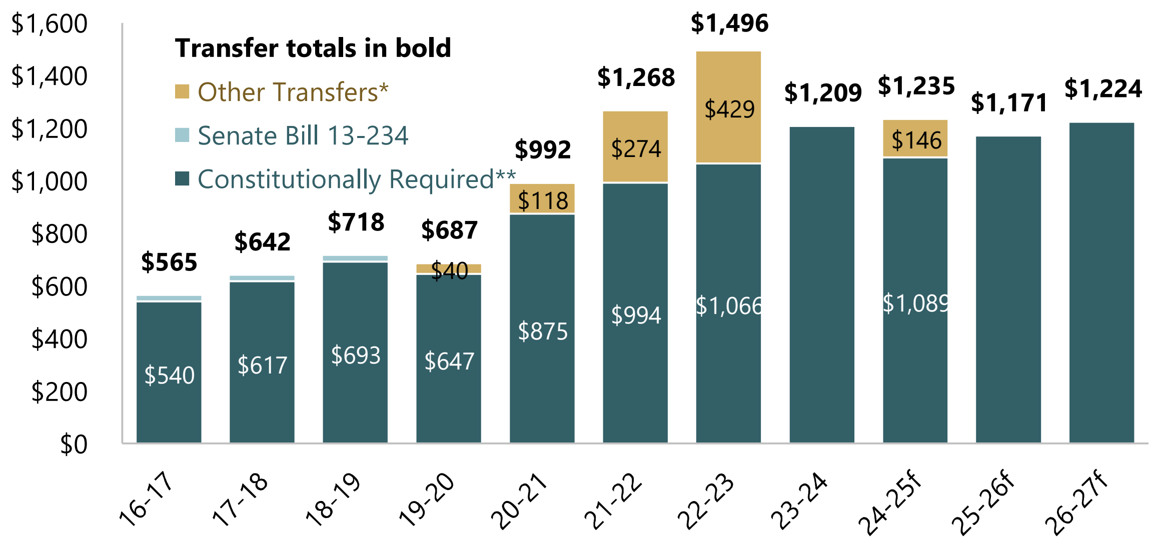
If the General Fund contribution is held constant, the existing balance in the SEF will be completely expended over a two-year period. If the General Fund contribution grows proportionately to the projected growth in overall GF revenue (about 5 percent annually), the State Education Fund balance remains positive with an ending balance of $336 million in FY 2028-29. If the General Fund contribution grows proportionately with historical contributions (an average of 4.2 percent annually), the balance is expended in four years. Finally, a General

Fund contribution grown by 4.5 percent annually maintains a positive SEF balance with a total of $102 million at the end of FY 2028-29.

State Education Fund Transfers

The Colorado Constitution requires the State Education Fund (SEF) to receive one-third of 1 percent of taxable income. In FY 2024-25, the SEF is expected to receive $1.09 billion as a result of this requirement. The SEF transfer is estimated at $1.17 billion in FY 2025-26, with higher amounts in later years resulting from growth in taxable income among Colorado taxpayers. Figure 3 shows revenue to the State Education Fund. The revenue deposited in the fund in FY 2023-24 includes a one-time $135 million upward adjustment to correct for under-transfers, as explained *here*.

Figure 3
Revenue to the State Education Fund
Dollars in Millions



Source: Office of the State Controller and Legislative Council Staff forecast. p = Preliminary. f = Forecast.
*Includes transfers under SB 19-246 for FY 2019-20, HB 20-1420 for FY 2020-21 and FY 2021-22, HB 20-1427 for FY 2020-21 through FY 2022-23, SB 21-208 for FY 2021-22, HB 22-1390 for FY 2022-23, and SB 23B-001 for FY 2024-25.
**One-third of 1 percent of federal taxable income is required to be dedicated to the State Education Fund under Article IX, Section 17 of the Colorado Constitution. The transfer for FY 2023-24 includes $135 million in corrections for prior-year under-transfers.

Summary of Information Incorporated into the School Finance Model

Enrollment. Each fall, school districts collect enrollment information from all 178 school districts and the Charter School Institute (CSI). Districts report preliminary totals to CDE, which in turn provides this information to Legislative Council Staff to assist in the development of our K-12 enrollment projections and to be incorporated into the Legislative Council Staff school finance model. Enrollment components include the overall pupil count for grades 1-12, as well as total kindergarten, online, extended high school, and CSI students, and are provided on a full-time equivalent (FTE) basis. This information is used to determine a school district's funded pupil count.

CDE also provides information on the number of funded at-risk students and K-12 membership, which is used to determine a school district's funding for at-risk pupils, which for many districts can be a significant component of district total program. When preliminary counts are finalized in January, the school finance model will be updated accordingly.

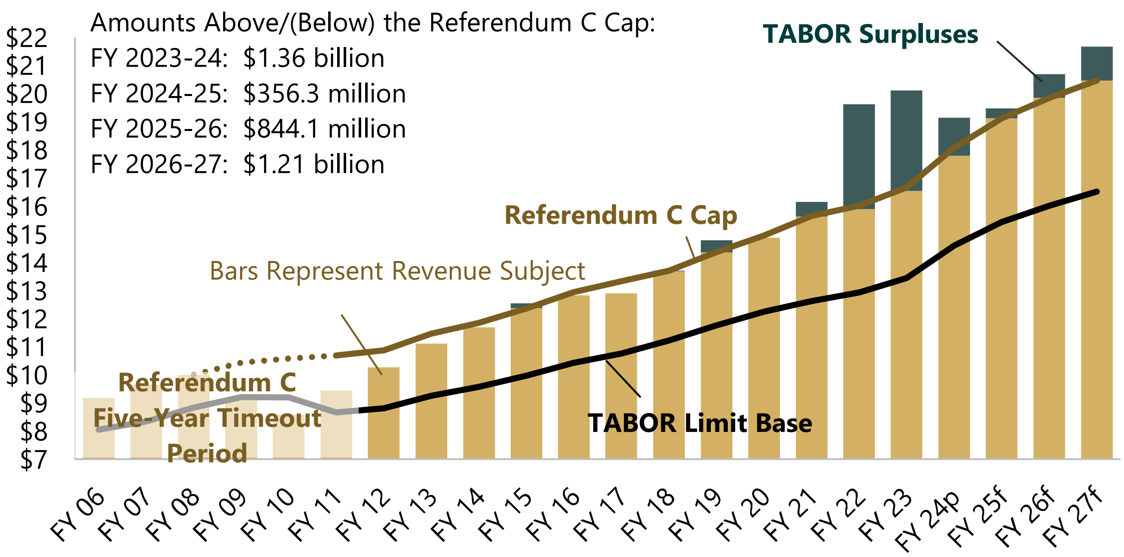
Local share. In addition, CDE typically obtains district-level information on assessed values and specific ownership tax revenue. This information is combined with certified mill levies for each district to obtain estimates for the amount of funding school districts will receive from local revenue sources.

Updated enrollment and local share estimates thus combine to provide the best estimate for the state's obligation for state equalization payments for both the current and subsequent fiscal years. Final true-up for the FY 2024-25 appropriation for state aid will occur through passage of a mid-year supplemental bill for CDE. The appropriation for state aid in FY 2025-26 will be made through passage of the 2025 Long Bill and the 2025 School Finance Act.

TABOR Outlook

The state TABOR outlook is presented in Table 9 and illustrated in Figure 4, which also provides a history of the TABOR limit base and the Referendum C cap. In FY 2023-24, state revenue subject to TABOR exceeded the Referendum C cap, creating a state obligation for TABOR refunds to taxpayers in FY 2024-25. State revenue subject to TABOR is projected to exceed the Referendum C cap in each of FY 2024-25, FY 2025-26, and FY 2026-27, creating a state obligation for TABOR refunds to be paid to taxpayers in each of FY 2025-26, FY 2026-27, and FY 2027-28.

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



Source: Office of the State Controller and Legislative Council Staff. p = preliminary; f = Forecast.
*The refund amount for FY 2023-24 differs from the surplus amounts because it includes $289.4 million in under-refunds from prior TABOR surpluses.

FY 2023-24. On September 1, 2024, the State Controller certified state revenue subject to TABOR in FY 2023-24 and the TABOR refund obligation. On September 14, 2024, the State Auditor provided results of their TABOR audit, indicating that adjustments were needed due to corrections made after the certification. With these adjustments, state revenue subject to TABOR exceeded the Referendum C cap by $1.36 billion in FY 2023-24. The state refund obligation totals $1.65 billion in the current FY 2024-25 and includes adjustments attributable to under-refunds of prior TABOR surpluses ($289.4 million), along with an adjustment for under-refunds of insurance premium tax revenue credited to the Health Insurance Affordability (HIA) Enterprise and previously accounted as TABOR exempt ($33.9 million). The FY 2023-24 surplus is expected to be refunded to taxpayers via the TABOR refund mechanisms under current law, which are explained in greater detail below.

Forecasts for FY 2024-25 through FY 2026-27. State revenue subject to TABOR is projected to exceed the Referendum C cap throughout the forecast period. Even with the elevated 2023 inflation rate in resulting in 5.8 percent growth in the FY 2024-25 Referendum C cap, revenue in the current FY 2024-25 is expected to exceed Referendum C cap by $356.3 million. Revenue is projected to exceed the cap by $844.1 million in FY 2025-26, and by $1.2 billion in FY 2026-27. Refunds of those amounts are expected to be returned to taxpayers in the fiscal year following each surplus. The actual refund obligation in any given year will incorporate any over- or under-refund of prior year surpluses.

Relative to the September forecast, expectations for revenue subject to TABOR were decreased by about $9 million in FY 2024-25, reflecting reduced expectations for cash fund revenue subject to TABOR offsetting increased expectations for General Fund revenue subject to TABOR. Expectations for revenue subject to TABOR were increased by $116 million in FY 2025-26 and by $341 million in FY 2026-27 due to upward revisions to General Fund revenue subject to TABOR, including individual and corporate income tax.

The amounts presented above do not include the TABOR (3)(c) refund obligation for **Proposition FF** revenue exceeding the 2022 Blue Book estimate in FY 2023-24, which is payable unless voters approve a later ballot measure permitting the state to retain this revenue. It is assumed that this refund obligation will be administered differently than the TABOR (7)(d) refund obligations that arise when state revenue exceeds the TABOR limit. There is no mechanism in current law to refund this excess to taxpayers.

Risks to the forecast. Estimates of the TABOR surplus and TABOR refund obligation represent the amount by which state revenue subject to TABOR is expected to exceed the Referendum C cap. Therefore, any error in the General Fund or cash funds revenue forecasts will result in an error of an equal amount in the TABOR refund forecast. Any forecast error for inflation or population growth will also impact the TABOR situation by resulting in higher or lower allowable growth in the Referendum C cap.

TABOR refunds mitigate risks to the General Fund budget from the impacts of lower-than-expected General Fund revenue. A reduction in General Fund revenue relative to forecast expectations will result in a smaller obligation for TABOR refunds, and will impact the budget if the error is great enough to erase the projected TABOR surplus. Likewise, error in the forecast for cash fund revenue subject to TABOR also poses a risk to the outlook for the General Fund budget. Greater-than-expected revenue from cash fund sources would increase the General Fund obligation for TABOR refunds, thereby reducing the amount available for the budget.

TABOR refund mechanisms. TABOR refund mechanisms and expected refund amounts are shown in Figure 5. Current state law includes two ongoing refund mechanisms for FY 2023-24 and beyond. For FY 2023-24 through FY 2033-34, there are two additional temporary refund mechanisms, established in **Senate Bill 24-228**, and for FY 2024-25 and FY 2025-26, there is one additional temporary refund mechanism, established in **Senate Bill 24-111**. These refund mechanisms are discussed below.

The first ongoing refund mechanism that applies for each year in the forecast period is the local government reimbursement for **homestead property tax exemptions** for seniors, veterans with a disability, and Gold Star spouses. Based on this forecast, this mechanism is expected to be used for tax years 2024 through 2027.

Senate Bill 24-111 establishes a new refund mechanism used to refund the TABOR surplus collected for FY 2024-25 and FY 2025-26 through reductions in the assessed value of

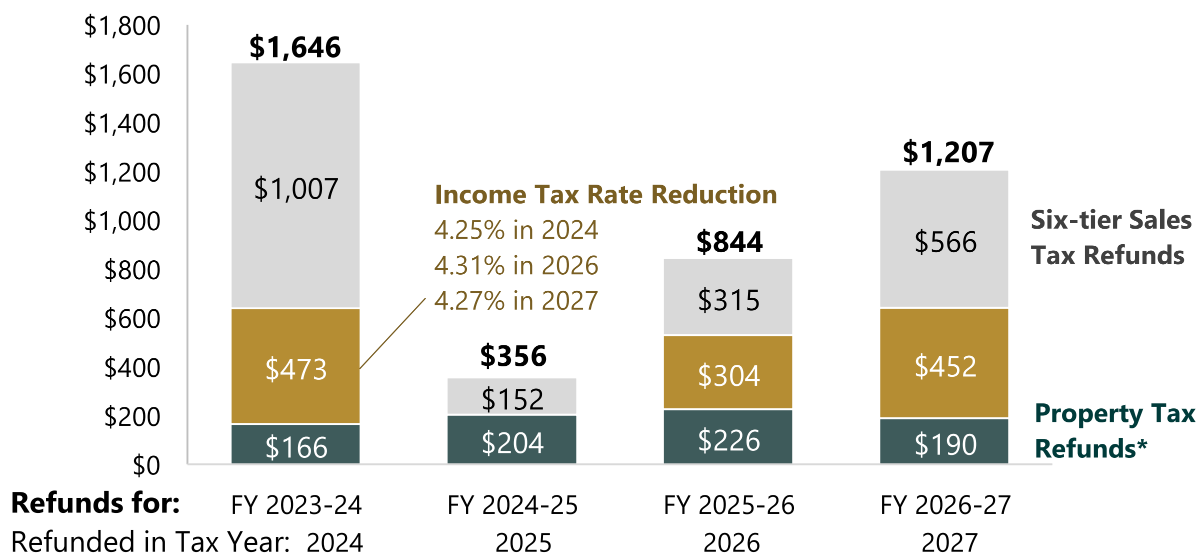
owner-occupied senior primary residences for those who have previously qualified for the existing senior homestead exemption but who are currently ineligible because they moved. Local governments' foregone property tax revenue as a result of the bill is reimbursed by the state government. Figure 5 includes this mechanism with the "Property Tax Refunds" label. The mechanism is estimated to refund $32 million in property tax year 2025 and $41 million in property tax year 2026.

The **temporary income tax rate reduction** is expected to apply for tax years 2024, 2026, and 2027 as the second TABOR refund mechanism after property tax refunds. To refund a portion of the FY 2023-24 surplus, the income tax rate for tax year 2024 is temporarily reduced from 4.40 percent to 4.25 percent. In subsequent years, the amount of the income tax rate reduction that is triggered depends on the amount of the TABOR surplus remaining after reimbursements to local governments for property tax exemptions.

This forecast anticipates that the income tax rate reduction mechanism will not be triggered in tax year 2025. The tax rate will be reduced from 4.40 percent to 4.31 percent and 4.27 percent in tax years 2026 and 2027, respectively, based on the expected amounts of the TABOR surplus remaining after property tax refunds in FY 2024-25, FY 2025-26, and FY 2026-27.

The **six-tier sales tax refund mechanism** is expected to apply for tax years 2024 through 2027, as well, with refund amounts based on taxpayer incomes. While SB 24-228 established a higher threshold for triggering identical sales tax refunds, that change is contingent upon an Internal Revenue Service ruling that has not yet been made. Hence, this forecast assumes the current law threshold remains at $15 per person throughout the forecast period, pending further information. Table 8 on page 35 presents estimated six-tier and identical sales tax refund amounts for tax years 2024, 2025, 2026, and 2027.

Figure 5
Expected TABOR Refunds and Refund Mechanisms
Dollars in Millions



Source: Legislative Council Staff December 2024 forecast.
*Property tax refunds include the homestead exemption for seniors, veterans, and Gold Star Spouses, and property tax reimbursements to local governments under SB 22-238, SB 23B-001, and SB 24-111.

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

Table 8
Projected TABOR Refunds via the Identical and Six-Tier Sales Tax Refund Mechanisms

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

Taxpayer Distribution by AGI			Single Filers	Joint Filers
	up to	$53,000	$177	$354
$53,001	to	$105,000	$240	$480
$105,001	to	$166,000	$277	$554
$166,001	to	$233,000	$323	$646
$233,001	to	$302,000	$350	$700
$302,001	and up		$565	$1,130

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

Taxpayer Distribution by AGI			Single Filers	Joint Filers
	up to	$54,000	$27	$54
$54,001	to	$110,000	$36	$72
$110,001	to	$176,000	$41	$82
$176,001	to	$249,000	$49	$98
$249,001	to	$327,000	$52	$104
$327,001	and up		$84	$168

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

Taxpayer Distribution by AGI			Single Filers	Joint Filers
	up to	$55,000	$55	$110
$55,001	to	$112,000	$73	$146
$112,001	to	$180,000	$84	$168
$180,001	to	$254,000	$100	$200
$254,001	to	$335,000	$107	$214
$335,001	and up		$172	$344

Tax Year 2027 Refunds from FY 2026-27 TABOR Refund Obligation

Taxpayer Distribution by AGI			Single Filers	Joint Filers
	up to	$56,000	$97	$194
$56,001	to	$115,000	$129	$258
$115,001	to	$184,000	$149	$298
$184,001	to	$260,000	$177	$354
$260,001	to	$342,000	$190	$380
$342,001	and up		$306	$612

AGI = Adjusted gross income.
Note: Amounts do not include estimates for reimbursements to local governments for property tax exemptions.

Table 9
TABOR Revenue Limit and Retained Revenue
Dollars in Millions

		Preliminary FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
	TABOR Revenue				
1	General Fund[1]	$16,630.6	$16,560.1	$17,666.6	$18,577.59
2	Cash Funds	$2,799.1	$2,917.6	$3,023.7	$3,091.2
3	**Total TABOR Revenue**	**$19,429.7**	**$19,477.7**	**$20,690.3**	**$21,668.8**
	Revenue Limit				
4	Allowable TABOR Growth Rate	8.5%	5.8%	3.8%	3.1%
5	Inflation (*from Prior Calendar Year*)	8.0%	5.2%	2.4%	2.3%
6	Population Growth (*from Prior Calendar Year*)	0.5%	0.6%	1.4%	0.9%
7	TABOR Limit Base	$14,588.1	$15,434.2	$16,018.9	$16,515.5
8	Voter Approved Revenue Change (Referendum C)	$3,485.1	$3,687.2	$3,827.4	$3,946.0
9	Total TABOR Limit / Referendum C Cap[2]	$18,073.2	$19,121.4	$19,846.3	$20,461.5
10	**TABOR Revenue Above** (Below) **Referendum C Cap**	**$1,356.5**	**$356.3**	**$844.1**	**$1,207.3**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C[3]	$3,485.1	$3,687.2	$3,827.4	$3,946.0
12	Fiscal Year Spending (*revenue available to be spent or saved*)	$18,073.2	$19,121.4	$19,846.3	$20,461.5
13	Outstanding Underrefund Amount[4]	$289.4			
14	**Revenue Refunded to Taxpayers**	**$1,646.0**	**$356.3**	**$844.1**	**$1,207.3**
15	TABOR Reserve Requirement	$542.2	$573.6	$595.4	$613.8

Totals may not sum due to rounding.

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

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

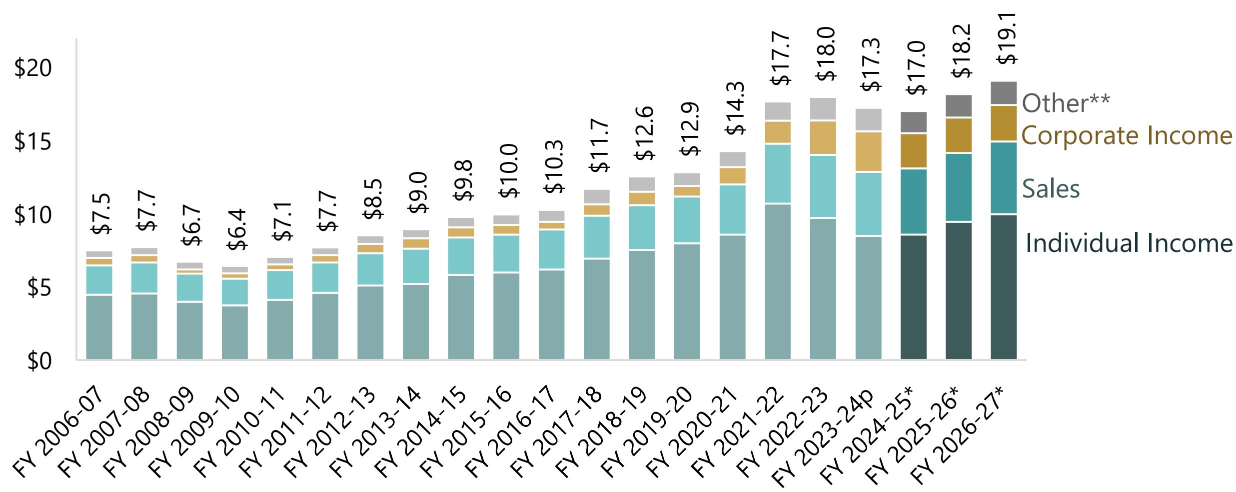
[3] Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.

[4] This amount represents under-refunds from prior years.

General Fund Revenue

This section presents the outlook for General Fund revenue, the state's main source of funding for discretionary operating appropriations. The three primary sources of General Fund revenue are individual income tax, sales tax, and corporate income tax collections. Other sources of General Fund revenue include excise taxes (retail marijuana, tobacco, and liquor), insurance premium tax, pari-mutuel tax, court receipts, and investment income. Table 11 on page 44 summarizes General Fund revenue collections for FY 2023-24 and projections for FY 2024-25 through FY 2026-27; these are also illustrated in Figure 6, below.

Figure 6
General Fund Revenue Sources
Billions of Dollars



*Forecast.
**Other includes: use tax; retail marijuana special sales tax; cigarette, tobacco, and liquor excise taxes; Proposition EE tobacco taxes; insurance premium tax; pari-mutuel wagering tax; court receipts; investment income; and miscellaneous small sources that are not forecast independently.
Source: Office of the State Controller and Legislative Council Staff December 2024 forecast.

Revenue forecast. General Fund revenue fell by 4.1 percent in FY 2023-24 compared to the prior fiscal year. Individual income tax is the largest component of General Fund revenue and is expected to fall slightly in the current year following the enactment of large income tax credits during the 2024 legislative session. However, individual income tax revenue is expected to bolster collections with strong growth through the rest of the forecast period. Corporate income taxes are also expected to fall in the current fiscal year, following record highs. Sales tax revenue is expected to accelerate slightly in FY 2024-25 but with slower growth than its historical trend, before returning to trend growth in later years. General Fund revenue is expected to reach $19.1 billion in FY 2026-27.

Risks to the forecast. Risks to the General Fund revenue forecast are elevated as economic conditions remain uncertain, particularly for individual and corporate income. The potential expiration of many of the provisions of the 2017 Tax Cuts and Jobs Act at the end of 2025 carries bidirectional risk relative to the current income tax forecasts, as the exact impact is unknown. Stronger-than-expected wage gains could boost sales and income tax collections above the amounts projected in this forecast. Downside risks include households pulling back on spending due to budget constraints and high interest rates weighing on business activity and employment despite rate cuts, which would result in lower General Fund collections.

Income Tax

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

- an amount equal to one third of one percent of taxable income is transferred to the State Education Fund (SEF) and exempt from TABOR under **Amendment 23**, approved by voters in 2000;
- an amount equal to one-tenth of one percent of taxable income is transferred to the State Affordable Housing Fund and exempt from TABOR under **Proposition 123**, approved by voters in 2022; and
- non-corporate taxpayers with adjusted gross incomes over $300,000 are required to add back a portion of their federal standard or itemized deductions when computing their Colorado taxable income. Revenue attributable to this addition is deposited into the Healthy School Meals for All Cash Fund, exempt from TABOR, and required to be spent for the healthy school meals program created in **Proposition FF**, approved by voters in November 2022.

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

Individual Income Tax

Individual income tax revenue is the largest source of General Fund revenue, accounting for about 53 percent of revenue to the General Fund in FY 2023-24, before accounting for the SEF and affordable housing transfers.

FY 2023-24. Individual income tax collections declined by 8.3 percent in FY 2023-24 to total $10.04 billion before the SEF and affordable housing transfers. State tax policy changes, including the Proposition 121 income tax rate cut as well as new and expanded state income tax credits, were the main contributors to the decline, alongside cooling in both labor markets and inflation contributing to slowing growth in wage withholding.

Forecast for FY 2024-25. Individual income tax revenue is expected to decline 0.2 percent in FY 2024-25, to total $10.02 billion before the SEF and affordable housing transfers. Expectations for revenue were increased by $62.5 million relative to the September 2024 forecast. The upgrade reflects higher expectations for growth in wages and salaries boosting wage withholding, as well as increased expectations for tax year 2024 estimated payments. The slight decline in revenue reflects expectations for slow growth in the economy being offset by an increase in income tax refunds due to new income tax credits enacted in the 2024 legislative session. As shown in the left panel of Figure 7, wage withholding slowed considerably in 2023, the first year when the income tax rate cut in Proposition 121 applied to withheld taxes, but has since grown at a rate consistent with a moderate expansion. Wage withholding is expected to continue growth consistent with a moderate expansion in 2025, and estimated tax payments are likewise expected to accelerate.

For most taxpayers, final payments for tax year 2023 were due in April 2024. While data on final payments are incomplete, available data suggest that net tax receipts for the 2023 tax year were down by 6.0 percent compared with 2022. Table 10 presents net tax receipts for tax years 2022 and 2023, including forecast expectations for the remaining final payments for tax year 2023. As shown in Table 10, an increase in cash with returns and withholding along with a decline in refunds was offset by a large decline in estimated payments. Both refunds and cash with returns are elevated compared to historical trend levels. In addition to state and federal tax policy changes impacting some taxpayers' ability to anticipate tax liability, refunds and cash with returns are likely impacted by higher than usual TABOR refunds influencing taxpayer filing behavior. The preliminary estimate for income tax revenue for FY 2023-24 is less than estimated tax year 2023 receipts because it includes accruals of anticipated tax revenue for tax year 2024.

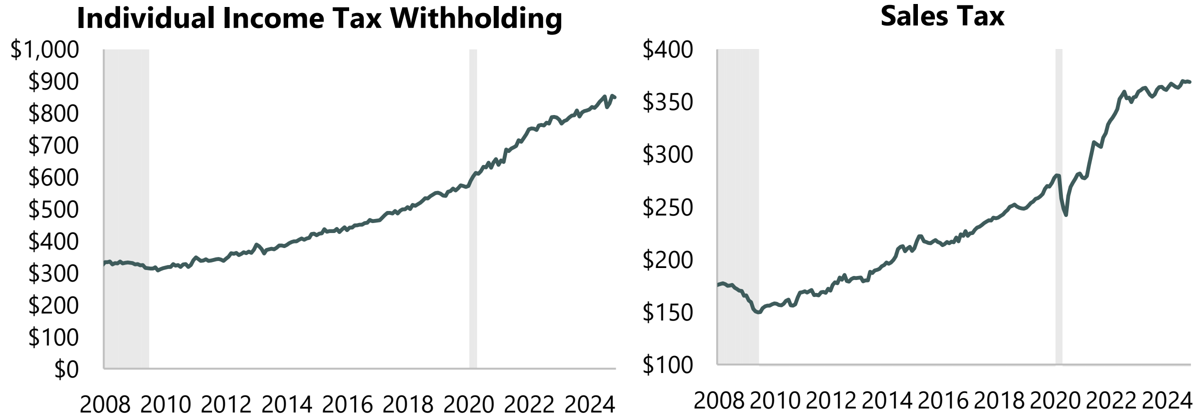
Table 10
Individual Income Tax Receipts by Source, Tax Years 2022 and 2023[1]
Dollars in Millions

	Actual Tax Year 2022	Estimated Tax Year 2023	Percent Change
Withholding	$9,222	$9,559	3.6%
Estimated Payments	$2,484	$1,369	-44.9%
Cash With Returns[2]	$1,361	$1,465	7.6%
Refunds[2]	-$2,192	-$2,166	-1.2%
Total	**$10,876**	**$10,227**	**-6.0%**

Source: Office of the State Controller; Department of Revenue; and December 2024 Legislative Council Staff forecast.
[1]For illustrative purposes, withholding and estimated payments for a tax year show receipts between February of that year and January of the following year. Cash with returns and refunds for a tax year show transactions between January and December of the following year. Tax received during these time periods may be for the current or any prior tax year, but are assumed to be representative of the tax years indicated.
[2]Cash with returns and refunds for tax year 2023 include preliminary data for November 2024 and forecasted transactions for December 2024. TABOR refund amounts that reduced final payments are added to refunds.

Forecast for FY 2025-26 and FY 2026-27. Individual income tax collections are expected to grow by 9.7 percent in FY 2025-26 to $11.0 billion, and by 5.4 percent in FY 2026-27 to $11.6 billion. Estimates for FY 2025-26 were revised upward on net relative to the September 2024 forecast, largely reflecting the upgrades to FY 2024-25 expectations. The forecast continues to include downward adjustments to individual income tax revenue due to the expiration of many of the provisions of the 2017 Tax Cuts and Jobs Act at the end of 2025 that is scheduled under current law. These expectations are unchanged since September 2024. Both upside and downside risks to the revenue outlook remain elevated due to uncertainty regarding the detail, timing, and magnitude of federal tax policy change in response to that expiration.

Figure 7
Selected General Fund Revenue Sources
Millions of Dollars in Monthly Collections



Source: Office of the State Controller with Legislative Council Staff seasonal adjustments. Data are shown as a three-month moving average on a cash basis. November 2024 collections are preliminary data from the Department of Revenue.

Legislative adjustments. This forecast includes significant adjustments for future impacts of legislation on individual income tax revenue enacted by the General Assembly during the 2024 legislative session. Starting for tax year 2024, **House Bill 24-1311** creates a family affordability tax credit for Coloradans with children. Building on the expansion of the state earned income tax credit from **House Bill 23-1112** and **House Bill 23B-1002, House Bill 24-1134** expands the state earned income and child and dependent care expenses tax credits. For tax year 2024 only, **House Bill 24-1052** reinstates a tax credit for senior taxpayers that was previously available in 2022. Starting for tax year 2025, **House Bill 24-1312** creates an income tax credit for care workers. Twenty-two bills enacted during the 2024 legislative session establish or extend individual income tax credits or deductions, and are expected to reduce income tax revenue by an estimated $405 million in FY 2023-24, $905 million in FY 2025-26, and $1.08 billion in FY 2026-27, on an accrual accounting basis. The availability and amount of some income tax credits are dependent on state revenue conditions. This forecast assumes that all credits are triggered for their full amounts.

Healthy School Meals Program. Beginning in tax year 2023, non-corporate taxpayers with adjusted gross incomes over $300,000 are required to add back a portion of their federal standard or itemized deductions when computing their Colorado taxable income. Starting in July 2024, revenue attributable to this addition is deposited into the Healthy School Meals for All Cash Fund created in **House Bill 24-1390.** Prior to that, revenue was deposited into a specific account in the General Fund. This revenue is exempt from TABOR, and is required to be spent for the healthy school meals program created in **Proposition FF** and approved by voters in November 2022.

$127.0 million was credited to the account in FY 2023-24. Final reporting for tax year 2023 indicates that through November 2024, 206,895 returns requiring an addition of federal deductions were filed, but only 187,231 of these included the Proposition FF revenue addition. Revenue totaled $109.2 million for tax year 2023, approximately $14 million below the

September 2024 forecast. The difference is driven by non-resident and part-year resident filers with no Colorado taxable income, whose tax returns did not include additions.

As a result, revenue expectations for FY 2024-25 and FY 2025-26 have been revised downward. Starting with tax year 2026, the forecast continues to incorporate significant downward adjustments due to the anticipated expiration of the 2017 Tax Cuts and Jobs Act, which will lower standard deduction amounts, thereby reducing the amount that taxpayers will be required to add back to calculate their state income tax liability. Proposition FF revenue is expected to come in as follows, on an accrual basis:

- $104.1 million for FY 2024-25;
- $102.1 million for FY 2025-26; and
- $77.1 million for FY 2026-27.

TABOR refund requirement for exceeding Proposition FF Blue Book estimate. Revenue accrued for FY 2023-24 exceeded the $100.7 million estimate provided to voters in the 2022 Blue Book for Proposition FF. Unless voters approve a ballot measure allowing the state to retain and spend this amount, the state will be required to refund the excess to taxpayers as required under TABOR (3)(c). Based on preliminary data reporting, the excess amount is expected to be $26.3 million.

There is no refund mechanism in place in current law to issue these refunds to taxpayers. It is assumed that refunds will not be paid via the mechanisms in place to refund revenue collected in excess of the state TABOR limit. Accordingly, this forecast shows the revenue as being credited to the funds scheduled to receive it under current law, pending future legislative action to address the constitutional requirements.

Corporate Income Tax

The corporate income tax forecast includes collections from C corporations and partnerships that have property, payroll, or sales in Colorado. Corporate income taxes have historically been a volatile revenue source because they are highly responsive to economic conditions and to federal tax policy. In addition, many corporations make strategic tax decisions about when and how to claim credits and deductions, making it more difficult to estimate the amount of corporate tax revenue.

Colorado corporate income tax revenue has greatly exceeded expectations in recent years, posting record high growth rates in each year since FY 2019-20. Preliminary figures from the Office of the State Controller indicate that revenue increased by 18.2 percent in FY 2023-24, up to $2.80 billion.

Colorado corporate income tax revenue has increased due to a variety of factors such as price inflation, supply chain issues and changes from tax legislation. In addition to changing several significant tax provisions and reducing the federal income tax rate from 35 percent to 21 percent, the federal Tax Cuts and Jobs Act of 2017 placed a temporary $10,000 annual cap on the federal income tax deduction for state and local taxes ("SALT" deduction) for individual income taxpayers. However, **SB 22-124** allows Colorado owners of partnerships and S-corporations to file taxes at the entity level instead of the individual level, which allow taxpayers a larger SALT deduction. Data from the Colorado Department of Revenue show that many businesses have been reclassified from sole proprietorships and pass-through entities (whose taxes are counted as individual income tax revenue) to C corporations and partnerships (whose taxes are counted as corporate income tax revenue), causing a shift from individual to corporate income tax revenue.

Forecast for FY 2024-25. After four years of robust growth, corporate profits are expected decline in FY 2024-25 as inflationary pressures and pandemic distortions recede. Corporate income tax collections are expected to be down 13.8 percent from the prior year but still remain near historical highs of $2.41 billion. Compared to the September forecast, revenue expectations were relatively unchanged.

Forecast for FY 2025-26. Corporate income tax collections are expected to pick up slightly in FY 2025-26 from the prior fiscal year, as the economic expansion matures. Changes to economic conditions or tax policy, particularly the potential expiration of parts of the federal Tax Cuts and Jobs Act, could affect this trajectory significantly.

Forecast for FY 2026-27. Corporate income tax collections are expected to total to nearly $2.50 billion in FY 2026-27, up 2.9 percent from FY 2025-26.

Sales Tax

The 2.9 percent state sales tax is assessed on the purchase of goods, except those specifically exempted, and a small collection of services. Sales tax revenue is expected to grow by 3.4 percent in FY 2024-25. Expectations were revised up relative to the September 2024 forecast, largely due to the incorporation of House Bill 24-1434, which reduces the amount of sales tax revenue to be allocated to the Housing Development Grant Fund by $35 million per year. Despite this adjustment, growth in sales tax revenue is expected to remain relatively slow in FY 2024-25 as receding inflation pairs with a softening labor market, contributing to less spending by consumers.

In particular, declines in spending on furniture, electronics, cars, gasoline, clothing, and health and personal care items have contributed to sluggish growth in sales tax revenue from consumer spending in FY 2023-24 and FY 2024-25. However, falling interest rates and improved personal incomes are expected to have a positive impact on consumer spending. Consumer spending is expected to accelerate throughout the forecast period, encouraging sales tax revenue growth at a projected 4.3 percent in FY 2025-26 and 5.3 percent in FY 2026-27.

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. As manufacturing activity has remained slow in a lagged response to high interest rates, use tax revenues recorded weak figures in FY 2023-24 and the first five months of FY 2024-25. Use tax revenue has posted year-over-year declines for 15 of the past 18 months.

Investment in industries most directly impacted by high interested rates—particularly oil and gas, construction, and manufacturing—is expected to remain feeble through the rest of FY 2024-25. Consequently, use tax collection are expected to decline by 3.9 percent in the current fiscal year, representing a downward revision of $10.7 million relative to the September forecast. Use tax revenue is expected to rebound through the remaining forecast period alongside lower interest rates, growing by 6.8 percent in FY 2025-26 and another 9.5 percent in FY 2026-27. However, this revenue stream tends to be volatile, which adds additional uncertainty to the forecast.

Proposition EE Cigarette, Tobacco, and Nicotine Taxes

Proposition EE increased cigarette and tobacco taxes, created a new tax on nicotine products, and created a minimum price for cigarette sales. Revenue from the new taxes is exempt from TABOR as a voter-approved revenue change. Proposition EE revenue is deposited in the General Fund, transferred to the 2020 Tax Holding Fund, and distributed to fund preschool programs, tobacco education programs, and the General Fund. Proposition EE tax rates increased on all three types of products beginning on July 1, 2024.

Revenue from Proposition EE is expected to increase by 11.5 percent to $231.7 million in the current fiscal year as the tax increases go into effect. Collections in July, which represent transactions that occurred in June, came in high as retailers stocked up on these products before taxes increased, but are expected to fall in the coming months. Table 11 shows expected revenue collections, while equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 6 on page 21.

Cigarette revenue is the largest portion of Proposition EE, making up 58 percent of total revenue in FY 2023-24. Cigarette use tends to decline over time, but consumption fell more steeply than normal in FY 2023-24, down 16.3 percent from FY 2022-23, consistent with a nationwide trend. The decline in consumption may be due to consumers having less disposable income for nonessential products. Prop EE cigarette revenue is expected to increase in the current fiscal year due to the tax rate increase.

Nicotine is the next largest revenue stream, with revenue increasing throughout the forecast period due to increased tax rates and rising prices on nicotine products. The forecast for nicotine is uncertain, as the future of federal policy and enforcement against flavored e-cigarettes is unknown. **Tobacco** makes up the rest of the Proposition EE revenue, bringing in $11.2 million in FY 2023-24. Tobacco revenue is expected to increase through the forecast period.

Table 11
General Fund Revenue Estimates
Dollars in Millions

	Category	Preliminary FY 2023-24	Percent Change	Estimate FY 2024-25	Percent Change	Estimate FY 2025-26	Percent Change	Estimate FY 2026-27	Percent Change
	Excise Taxes								
1	Sales	$4,362.6	1.4	$4,510.9	3.4	$4,705.2	4.3	$4,956.1	5.3
2	Use	$233.2	-7.2	$224.1	-3.9	$239.4	6.8	$262.1	9.5
3	Retail Marijuana Sales	$195.0	-11.3	$196.0	0.5	$198.0	1.0	$205.7	3.9
4	Cigarette	$20.5	-14.4	$20.1	-2.0	$19.2	-4.4	$18.5	-3.8
5	Tobacco Products	$21.6	-8.9	$23.8	10.4	$24.6	3.3	$25.7	4.2
6	Liquor	$56.0	-0.6	$55.7	-0.4	$56.7	1.8	$58.1	2.3
7	Proposition EE Tobacco Taxes	$207.8	-11.6	$231.7	11.5	$243.5	5.1	$247.2	1.5
8	Firearms and Ammunition Excise Tax			$9.0		$35.8	297.9	$36.9	3.2
9	Total Excise	$5,096.7	-0.3	$5,271.4	3.4	$5,522.4	4.8	$5,810.2	5.2
	Income Taxes								
10	Net Individual Income	$10,044.2	-8.3	$10,020.2	-0.2	$10,992.6	9.7	$11,586.5	5.4
11	Net Corporate Income	$2,796.6	18.2	$2,409.3	-13.8	$2,428.5	0.8	$2,499.9	2.9
12	Total Income Taxes	$12,840.8	-3.6	$12,429.5	-3.2	$13,421.1	8.0	$14,086.3	5.0
13	Less: Portion diverted to the SEF	-$1,209.0	13.4	-$1,089.4	-9.9	-$1,171.4	7.5	-$1,224.2	4.5
14	Less: Portion diverted for Affordable Housing	-$327.0	104.4	-$327.0	0.0	-$351.4	7.5	-$367.3	4.5
15	Less: Portion diverted for Healthy School Meals[1]			-$104.1		-$102.1	-1.9	-$77.1	-24.5
16	Income Taxes to the General Fund	$11,304.7	-6.5	$10,909.1	-3.5	$11,796.3	8.1	$12,417.7	5.3
	Other Sources								
17	Estate	$0.0	NA	$0.0	NA	$0.0	NA	$0.0	NA
18	Insurance	$541.9	4.9	$628.8	16.0	$666.2	6.0	$686.3	3.0
19	Pari-Mutuel	$0.3	4.9	$0.3	-12.9	$0.3	-1.8	$0.3	0.6
20	Investment Income	$251.6	33.5	$172.7	-31.4	$145.3	-15.8	$139.7	-3.9
21	Court Receipts	$3.2	1.4	$3.2	-0.6	$3.2	0.4	$3.2	2.3
22	Other Income	$53.1	-37.4	$57.2	7.8	$50.9	-11.0	$49.3	-3.2
23	Total Other	$850.1	7.2	$862.1	1.4	$865.9	0.4	$878.8	1.5
24	**Gross General Fund Revenue**	**$17,251.4**	**-4.1**	**$17,042.6**	**-1.2**	**$18,184.6**	**6.7**	**$19,106.7**	**5.1**

Totals may not sum due to rounding. NA = Not applicable. SEF = State Education Fund.
[1]Accounted as General Fund revenue in FY 2023-24; diverted to the Healthy School Meals for All Cash Fund beginning in FY 2024-25 under HB 24-1390.

Cash Fund Revenue

This section presents the forecast for cash fund revenue subject to TABOR and for selected sources of cash fund revenue exempt from TABOR. Cash fund revenue subject to TABOR is a determinant of the state TABOR refund obligation, which is paid from the General Fund. Cash fund revenue exempt from TABOR does not have a direct impact on the General Fund budget, but revenue available for expenditure from these cash funds may trade off with spending from the General Fund.

Cash Fund Revenue Subject to TABOR

Table 12 summarizes the forecast for cash fund revenue subject to TABOR. The largest sources of cash fund revenue subject to TABOR are motor fuel taxes and other transportation-related revenue, severance taxes, and gaming taxes.

Table 12
Cash Fund Revenue Subject to TABOR
Dollars in Millions

	Preliminary FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	CAAGR*
Transportation-Related	$1,425.1	$1,496.1	$1,545.6	$1,602.2	
Percent Change	12.5%	5.0%	3.3%	3.7%	4.0%
Severance Tax	$217.3	$202.3	$233.5	$218.6	
Percent Change	-42.0%	-6.9%	15.5%	-6.4%	0.2%
Gaming Revenue[1]	$92.9	$95.2	$96.6	$98.8	
Percent Change	-23.4%	2.5%	1.5%	2.3%	2.1%
Insurance-Related	$26.9	$27.2	$27.5	$27.7	
Percent Change	1.4%	1.1%	1.0%	0.7%	0.9%
Regulatory Agencies	$96.1	$103.7	$104.9	$100.0	
Percent Change	7.5%	7.9%	1.2%	-4.7%	1.3%
2.9% Sales Tax on Marijuana[2]	$5.3	$4.6	$4.4	$4.1	
Percent Change	-25.7%	-13.9%	-4.1%	-6.5%	-8.3%
Housing Development Grant Fund	$76.9	$37.3	$40.5	$44.8	
Percent Change	7.2%	-51.5%	8.6%	10.6%	-16.5%
Other Cash Funds	$858.5	$951.2	$970.7	$995.1	
Percent Change	7.4%	10.8%	2.0%	2.5%	5.0%
Total Cash Fund Revenue	**$2,799.1**	**$2,917.6**	**$3,023.7**	**$3,091.2**	
Subject to the TABOR Limit	1.5%	4.2%	3.6%	2.2%	3.4%

Totals may not sum due to rounding.
* CAAGR: Compound average annual growth rate for FY 2023-24 to FY 2026-27.
[1] Gaming revenue in this table does not include extended gaming revenue from Amendments 50 and 77, because it is not subject to TABOR.
[2] Includes revenue from the 2.9 percent sales tax collected from the sale of medical and retail marijuana. This revenue is subject to TABOR.

FY 2023-24. Preliminary figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled just below $2.8 billion in FY 2023-24, representing an increase of 1.5 percent from the prior fiscal year. The increase in cash fund revenue subject to TABOR primarily came from transportation-related cash funds and other miscellaneous cash funds, the two largest sources of cash fund revenue subject to TABOR. Together these categories made up about 82 percent of the total. Total cash funds growth was slowed by declining collections from severance tax and gaming revenue. The remaining sources, insurance-related cash fund programs, regulatory agencies cash funds, the 2.9 percent sales tax on marijuana cash fund, and the housing development fund, also positively contributed to total cash fund revenue subject to TABOR in FY 2023-24 but make up a smaller share compared to the other components.

FY 2024-25. Cash fund revenue subject to TABOR is expected to come in just over $2.9 billion in the current budget year, a 4.2 percent increase from the prior fiscal year. Growth is expected to occur in all major categories, except for a decline in severance tax, the 2.9 percent sales tax on marijuana revenue, and the Housing Development Grant Fund.

Compared to the September forecast, revenue expectations were revised down by $94.9 million. Lower expectations for motor fuel revenue, severance tax, and sales tax credited to the Housing Development Grant Fund are the primary factors for the downward revisions. Transportation-related revenue was revised downward by almost $50.0 million and severance tax revenue is expected to be $61.3 million less than the previous forecast. In addition, HB 24-1434 lowered the amount of sales tax revenue credited to the Housing Development Grant Fund by $35.0 million per year from FY 2024-25 through FY 2031-32. However, stronger than expected receipts from other miscellaneous cash funds revenue offset some of these downward revisions, with revenue revised upward by $63.3 million.

FY 2025-26 and FY 2026-27. Revenue is expected to moderately increase in FY 2025-26 and FY 2026-27. In FY 2025-26, total cash fund revenue is expected to grow 3.6 percent from the prior fiscal year and total about $3.0 billion. Revenue is expected to increase by another 2.2 percent in FY 2026-27.

Transportation-Related

Transportation-related revenue subject to TABOR is expected to increase by a moderate 5 percent in FY 2024-25 following a 12.5 percent increase in FY 2023-24. Transportation-related revenue is expected to continue to increase through the forecast period, albeit at a slower pace. In FY 2024-25, transportation-related revenue is expected to increase 3.3 percent before growing another 3.7 percent in FY 2026-27. The forecast for transportation-related revenue is presented in Table 13.

Transportation-related revenue was revised downward by $49.7 million in FY 2024-25 compared to the September 2024 forecast. The downward revision is primarily driven by sluggish motor fuel revenue and declining aviation fuel revenue. Revenue expectations were revised downward by $48.0 million and $46.2 million in FY 2025-26 and FY 2026-27, respectively.

Motor fuel revenue is the largest component of transportation revenue, making up nearly half of total collections, followed by revenue from vehicle registrations. Collections for taxes on gasoline and diesel fuel declined by 0.5 percent in FY 2023-24, consistent with nationwide trends, and is expected to continue to post feeble growth through the forecast period. Improving vehicle fuel efficiency and permanent shifts to remote or hybrid work for some contribute to dampened motor fuel collections and will likely continue to do so in the long-term. Road usage fees, which were implemented in April 2023, are collected alongside motor fuel taxes such that a downward revision to the motor fuel forecast leads to a corresponding downward revision to projected road usage fee collections. Still, road usage fees increased to 4 cents per gallon in July 2024 and will increase by an additional 1 cent per gallon in each fiscal year through the forecast period; therefore, collections are expected to grow from the $92.9 million posted in FY 2023-24 by over 20 percent each year in FY 2024-25 through FY 2026-27.

Downward revisions to revenue from motor fuel and road usage fees were paired with slightly decreased projections for collections from **vehicle registrations**. Growth in revenue from registrations was temporarily boosted by House Bill 22-1254, which required people to backpay all registration fees from when a vehicle should have been registered, beginning in January 1, 2023. Age fees were additionally increased in FY 2023-24 to $12 on cars less than 7 years old, $10 on cars 7 to 10 years old, and $8 for cars over 10 years old, which further boosted FY 2023-24 collections. With impacts from House Bill 22-1254 likely complete and new vehicle sales that are down in the first quarter of FY 2024-25, growth in revenue from vehicle registrations is expected to be tempered compared to FY 2023-24.

In conjunction with vehicle registrations, the state collects revenue from the **road safety surcharge**, which returned to its original rate on January 1, 2024 after Senate Bill 21-260 and House Bill 22-1351 temporarily reduced the road safety surcharge by $11.10 in calendar years 2022 and 2023. The end of the rate reduction led to a 43.7 percent increase in FY 2023-24 collections, and revenue from the road safety surcharge is projected to increase another 38.6 percent in FY 2024-25 before returning to historical average growth rates in FY 2025-26 and FY 2026-27. This is a small downgrade from the September forecast as the first four months of FY 2024-25 collections came in slightly lower than expected.

Forecasted revenue from **aviation fuel** were similarly downgraded due to dismal collections in the first four months of FY 2024-25, down nearly 21 percent from the same period in FY 2023-24. Sales of aviation fuel are subject to the 2.9 percent state sales tax, so declines in fuel prices characterized in Colorado's energy outlook contribute to declining revenue from aviation fuel.

In contrast, **retail delivery fees**, which were created by Senate Bill 21-260 and went into effect on July 1, 2022, outperformed September 2024 forecast expectations. Revenue from retail delivery fees is expected to continue to increase at double-digit growth rates throughout the forecast period, as online spending continues to accelerate and the fee increases by a minimum of 1 cent per year from its current level of 29 cents per delivery.

Table 13
Transportation Revenue by Source
Dollars in Millions

	Preliminary FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	CAAGR*
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	$648.9	$651.3	$656.8	$659.3	0.4%
Percent change	-0.5%	0.4%	0.8%	0.4%	
Road Usage Fees	$92.9	$119.0	$150.7	$181.8	18.3%
Percent change	631.2%	28.0%	26.7%	20.6%	
Total Registrations	$389.6	$425.9	$435.4	$443.0	3.3%
Percent change	18.6%	9.3%	2.2%	1.8%	
Registrations	*$242.1*	*$240.2*	*$245.7*	*$250.1*	0.8%
Road Safety Surcharge	*$104.0*	*$144.2*	*$146.7*	*$149.2*	9.4%
Late Registration Fees	*$43.5*	*$41.6*	*$42.9*	*$43.8*	0.1%
Retail Delivery Fees[1]	*$21.2*	*$25.4*	*$28.6*	*$32.5*	11.3%
Percent change	*14.3%*	*19.5%*	*12.9%*	*13.7%*	
Other HUTF Receipts[2]	$65.3	$66.8	$68.6	$70.9	2.1%
Percent change	21.2%	2.3%	2.7%	3.3%	
Total HUTF	**$1,218.0**	**$1,288.4**	**$1,340.1**	**$1,387.5**	3.3%
Percent change	14.3%	5.8%	4.0%	3.5%	
State Highway Fund (SHF)[3]	$27.8	$27.5	$20.5	$22.7	-5.0%
Percent change	0.9%	-1.2%	-25.3%	10.4%	
Other Transportation Funds	$179.3	$180.3	$184.9	$192.0	1.7%
Percent change	3.4%	0.6%	2.6%	3.8%	
Aviation Fund[4]	*$53.5*	*$46.3*	*$45.5*	*$46.8*	-3.3%
Multimodal Transportation Options Fund[1]	*$15.1*	*$18.0*	*$20.4*	*$23.1*	11.3%
Law Enforcement-Related[5]	*$6.6*	*$7.2*	*$6.9*	*$6.7*	0.3%
Registration-Related[6]	*$104.1*	*$108.8*	*$112.1*	*$115.3*	2.6%
Total Transportation Funds	**$1,425.1**	**$1,496.1**	**$1,545.6**	**$1,602.2**	3.0%
Percent change	12.5%	5.0%	3.3%	3.7%	

Totals may not sum due to rounding.
* CAAGR: Compound average annual growth rate for FY 2023-24 to FY 2026-27.
[1]Retail delivery fee revenue credited to the fund under SB 21-260.
[2]Includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.
[3]Includes only SHF revenue subject to TABOR. Beginning in FY 2019-20, SHF revenue subject to TABOR no longer includes local government grants and contracts.
[4]Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.
[5]Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.
[6]Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and POST Board registration fees.

Most fuel taxes and vehicle registration fees are credited to the **Highway Users Tax Fund** (HUTF). From the HUTF, funds are disbursed to the Department of Transportation, State Patrol within the Department of Public Safety, the Division of Motor Vehicles within the Department of Revenue, the Department of Natural Resources, and to county and municipal governments. The State Patrol, Department of Revenue, and Department of Natural Resources receive HUTF funds through annual appropriations. The remaining revenue is allocated to the Department of Transportation (via the State Highway Fund), counties, and municipalities based on how much revenue is collected. Revenue is distributed based on multiple formulas that differ between revenue streams. The estimated distributions from the HUTF are shown in Table 14 below.

Table 14
Highway Users Tax Fund Distributions
Dollars in Millions

HUTF Distribution Forecast	Preliminary FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
Department of Public Safety[1]	$195.2	$208.3	$208.3	$208.3
Department of Revenue[2]	$4.5	$2.0	$2.0	$2.0
Department of Natural Resources[3]	$0.3	$0.3	$0.3	$0.3
State Highway Fund	$621.8	$657.4	$688.1	$715.9
Counties	$231.5	$245.4	$257.4	$268.3
Municipalities	$166.2	$176.5	$185.7	$194.2
Total HUTF Distributions	**$1,219.5**	**$1,289.8**	**$1,341.7**	**$1,388.9**
Total Nonexempt Revenue	**$1,218.0**	**$1,288.4**	**$1,340.1**	**$1,387.5**
Assumed Exempt Revenue	$1.5	$1.5	$1.6	$1.4
Transfers to HUTF	$0.0	$0.0	$0.0	$0.0

[1] Allocations for CDPS made "off-the-top", regardless of the amount of revenue collected.
[2] Revenue is appropriated to the Department of Revenue in the Long Bill. The actual amount distributed to the department is often different from the amount appropriated due to differences in revenue collections. The amounts estimated in FY 2023-24 and FY 2024-25 reflect full appropriations.
[3] The Department of Natural Resources receives an ongoing appropriation of $300,000 for capital construction.

Severance Tax

Severance tax revenue declined by 42 percent in FY 2023-24, largely due to a steep decline in oil and gas collections that were partially offset by increased coal, molybdenum and metals taxes, and interest earnings. In FY 2024-25, severance tax revenue subject to TABOR is expected to decrease by another 6.9 percent, a downward revision of about $61 million from the September forecast. The downward revision is partly based on a weaker oil and gas market outlook. Additionally, preliminary data from the Department of Revenue shows severance tax revenue was a negative $18.3 million in November 2024. Negative collections are atypical for severance tax and contributed to sharply reduced expectations. The updated forecast anticipates the negative revenue collections are a one-time occurrence. However, if collections in November represent a more sustained trend of weaker revenue, further downward revisions are possible in future forecasts. 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 15.

Severance tax collections from **oil and natural gas** fell by 48.7 percent in FY 2023-24 as oil and gas markets corrected following a post-recession wave. The decrease also coincides with an expected increase in ad valorem tax credit utilization that reflects the jump in oil and gas property taxes for the 2023 property tax year. For FY 2024-25, weaker than expected market conditions will weigh on collections more than anticipated in the September forecast. Adding to weaker market conditions, the negative severance tax collections in November are attributed to oil and gas. Although fewer available ad valorem tax credits due to legislative adjustments are expected to be available for the fiscal year, the outlook now anticipates oil and gas severance tax revenue will fall by 4.5 percent in FY 2024-25. In FY 2025-26, fewer ad valorem credits and improving natural gas prices will contribute to oil and gas revenue growing by 18.9 percent. Severance tax revenue is expected to decline 6.1 percent in FY 2026-27 as producers take higher allowable ad valorem credits and markets remain muted.

Table 15
Severance Tax Revenue Forecast by Source
Dollars in Millions

	Preliminary FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	CAAGR*
Oil and Gas	$178.1	$170.1	$202.2	$189.9	2.2%
Percent Change	-48.7%	-4.5%	18.9%	-6.1%	
Coal	$6.6	$6.3	$5.3	$5.1	-8.5%
Percent Change	48.0%	-5.0%	-15.0%	-5.0%	
Molybdenum and Metallics	$1.7	$1.8	$1.9	$1.8	3.2%
Percent Change	173.8%	9.5%	2.0%	-1.5%	
Total Severance Tax Revenue	**$186.4**	**$178.2**	**$209.4**	**$196.8**	1.8%
Percent Change	-47.1%	-4.4%	17.5%	-6.0%	
Interest Earnings	$30.9	$24.1	$24.2	$21.7	-11.1%
Percent Change	37.6%	-22.2%	0.5%	-10.1%	
Total Severance Tax Fund Revenue	**$217.3**	**$202.3**	**$233.5**	**$218.6**	0.2%
Percent Change	-42.0%	-6.9%	15.5%	-6.4%	

*CAAGR: Compound average annual growth rate for FY 2023-24 to FY 2026-27.

Coal severance tax revenue increased by 48 percent in FY 2023-24 to $6.6 million. Beginning in 2022 and continuing over the next few years, policy changes are phasing out tax credits for underground mines and a tonnage exemption, boosting collections above what would be expected otherwise. As the phase-out ends, shifting market dynamics are expected to result in declining collections through the forecast period. Based on stronger than expected collections through October, the outlook for FY 2024-25 has been revised up about $0.7 million. However, ongoing reductions in demand from the electricity sector are still expected to contribute to declines through the forecast period, consistent with national expectations and the longer-term trend.

Metal and molybdenum tax collections rose 173.8 percent to $1.7 million in FY 2023-24, a rebound after a large decline in the previous fiscal year. The market for metals and molybdenum is expected to contribute to further gains in FY 2024-25 and FY 2025-26, and remain fairly stable in FY 2026-27. Through the forecast period, collections are expected to remain below the long-term average.

Finally, **interest earnings** on severance tax revenue increased to $30.9 million in FY 2023-24. Interest earnings were stronger than anticipated through the fiscal year, partly due to higher interest rates. Interest earnings are forecast to decline more than 20 percent in FY 2024-25 and then remain stable in FY 2025-26 but fall further in FY 2026-27 from lower interest rates.

Limited Gaming Revenue

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

Gaming revenue is subject to TABOR except for revenue attributable to gaming expansions enacted under Amendment 50 and Amendment 77 (extended limited gaming), which is TABOR-exempt. In addition, **House Bill 24-1469** specifies that limited gaming revenue that is distributed to local governments by a constitutional requirement is considered a collection for another government, and is therefore exempt from TABOR. Thus, pre-Amendment 50 county and city distributions, as well as distributions of revenue in the State Historical Fund to gaming cities, are no longer subject to TABOR. This resulted in a reduction of TABOR nonexempt limited gaming revenue by $31.6 million in FY 2023-24. House Bill 24-1469 is expected to decrease the obligation by $32.0 million in FY 2024-25, $32.9 million in FY 2025-26, and $34.4 million in FY 2026-27, and comparable amounts in future years.

Growth in gaming revenue has decelerated since FY 2020-21, posting 3.2 percent growth in FY 2023-24, the lowest growth rate since the COVID-19 recession. A slight downgrade from the September 2024 forecast, growth is expected to decelerate further to 1.8 percent in FY 2024-25 and 1.9 percent in FY 2025-26 as consumers perceive a weakened economy and household budgets correspondingly are constrained from persistently high prices. Collections from gaming are expected to reaccelerate to a 3.4 percent growth rate in FY 2026-27, reaching $190.1 million as the labor market begins to re-tighten and consumer confidence revives. Statute only allows for pre-Amendment 50 revenue (subject to TABOR) to grow by 3.0 percent annually, so in years such as FY 2026-27 where projected gaming revenue growth is above that threshold, extended limited gaming revenue (TABOR-exempt) grows faster than total gaming revenue.

Other Cash Funds

The other cash funds line in Table 12 shows revenue subject to TABOR that is collected in cash funds other than those for which a specific forecast is prepared. The number of cash funds varies across fiscal years and is a significant portion of the overall forecast for cash fund revenue subject to TABOR. Year-to-year fluctuations in this revenue can be an important determinant of the TABOR refund obligation and the General Fund budget.

In FY 2023-24, other cash funds revenue subject to TABOR totaled $858.5 million a 7.4 percent increase from the prior year. Out of the almost 400 cash funds, the top 20 funds made up more than half (52.2 percent) of total other cash funds revenue. The funds with the largest TABOR revenues in FY 2023-24 were the Medicaid Nursing Facility Cash Fund ($54.4 million), the School Fund (also known as the "permanent fund," $39.0 million), and the Adult Dental Fund.

Revenue to the Medicaid Nursing Facility Fund comes from fees collected from health care items or services provided by nursing facility providers for the purpose of obtaining matching federal funds, while the Public School Fund consists of proceeds from state land leases. Revenue from the Adult Dental Fund is from transfers from the Unclaimed Property Trust Fund across TABOR district boundaries. Annual transfers are required each year to fund dental services for adult Medicaid beneficiaries. Money in the Unclaimed Property Trust Fund is exempt from the state's constitutional spending limit because it is not considered state revenue, but rather revenue held in trust for others. The money becomes subject to the limit, however, when it is transferred to a fund in an agency that subsequently uses it for general government purpose

Other cash funds revenue is projected to increase by 10.8 percent to nearly $951.2 million in FY 2024-25, then slow to 2.0 percent in FY 2025-26. By FY 2026-27, other cash funds revenue is projected to come in at $995.1 million, a 2.5 percent increase from the prior fiscal year.

Compared to the September forecast, other cash fund revenue expectations were revised up by $63.3 million. Through October 2024, the latest cash fund data available, revenue was up 14.7 percent from the same period last year. The Adult Dental Fund is up through the current year as reimbursement rates have increased for Medicaid dental providers.

Cash Fund Revenue Exempt from TABOR

Selected sources of TABOR-exempt cash fund revenue are presented below due to their importance as budget determinants. A few of the areas discussed include revenue subject to TABOR, such as 2.9 percent sales taxes on marijuana products, sports betting fee revenue, and unemployment support surcharges. This portion of the forecast document is not exhaustive, as there are many other sources of TABOR-exempt cash fund revenue that are not discussed here.

Marijuana Tax Revenue

Marijuana tax revenue has stabilized over the past six months after nearly three years of steep declines. The decline in marijuana tax revenue has largely been due to falling consumption after the surge during the COVID-19 pandemic alongside falling demand as other states across the country legalize marijuana and the increasing availability of intoxicating hemp. Additionally, an oversupply of marijuana has resulted in persistently low prices at both the wholesale and retail levels. Revenue is expected to stabilize in FY 2024-25, and begin to increase in FY 2025-26 and FY 2026-27 as prices and consumption rebound. The presence of intoxicating hemp poses a downside risk for the forecast that is difficult to quantify, as the amount of intoxicating hemp being bought and sold in Colorado is unknown.

The state’s 15 percent excise tax and 15 percent sales tax, which make up the majority of the marijuana-related revenue, are voter-approved revenue exempt from TABOR. The 2.9 percent general state sales tax is assessed on medical marijuana and non-marijuana products sold at marijuana retailers, and is subject to the state’s revenue limit. The marijuana tax revenue forecast is shown in Table 16.

Table 16
Tax and Interest Revenue from the Marijuana Industry
Dollars in Millions

	Preliminary FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	CAAGR*
Exempt Tax Revenue					
15% Special Sales Tax	$195.0	$196.0	$198.0	$205.7	1.8%
State Share of Sales Tax	$175.4	$175.6	$177.9	$184.9	
Local Share of Sales Tax	$19.4	$19.5	$19.8	$20.5	
15% Excise Tax	$47.9	$47.7	$50.4	$53.0	3.5%
MTCF Exempt Interest	$4.1	$3.4	$2.6	$2.7	-13.1%
Total Exempt Revenue	**$247.0**	**$247.1**	**$251.0**	**$261.4**	**1.9%**
Percent Change	-12.0%	0.1%	1.6%	4.2%	
Nonexempt Revenue					
2.9% Sales Tax on Medical Marijuana	$3.9	$3.2	$3.0	$2.7	-11.7%
2.9% Sales Tax on Retail Marijuana	$1.2	$1.2	$1.2	$1.3	1.6%
MTCF Nonexempt Interest	$0.2	$0.1	$0.1	$0.1	-15.0%
Total Nonexempt Revenue	**$5.3**	**$4.6**	**$4.4**	**$4.1**	**-8.3%**
Percent Change	-23.0%	-13.9%	-4.1%	-6.5%	
Total Marijuana Taxes and Interest	**$252.3**	**$251.7**	**$255.4**	**$265.5**	**1.7%**
Percent Change	-12.3%	-0.2%	1.5%	4.0%	

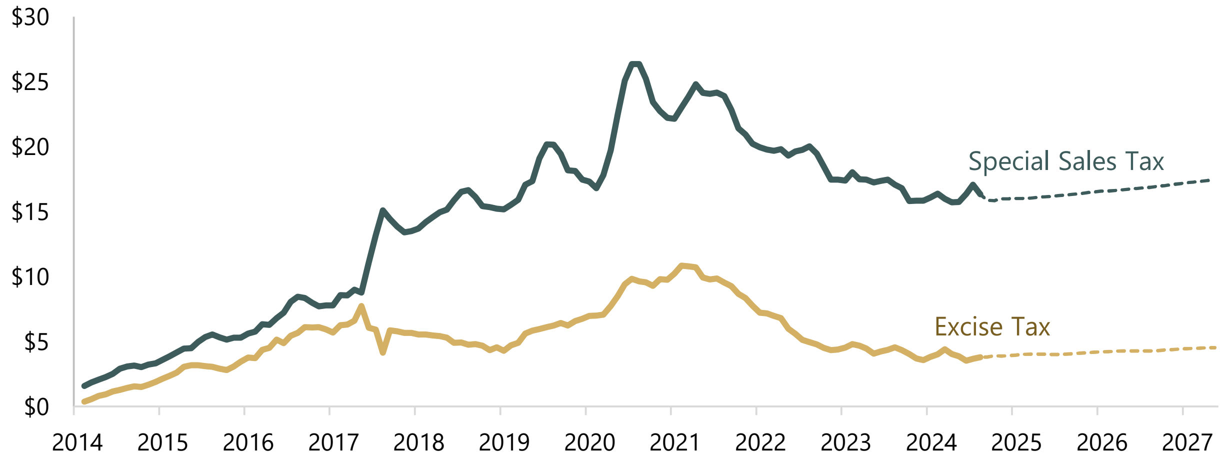
*CAAGR: Compound average annual growth rate for FY 2023-24 to FY 2026-27.

The **marijuana special sales tax** is the largest source of marijuana revenue, assessed when consumers purchase marijuana at retail stores. Revenue is distributed to the Marijuana Tax Cash Fund (MTCF), the State Public School Fund, the General Fund, and local governments. Special sales tax revenue has stabilized in the last year after falling precipitously between 2021 and 2023. However, the special sales tax can be quite volatile on a monthly basis, making it difficult to predict.

Special sales tax revenue is expected to continue to stabilize in the current fiscal year, and begin showing consistent year-over-year increases in fiscal year 2026 as consumption and prices start to rebound. Special sales tax revenue is expected to be 0.5 percent higher in FY 2024-25 compared to the prior year, before increasing by 1.0 percent in the following fiscal year. This forecast estimates that the long run average growth will be near 4 percent, much slower than pre-pandemic with a more mature market, but slightly faster than general sales tax growth.

The **marijuana excise tax** is the second-largest source of marijuana revenue, assessed when a retailer or production facility purchases marijuana from a grower. Revenue is dedicated entirely to the BEST Fund for school construction. The excise tax is based on the calculated or actual wholesale price of marijuana when it is transferred from the cultivator or manufacturer to the retailer. Therefore, the wholesale price is a significant determinant of excise tax revenue. Falling prices have contributed to falling excise tax revenue per unit, as well as falling sales volume as cultivators exit the market because prices are too low to support their businesses. The number of licensed cultivators has fallen by 15 percent compared to the year prior.

Figure 8
Adult-Use Marijuana Revenue Forecast
Millions of Dollars, 3-Month Moving Average



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

Wholesale prices increased in 2023, but stalled for much of 2024, painting a mixed picture for future excise tax revenue. Excise tax revenue collections are expected to fall slightly in the next few months before rising steadily through the forecast period. Revenue is expected to be about 0.4 percent lower in FY 2024-25 than the prior year and then increase by 5.8 percent in FY 2025-26 as consumption rebounds.

Exempt interest credited to the MTCF reached $4.1 million in FY 2023-24, a 36 percent increase from the year prior, as interest rates increased. This amount is expected to fall to $3.4 million in the current fiscal year. Exempt interest is credited to the fund in a lump sum at the end of the fiscal year which adds additional uncertainty to this forecast as there is no tracking data throughout the year. This revenue stream had not been included as part of the marijuana forecast prior to this December 2024 forecast.

The **2.9 percent state sales tax** rate applies to medical marijuana and marijuana accessories purchased at a retail marijuana store. Revenue from the 2.9 percent sales tax is also deposited in the MTCF and is subject to TABOR. The medical marijuana sales tax brought in $3.9 million in FY 2023-24, a 30 percent decline compared to the year prior. The number of medical marijuana card holders continues to decline significantly, and is expected to result in continued falling medical marijuana tax revenue throughout the forecast period. Retail marijuana dispensaries also remitted $1.2 million in 2.9 percent general sales tax in FY 2023-24. Collections are expected to stay fairly low throughout the rest of the forecast period.

Based on the above forecasts, revenue distributed to the **Marijuana Tax Cash Fund** is expected to be $134.7 million in FY 2024-25 before increasing by 0.2 percent in FY 2025-26 to $135.0 million. This is an upward revision relative to the September forecast, partially due to the inclusion of exempt interest revenue.

Federal Mineral Lease

Federal mineral lease (FML) revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of mineral production on federal land and royalty rates negotiated between the federal government and mining companies. FML revenue is exempt from TABOR.

In FY 2023-24, FML revenue decreased by 44.2 percent along with a correction in natural gas prices following a steep spike that peaked at $8.81 per million BTU in August 2022. As shown in Table 17, FML revenue is forecast to decrease about 2.4 percent to $94.6 million in FY 2024-25 due to lower-than-anticipated natural gas prices to start the fiscal year, and weaker collections in the third quarter. Despite the recent price weakness, natural gas prices are still expected to climb through the forecast period. Along with climbing natural gas prices and a boost from new lease activity, FML revenue is expected to grow through the forecast period.

Table 17
Federal Mineral Lease Revenue Distribution
Dollars in Millions

	Preliminary FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
Total FML Revenue	$96.9	$94.6	$118.2	$126.1
Bonus Payments (portion of total revenue)	**$0.4**	**$1.9**	**$1.2**	**$1.3**
Local Government Permanent Fund	$0.2	$0.9	$0.6	$0.6
Higher Education FML Revenue Fund	$0.2	$0.9	$0.6	$0.6
Other (non-bonus) **FML Revenue**	**$96.5**	**$92.7**	**$117.0**	**$124.9**
State Public School Fund	$46.6	$44.8	$56.5	$60.3
Colorado Water Conservation Board	$9.6	$9.3	$11.7	$12.5
DOLA Grants	$19.3	$18.5	$23.4	$25.0
DOLA Direct Distribution	$19.3	$18.5	$23.4	$25.0
School Districts	$1.6	$1.6	$2.0	$2.1
Higher Education FML Revenue Fund	$0.2	$0.9	$0.6	$0.6

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

Sports Betting

Sports betting was legalized after the passage of **Proposition DD** at the November 2019 election. Betting launched on May 1, 2020, and has grown significantly since its inception. Revenue collected from sports betting activity includes licensing fees, an operations fee, and tax revenue, which is set at 10 percent of casinos' net sports betting proceeds. As voter-approved revenue, sports betting tax revenue is not subject to the TABOR limit, but fee revenues are subject to TABOR.

While Proposition DD limited sports betting revenue to $29 million per year, voters approved **Proposition JJ** in the November 2024 election, which allows the state to retain sports betting revenue above $29 million to fund water projects. As sports betting tax revenue totaled $30.4 million in FY 2023-24, the passage of Proposition JJ allows an additional $1.4 million of revenue in FY 2023-24 to be transferred to the Water Plan Implementation Cash Fund. Due to Proposition JJ, water projects are expected to receive an additional $5.7 million in FY 2024-25, another $9.0 million in FY 2025-26, and another $11.1 million in FY 2026-27.

TABOR-exempt sports betting revenue, which consists of taxes and interest, grew by 19.5 percent in FY 2023-24, marking four years of double-digit growth since the legalization of sports betting. Due to stronger than expected growth in the first four months of FY 2024-25, this forecast makes upward revisions to the September 2024 forecast by $1.3 million in FY 2024-25, $2.4 million in FY 2025-26, and $3.2 million in FY 2026-27. Growth is expected to slow to 13.7 percent in FY 2024-25, 9.2 percent in FY 2025-26, and 5.6 percent in FY 2026-27 as fewer new users participate in sports betting.

Sports betting fee revenue subject to TABOR—which includes gaming licenses, operations fees, credit card fees, interest, and other charges for service—grew 4.7 percent to $2.4 million in FY 2023-24, but is expected to decline by 0.2 percent in FY 2024-25 and another 3.7 percent in FY 2025-26 as declining interest rates dampen revenue from interest. Growth in sports betting fee revenue subject to TABOR is then expected to rebound to a 6.1 percent rate in FY 2026-27. This revenue is included in the Other Cash Funds forecast in Table 12.

Firearms Tax

Approved by voters in the November 2024 election, **Proposition KK** created a new 6.5 percent tax on firearms, certain firearm parts, and ammunition (firearms tax). Firearms dealers, manufacturers, and ammunition vendors making less than $20,000 per year in retail sales are exempt, as are sales to peace officers, law enforcement agencies, and active-duty military are exempt from the excise tax. Implementation of the new tax will begin April 1, 2025. Revenue from the tax is TABOR exempt as a voter-approved revenue change.

Proposition KK revenue is deposited in the General Fund, transferred to the new Firearms and Ammunition Excise Tax Cash Fund, then distributed as follows after paying administrative costs:

- the first $30 million in the first fiscal year, adjusted for inflation in each fiscal year thereafter, is transferred to the Colorado Crime Victim Services Fund (Victim Services Fund) in the Division of Criminal Justice of the Department of Public Safety for crime victim services grants;
- the next $5 million in each fiscal year is transferred to the Behavioral and Mental Health Cash Fund for the continuation and expansion of the Veterans Mental Health Services program;
- the next $3 million in each fiscal year is transferred to the Behavioral and Mental Health Cash Fund for the continuation and expansion of access to behavioral health crisis response system services for children and youth; and
- the next $1 million in each fiscal year is transferred to the School Disbursement Program Cash Fund and is subject to annual appropriation by the General Assembly.

If revenue is left over after making the required annual distributions, it will remain available for future use as determined by the state legislature. Revenue from the firearms tax is expected to reach $9.0 million in FY 2024-25, $35.8 million in FY 2025-26, and $36.9 million in FY 2026-27, with comparable amounts in future years. About two-thirds of the projected revenue is expected to be from firearms and parts sales, while about one-third is expected to be from ammunition sales.

Family and Medical Leave Insurance

Proposition 118, approved by voters at the November 2020 election, created a paid family and medical leave insurance (FAMLI) program for Colorado employees that provides up to 12 weeks of paid leave for eligible employees to care for themselves or a family member. Starting January 1, 2023, employers and employees were required to begin paying a payroll premium for FAMLI benefits, which eligible employees were able to use beginning January 1, 2024. The enterprise collected $1.35 billion in FY 2023-24 in payroll premiums, the first full fiscal year of premium collections. Through mid-December 2024, calendar-year benefits paid were $660.7 million. Revenue to the fund is exempt from TABOR. LCS will collaborate with CDLE to produce future forecasts of FAMLI premiums, benefits, and fund balances as data become available.

Unemployment Insurance Trust Fund

Forecasts for Unemployment Insurance (UI) Trust Fund revenue, benefit payments, and year-end balances are shown in Table 18. Revenue to the UI Trust Fund is not subject to TABOR and is therefore excluded from Table 12. Revenue to the Employment Support Fund and Benefit Recovery Fund, which receive a portion of the UI premium surcharge, is subject to TABOR and is included in the revenue estimates for other cash funds in Table 12.

Benefits paid from the fund in FY 2023-24 totaled $727.5 million, an increase of 44.8 percent from the prior year. Benefit payments were higher than expected in 2024, potentially due to a surge in back payments, rising average weekly wages, and continued growth in insured employment. Payments are expected to increase through FY 2025-26 as unemployment ticks up. The forecast also anticipates an increase in benefits paid pursuant to **Senate Bill 22-234**, which repealed the requirement that a person wait one week before becoming eligible for unemployment compensation, once the balance of the UI Trust Fund reaches at least $1 billion.

Revenue to the fund increased through FY 2023-24, ending the year up 16.7 percent, to $1.076.1 million, compared with $1,066.3 million projected in the June 2024 forecast. Increases in the chargeable wage base pursuant to **Senate Bill 20-207**, estimated diversions to the fund from the Employment Support Fund (ESF) pursuant to **Senate Bill 23-232** and **House Bill 24-1409,** revenue from the solvency surcharge, as well as increasing interest earnings as the fund balance grows, offset a lower employer premium rate schedule due to improving fund balances. Beginning in FY 2023-24, Senate Bill 23-232 and House Bill 24-1409 limited the amount of money allowed to remain in the ESF and other unemployment administration funds at the end of each fiscal year.

The fund balance on June 30 of a given year determines the solvency surcharge and premium rate schedule for the following calendar year. Beginning in 2024, the employers were required to pay the solvency surcharge, but premium rates were reduced as the UITF balance turned positive, in accordance with the premium rate schedule. The solvency surcharge is expected to be applied through calendar year 2026, as fund balances reach the 0.7 percent of annual private wages threshold required to turn it off in FY 2025-26.

The UI Trust Fund began FY 2024-25 with a balance of $726.1 million. The fund balance is expected to increase throughout the forecast period, meeting the thresholds to shift to a lower premium rate schedule in calendar year 2026 and to turn the solvency surcharge off in calendar year 2027. The modernization of the Colorado unemployment insurance premiums systems disrupted the collection of employment and wage data beginning in the third quarter of 2023. This, along with recent legislative changes creating diversions to the UI Trust Fund, drives more uncertainty than usual in the UI forecast.

Table 18
Unemployment Insurance Trust Fund
Revenues, Benefits Paid, and Fund Balance
Dollars in Millions

	Preliminary FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	CAAGR*
Beginning Balance	$286.6	$726.1	$1,189.0	$1,541.8	
Plus Income Received					
UI Premium	$869.3	$979.7	$920.2	$915.5	1.7%
Solvency Surcharge	$122.2	$209.6	$206.2	$95.9	
Interest	$8.1	$21.3	$23.8	$46.3	
Other**	$76.5	$66.5	$66.5	$66.5	
Total Revenues	**$1,076.1**	**$1,277.2**	**$1,216.7**	**$1,124.1**	1.5%
Percent Change	16.7%	18.7%	-4.7%	-7.6%	
Less Benefits Paid	($727.5)	($814.3)	($863.9)	($843.5)	5.1%
Percent Change	44.8%	11.9%	6.1%	-2.4%	
Accounting Adjustment	$90.9	$0.0	$0.0	$0.0	
Ending Balance	**$726.1**	**$1,189.0**	**$1,541.8**	**$1,822.5**	
Solvency Ratio					
Fund Balance as a Percent of Total Annual Private Wages	0.40%	0.62%	0.77%	0.86%	

Totals may not sum due to rounding.
*CAAGR: Compound average annual growth rate for FY 2023-24 to FY 2026-27.
**Other income includes private loans applied to federal loans outstanding, and estimated diversions from the Employment Support Fund; the Employment, Training and Technology Fund; and the Benefit Recovery Fund pursuant to SB 23-232 and HB 24-1409

K-12 Enrollment Projections

This section of the forecast presents projections for kindergarten through twelfth grade (K-12) enrollment in Colorado's public schools. Projections are presented in full-time equivalent (FTE) terms, and are an important factor in determining funding levels for Colorado's 178 school districts. Table 19 summarizes current and projected enrollment for the 2024-25 through 2026-27 school years by forecast region. Figure 10 on page 65 shows enrollment growth projections by school district for the 2025-26 school year.

- **FY 2024-25.** Enrollment for the current school year essentially remained flat, totaling 835,942 student FTE across Colorado's public schools, up 91 FTE or 0.01 percent from the previous year. Enrollment increased in the current year due to additions from new immigrant students and extended high school enrollment; however, long-term statewide trends point to declining enrollment.
- **FY 2025-26 and FY 2026-27.** Statewide K-12 enrollment is projected to decline in the next school year, decreasing by 1,344 student FTE, or 0.2 percent. Enrollment in the 2026-27 school year is projected to decline by 1,719 student FTE, or 0.2 percent. The forecast assumes that Colorado will see declining enrollment through the forecast period, in line with recent years.

Table 19
K-12 Public School Enrollment
Full-time equivalent (FTE) students

Region	Actual 2024-25	Percent Change	Estimated 2025-26	Percent Change	Estimated 2026-27	Percent Change	Average Growth*
Colorado Springs	125,232	1.6%	127,062	1.5%	128,820	1.4%	1.4%
Eastern Plains	24,452	-3.3%	24,507	0.2%	24,514	0.0%	0.1%
Metro Denver	473,132	0.5%	470,912	-0.5%	468,465	-0.5%	-0.5%
Mountain	23,438	-2.2%	23,166	-1.2%	22,933	-1.0%	-1.1%
Northern	91,774	-0.8%	92,119	0.4%	92,328	0.2%	0.3%
Pueblo	30,644	-2.2%	30,324	-1.0%	30,008	-1.0%	-1.0%
San Luis Valley	6,765	-1.8%	6,736	-0.4%	6,743	0.1%	-0.2%
Southwest Mountain	11,983	-8.0%	11,930	-0.4%	11,908	-0.2%	-0.3%
Western	48,523	-1.0%	47,844	-1.4%	47,162	-1.4%	-1.4%
Statewide Total	**835,942**	**0.01%**	**834,598**	**-0.2%**	**832,879**	**-0.2%**	**-0.2%**

Source: Colorado Department of Education and Legislative Council Staff.
*Compound average annual growth rate between 2024-25 and 2026-27.

Forecast Comparison

Relative to the Legislative Council Staff forecast published last December, actual enrollment in the 2024-25 school year was 4,816 FTE, or 0.6 percent, higher than expected. The prior year forecast projected a decline in enrollment due to low birth rate and housing affordability issues, but noted potential upside risk from the influx of new immigrant students and potential for faster than expected growth in the extended high school programs. Actual enrollment remained flat, meaning that those upside risks largely came to fruition.

Enrollment in 2025-26 is expected to decline by 0.2 percent in 2025-26, slower than the 0.5 percent decline that was forecast last December. Kindergarten enrollment is still expected to remain flat, with slower decline in the grade 1-12 enrollment and revised estimates for online and CSI enrollment.

Risks to the Forecast

There are both upside and downside risks for the forecast. To the upside, the State Demography Office projects that the age cohort of five year olds who would enter kindergarten in 2025-26 will increase compared to 2024-25, creating some upside risk to the forecast of kindergartners in FY 2025-26. Additionally, there continues to be upside risk if students who left public education during the COVID-19 pandemic return to public education as they get older and reach transition points, such as entering middle or high school.

To the downside, the incoming Trump administration has discussed plans for mass deportation of undocumented immigrants, which may result in enrollment decreases in school districts with large populations of immigrant students. Details of the potential deportations are unknown, but remain a risk to the forecast.

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

Additionally, there are individual districts whose 2024-25 enrollment reflects larger than usual increases or decreases. It is unknown at this time whether these are anomalies, or are the beginning of trends. As a result, there is some additional forecast risk for certain individual school districts, both to the upside and downside depending on the district.

Current Enrollment Trends

Since the COVID-19 pandemic, Colorado's public school enrollment has declined at a moderate pace each year; however, in 2024-25, the decline was offset by an influx in immigrant students who arrived in Colorado and by growth in enrollment in extended high school programs, resulting in overall flat enrollment. The forecast expects that enrollment will decline by 0.2 percent in both 2025-26 and 2026-27.

- **Kindergarten.** Total kindergarten enrollment increased by 71 student FTE, or 0.1 percent in the 2024-25 school year, despite a decline in the population of five year olds in 2024. This is likely partially attributable to some students starting kindergarten a year earlier, as well as the influx of immigrant students arriving in Colorado. Kindergarten enrollment is expected to remain flat in 2025-26, due to the expected increase in the five-year-old age cohort in 2025 offset by some students who instead began kindergarten in 2024. Kindergarten enrollment is expected to decline 0.2 percent in 2026-27, reflecting the State Demography Office's expectation that the number of five year olds will decline in 2026.
- **Grades 1-12.** Total enrollment in grades 1-12 remained flat in the current year, likely reflecting enrollment declines similar to recent years that were offset by an influx in immigrant students who arrived in the state in the last year and remained enrolled in the

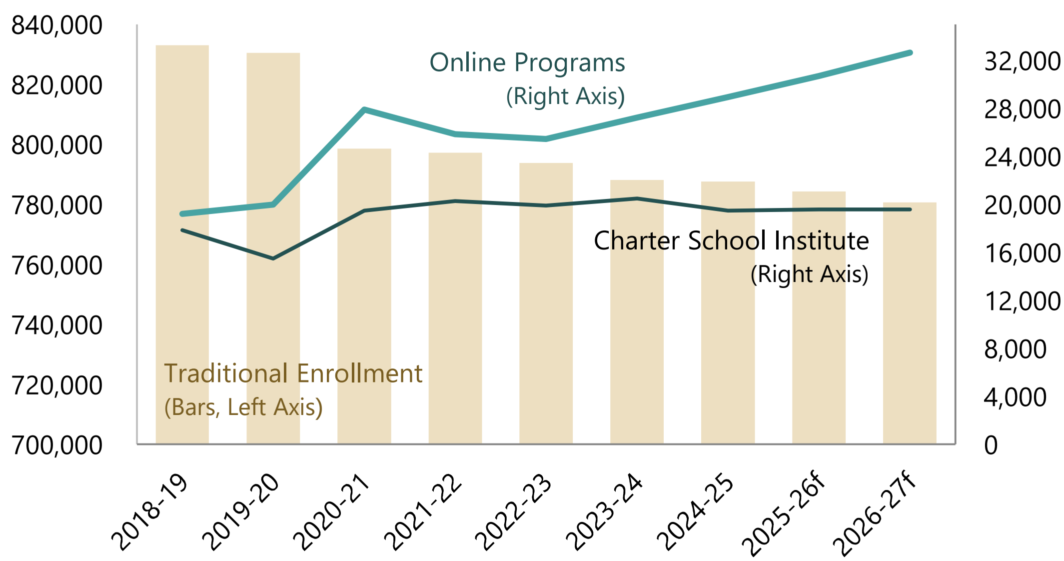
current year. Generally, smaller cohorts have been moving through the public school system, replacing larger graduating cohorts. Enrollment in grades 1-12 is expected to decline by 0.2 percent in 2025-26 and 2026-27, in a return to recent trend of declining enrollment.

- **Extended high school.** Extended high school enrollment includes three programs (ASCENT, TREP, and PTECH) that provide postsecondary courses for students who stay for a fifth or sixth year of high school. Enrollment in these programs continued to increase significantly, growing by 58 percent over the prior year. The enrollment increase is driven largely by growth in the ASCENT program, which increased by 60 percent to 1,986 FTE in 2024-25, although the TREP program also saw significant growth, to 138 FTE from 79 FTE last year. This is the third consecutive year of significant increases, due to policy changes that, beginning in 2022-23, removed the cap on participation in ASCENT and created the TREP program.

  Beginning in 2025-26, House Bill 24-1393 limits ASCENT enrollment to no more than 2024-25 levels. As a result, ASCENT enrollment is expected to remain flat in 2025-26, and total extended high school enrollment is expected to increase by 2.2 percent, drive only by expected increases in the TREP program.

- **Comparison of education options.** Figure 9 below shows recent and forecast brick and mortar, CSI, and online enrollment. Brick and mortar declined by 0.1 percent, while online enrollment increased by 6.2 percent, and CSI enrollment decreased by 5.0 percent.

Figure 9
K-12 Public School Enrollment
Full-time equivalent (FTE) students



- **Online.** Enrollment in multidistrict online schools increased by 6.2 percent in the current year. A large online school in Durango closed, with many of those students shifting to online schools authorized by other districts. Online enrollment is expected to grow by 6.0 percent in 2025-26 and 2026-27, based recent enrollment increases in the two districts with the largest online enrollment, Falcon and Byers. At this time, no new schools are expected to open in 2025-26, although application deadlines are not until later this winter.

- **CSI.** Enrollment in CSI schools declined by 5.0 percent in the current year. This decline is driven by the closure of a homeschool enrichment program at Colorado Early College – Windsor, as a result changes in state school finance and CSI waiver rules. Enrollment is expected to grow by 0.6 percent in 2025-26, as two schools in Commerce City and Aurora are expected to expand, and a new school is expected to open in Park County.

Long-Term Enrollment Trends

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

- **Birth rates and fertility rates.** A decline in the number of births continues to constrain enrollment growth in Colorado. According to the State Demography Office (SDO), birth rates in Colorado fell each year between 2008 and 2013, and between 2017 and 2019, resulting in smaller cohorts entering the K-12 system. Births slightly increased in 2020 and 2022, among declines in 2021 and 2023.

  Fertility rates have also declined among women in their twenties, and increased among women in their thirties, meaning that women are waiting until later to have children. A large number of women are reaching the ages with higher fertility rates, and in-migration among this age group is expected to increase due to labor force demands, which may partially offset some of the decline in enrollment seen from lower birth rates in recent years.

- **Housing affordability.** High housing costs are influencing the distribution of enrollment across the state. Housing prices in the Metro Denver area have pushed families with school-age children to relocate to the exurbs or more affordable metro areas. In the mountain region, expensive housing has pushed families to move into relatively more affordable areas outside resort communities, although even these more affordable areas are becoming out of reach for many families. Additionally, many rural areas are facing housing shortages.
- **In-migration.** In-migration to Colorado has slowed in recent years, but has started to rebound and is expected to increase through 2030. People moving to Colorado tend to be younger and childless. However, this may slowly reverse as the population ages, should retirements open up job opportunities for younger workers who may bring families with them or be at the age to start a family. The age of people moving in also varies regionally, with families more likely to move to areas with more affordable housing. Increased remote work possibilities may also boost in-migration to Colorado through the forecast period.

Enrollment by Region

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

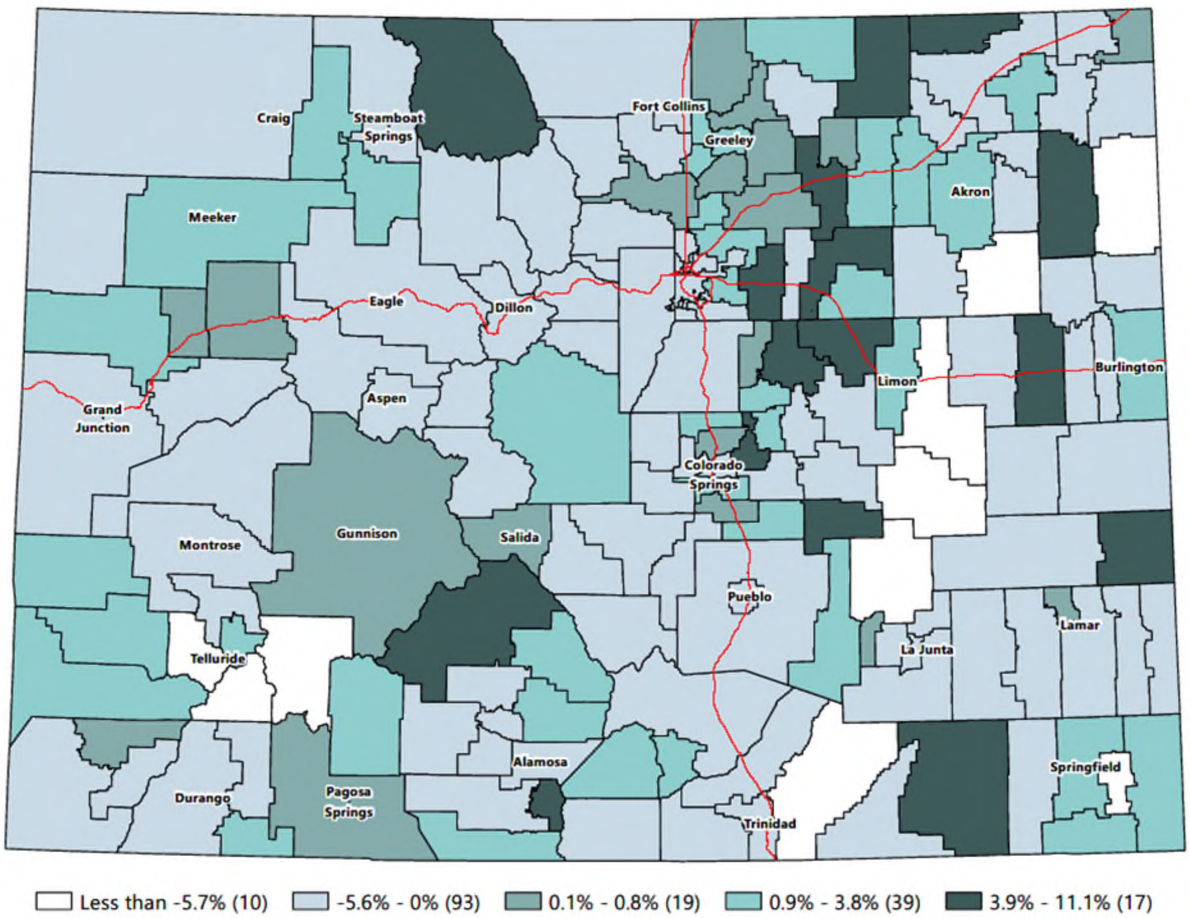
- **Metro Denver.** Total enrollment in the Metro Denver region increased by 0.5 percent in the 2024-25 school year, a reversal of recent trends. In recent years, the region has seen enrollment declines due to low birth rates and housing affordability issues. However, over the last two years, the region has seen an influx of immigrant students, many of whom arrived after the October 2023 Count Day. Additionally, the region has saw modest growth in online and CSI enrollment due to school openings and shifts between schools. The combination more than offset the expected enrollment declines. Enrollment is expected to decline by 0.5 percent in the 2025-26 and 2026-27 school years, a return to recent trends. The number of new immigrant students is expected to remain relatively flat.

- **Northern.** After a few years of growth, total enrollment in the Northern region declined by 0.8 percent in the 2024-25 school year. The decline reflects 0.1 percent growth in brick and mortar enrollment, offset by the closure of a homeschool enrichment program operated by a CSI school as a result of state rule changes. Enrollment is expected to grow by 0.4 percent in 2025-26 and 0.2 percent in 2026-27, as the region continues to have new housing developments that are relatively affordable for families.
- **Colorado Springs.** Posting its fourth consecutive year of growth, Colorado Springs saw a 1.6 percent increase in total enrollment in the 2024-25 school year. A large portion of the growth is attributable to a surge in online enrollment, as an online school closure in Durango led to some kids switching to programs authorized by Falcon. Brick-and-mortar enrollment similarly increased by 1.3 percent in the 2024-25 school year, the largest growth rate posted by the region in eight years. Colorado Springs is expected to see continued growth, outperforming all other regions through the forecast period.
- **Pueblo-Southern Mountains.** Total enrollment in the Pueblo-Southern Mountains declined by 2.2 percent in the 2024-25 school year, the continuation of a long term trend. Steeper declines in brick and mortar were slightly offset by modest increases in online enrollment at schools authorized by Branson and Pueblo Rural school districts. Enrollment is expected to continue to decline through the forecast period, the result of long term trends including an aging population, fewer jobs, and in-migration by a largely older population with few young families.
- **Eastern Plains.** Total enrollment in the Eastern Plains declined by 3.3 percent in the 2024-25 school year, driven by large declines in two districts – Vilas and Plainview – that had homeschool enrichment programs discontinued as a result of state rule changes. Those declines offset growth in Morgan County districts and exceeded the flat or modest declines in other districts due to low birth rates, housing affordability issues, and lack of job opportunities. Enrollment is expected to increase by 0.2 percent in the 2025-26 school year due to a projected increase in the kindergarten population, and remain flat in 2026-27.
- **San Luis Valley.** Total enrollment in the San Luis Valley has declined for several years, and continued to decline by 1.8 percent in the 2024-25 school year. It is expected to continue to decline by 0.4 percent in the 2025-26 school year, and, due to a projected increase in the number of five year olds, remain flat in 2026-27. As a rural region, many districts are challenged by an aging population, declining births, and lack of job opportunities for families.
- **Mountain.** Total enrollment in the Mountain region declined 2.2 percent in the 2024-25 school year, and is expected to continue to decline by 1.2 percent in 2025-26 and 1.0 percent in 2026-27. This region is challenged by low birth rates and housing affordability

concerns, as resort towns are generally not affordable for families and previously affordable areas outside the resort towns are becoming more expensive.

- **Western.** Total enrollment in the Western region declined by 1.0 percent in the 2024-25 school year and is expected to further decline through the remainder of the forecast period. A new online school in Delta led to online enrollment more than doubling in the region, paired with continued moderate growth in CSI enrollment. However, this growth was more than offset by declines in brick-and-mortar enrollment as housing affordability continues to pose an issue in some districts.
- **Southwest Mountain.** The Southwest Mountain region saw historical levels of declines in total enrollment in the 2024-25 school year, down 8.0 percent from the previous year. The decline was led by an online school closure in Durango, leading to many of those students opting to enroll in online schools authorized by districts in other regions. The region lost over 90 percent of its online students due to the school closure, and total enrollment was further hampered by a 2.7 percent decline in brick-and-mortar students. Enrollment in the region is expected to largely plateau at this new low during the forecast period, with declines moderating to less than a half percent in the 2025-26 and 2026-27 school years.

Figure 10
Forecast Percent Change in Enrollment by School District
FY 2024-25 to FY 2025-26



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Assessed Value Projections

This year's assessed value projections incorporate estimated impacts of policy changes passed during the 2024 regular session of the General Assembly, in addition to the 2024 special session in August. Among the legislative adjustments is the creation of two assessed values for each residential property in the state beginning with the 2025 property tax year (PTY), one that is used for mill levies assessed by school districts, and one that is used for all other local government entities. This section focuses mainly on projections of assessed values for school districts, a key component in projecting the state's obligation for K-12 school finance. A shorter description of projections for non-school local government entities is also included at the end of the section.

The projections include an outlook for residential and nonresidential assessed values in Colorado for PTY 2025 through 2027. Property values and assessment rates determine assessed values, the taxable portion of a property's value to which mill levies are applied. Property taxes are the largest source of local government tax revenue in Colorado and are collected by counties, cities, and special districts.

Local property tax revenue is also the first source of funding for local public school districts. Assessed values within a school district are an important determinant of the amount of state aid provided to each school district. Districts receive state equalization payments in an amount equal to the difference between formula funding and their local share. More information on school finance can be found starting on page 23.

2024 Assessed Values

Data from the Division of Property Taxation (DPT) in the Department of Local Affairs indicate that statewide taxable assessed values decreased by 2.8 percent in PTY 2024 following a historic increase of 24.7 percent in PTY 2023 (Table 20). Although residential value increased by 1.7 percent in 2024, nonresidential value fell by 7.0 percent. For nonresidential, increased value for commercial, industrial, natural resources, and state assessed property classes was offset by a 30.9 percent decrease in oil and gas value and a 10.1 percent decrease in producing mines. The value of vacant property also decreased over the year.

Every two years, county assessors determine new values for most classes of property as part of the reassessment process. The 2023 reassessment year was characterized by a historic increase in property values for both residential and nonresidential property classes. The increase was boosted further by a surge in oil and gas valuations, reflecting both growing production and a spike in prices during 2022. In an intervening property tax year like 2024, assessed values may increase, primarily due to new construction. However, assessed values are also influenced by property types that are assessed annually, including oil and gas, mining, and state assessed properties.

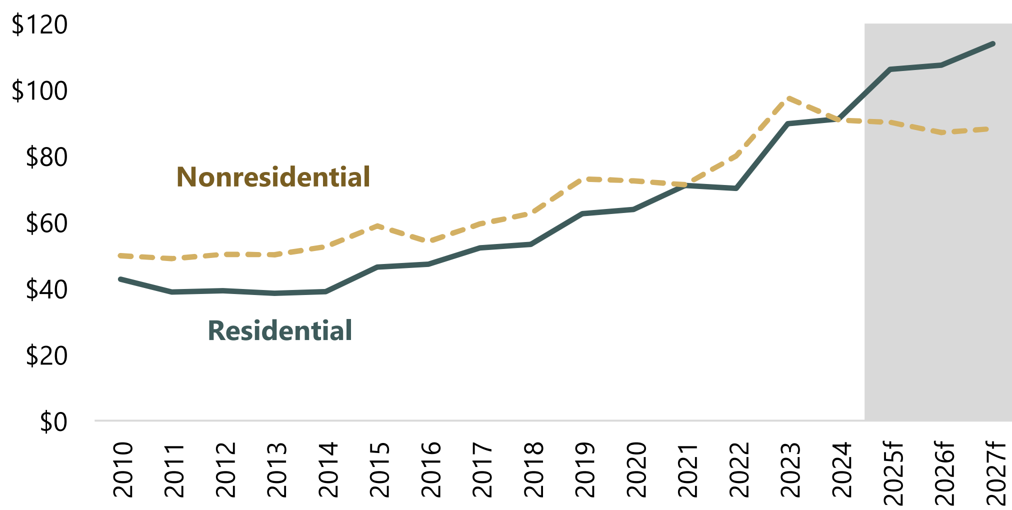
Assessed values in 2024 were also shaped by legislative adjustments in **Senate Bill 24-233** and **House Bill 24B-1001**. Between the two bills, PTY 2023 assessment rates and value reductions were carried over to PTY 2024. Without the changes in the bills, assessed value would have increased by an estimated 4.6 percent in PTY 2024, consistent with the December 2023 Assessed Value Forecast.

Assessed Value Forecast for School Districts

The assessed value forecast for school districts is presented in Figure 11 and Table 20. Assessed values are expected to increase 7.9 percent in PTY 2025, a reassessment year. In addition to slow but positive growth anticipated due to property reassessments, assessed value will be boosted largely by the end of temporarily lower residential assessment rates and value reductions that were effective for PTY 2024. In 2025, the residential assessment rate for school districts will rise to 7.05 percent, a level contingent on statewide actual value growth below 5 percent. If statewide actual value growth exceeds 5 percent, the assessment rate will be a lower 6.95 percent. Additionally, in PTY 2024 a $55,000 subtraction was in place for each residential property that created a lower value to which the assessment rate was applied. This subtraction will not be in place for PTY 2025 and future years. As a result of the policy changes, residential assessed value for school district property taxes is expected to increase by 16.4 percent. In contrast, nonresidential assessed value is expected to decrease by 0.7 percent as a lower assessment rate for most types of property is implemented.

In PTY 2026, assessed values for school districts are expected to decrease by 0.9 percent with further nonresidential assessment rate reductions offsetting growth in residential assessed values at a rate more typical for an intervening year. Although nonresidential assessment rate reductions continue through PTY 2027, higher property values are projected to boost the 2027 reassessment, and assessed value is projected to increase 3.9 percent. In 2027, lower interest rates combined with a recovering housing market are expected to contribute to growth. Policy adjustments are described in more detail below.

Figure 11
Statewide Assessed Values for School Districts
Billions of Dollars



Source: Colorado Department of Local Affairs, Division of Property Taxation. f=forecast for 2025 to 2027.

Table 20
Residential and Nonresidential Assessed Values for School Districts
Millions of Dollars

Year	**Residential** Assessed Value	**Residential** Percent Change	**Nonresidential** Assessed Value	**Nonresidential** Percent Change	**Total** Assessed Value	**Total** Percent Change
2010	$42,727	1.0%	$49,917	-10.0%	$92,644	-5.3%
2011	$38,874	-9.0%	$48,962	-1.9%	$87,835	-5.2%
2012	$39,198	0.8%	$50,211	2.6%	$89,409	1.8%
2013	$38,456	-1.9%	$50,153	-0.1%	$88,609	-0.9%
2014	$38,997	1.4%	$52,578	4.8%	$91,575	3.3%
2015	$46,378	18.9%	$58,899	12.0%	$105,277	15.0%
2016	$47,261	1.9%	$54,157	-8.1%	$101,419	-3.7%
2017	$52,162	10.4%	$59,468	9.8%	$111,630	10.1%
2018	$53,279	2.1%	$62,636	5.3%	$115,915	3.8%
2019	$62,486	17.3%	$73,086	16.7%	$135,572	17.0%
2020	$63,751	2.0%	$72,480	-0.8%	$136,231	0.5%
2021	$70,985	11.3%	$71,295	-1.6%	$142,279	4.4%
2022	$70,180	-1.1%	$79,986	12.2%	$150,166	5.5%
2023	$89,723	27.8%	$97,571	22.0%	$187,294	24.7%
2024	$91,231	1.7%	$90,784	-7.0%	$182,015	-2.8%
2025f	$106,183	16.4%	$90,143	-0.7%	$196,326	7.9%
2026f	$107,431	1.2%	$87,085	-3.4%	$194,516	-0.9%
2027f	$113,934	6.1%	$88,207	1.3%	$202,141	3.9%

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

Residential and Nonresidential Assessment

In the 2024 regular session, the General Assembly adopted SB 24-233. A main component of the bill was extending to PTY 2024 the temporarily lower assessment rates and value reductions in place for PTY 2023 for most classes of property.[1] This included a reduction in the assessment rate for residential properties to 6.7 percent, applied to the actual value of the property, minus either $55,000 or the amount that reduced assessed value to $1,000. For most nonresidential property classes, the assessment rate was reduced to 27.9 percent from 29 percent, and for improved commercial property this rate was applied to the value of the property, minus either $30,000 or the amount that reduced assessed value to $1,000.

Another provision of the bill was creating two assessed values for each residential property beginning with the 2025 property tax year, one for property tax imposed by school districts and one for other local governmental entities. Then, beginning in 2026, the bill created a new residential value subtraction for local governmental entities. The subtraction will be equal to 10 percent of the actual value of the property, up to $70,000, after which the assessment rate is applied. Beginning in PTY 2027, the $70,000 threshold will be increased annually by inflation. Lastly, the bill lowered the assessment rates for improved commercial property and agricultural property to 27 percent in PTY 2025, then to 25 percent in PTY 2026 and later years.

[1] Temporarily lower assessment rates and value reductions for lodging in 2024 were extended with House Bill 24B-1001.

In the August 2024 special session, the General Assembly further modified assessment rates for residential and nonresidential property with House Bill 24B-1001. For residential property, the bill lowered assessment rates further for taxes imposed by schools and other local governmental entities at levels contingent on statewide actual value growth from 2024 to 2025. For industrial, natural resources, personal, state assessed, and vacant property classes, the bill lowered the assessment rate to 27 percent in PTY 2025, to 26 percent in PTY 2026, and to 25 percent in PTY 2027 and later years. Assessment rate and value reductions are detailed in Table 21.

Table 21
Residential and Nonresidential Property Assessment Changes

Property Tax Year	2024	2025	2026	2027
Residential				
Schools	6.7% after $55,000[1] reduction	7.05%[2]	7.05%[2]	7.05%[2]
Other entities	6.7% after $55,000[1] reduction	6.25%[3]	6.8%[3] after reduction of 10% of value up to $70,000[4]	6.8%[3] after reduction of 10% of value up to $70,000[4]
Nonresidential				
Commercial	27.9% after $30,000 reduction[1]	27%	25%	25%
Industrial, natural resources, personal property, state assessed, vacant	27.9%	27%	26%	25%
Agricultural	26.4%	27%	25%	25%
Renewable energy producing property	26.4%	27%	26%	25%

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

[2]Current law requires the assessment rate be set at 7.05%, unless actual value growth from PTY 2024 to 2025 exceeds 5%. Beginning in PTY 2025, the rate could be adjusted down further to meet a statewide total program property tax revenue limit.

[3]Current law requires the assessment rate be set at 6.25%, unless actual value growth from PTY 2024 to 2025 exceeds 5%. Beginning with PTY 2026, the rate is set at 6.8%, unless actual value growth from PTY 2024 to 2025 exceeds 5%.

[4]A reduction up to this amount, or the amount that reduces a property's assessed value to $1,000. Beginning with PTY 2027 the threshold will be increased annually by inflation.

The assessment rate for school districts in the forecast may also be influenced by a limit for statewide local share total program property tax revenue created in HB 24B-1001. Beginning in 2025, a portion of statewide local share total program property tax revenue will be limited, in general, to the highest statewide local share total program property tax revenue from a previous reassessment cycle, increased by 12 percent. If the qualifying portion of statewide local share total program property tax revenue exceeds this limit, the residential assessment rate for school districts will be balanced downward to meet the limit. The portion of local share total program revenue that qualifies for the limit excludes revenue from various sources including new construction, mill levy equalization, oil and gas, and other sources. For the 2025-2026 reassessment cycle, the forecast anticipates the highest previous statewide local share total program property tax revenue will be the amount from PTY 2024. Although information for calculating the qualifying portion of local share property tax revenue is not available yet, the outlook for statewide local share total program property tax revenue suggests the limit will not be reached in the 2025-2026 reassessment cycle. The forecast projects that the residential assessment rate for school district taxes will remain at 7.05 percent through the forecast period.

Regional Impacts and Variations

Assessed values in each region of the state are determined by the unique mix of properties and economic forces specific to that region. Table 22 shows estimated 2024 assessed value by region for school districts and the expected change throughout the forecast period, while Table 24 includes discussion of specific regional trends.

The maps on page 80 show estimated year-over-year growth in assessed values by region and school district for the 2024 reassessment year, and the maps on page 81 show forecasted year-over-year growth by region and school district for the 2025 reassessment year. The table and maps include total taxable assessed values, meaning all assessed values for properties except those that are exempt from taxation, like schools or government buildings. Total values include incremental values that are not taxed due to local use of tax increment financing. Legislative Council Staff make adjustments to exclude those values when estimating the local share of total program funding for school finance.

Table 22
2024 Assessed Values for School Districts and Forecast Changes
Millions of Dollars

Region	Assessed Value 2024	Year-Over-Year Change 2024	Forecast Changes Year-Over-Year 2025	2026	2027	3-Year Annual Average
Colorado Springs	$12,859	0.9%	11.8%	-1.2%	2.3%	4.2%
Eastern Plains	$3,902	-1.7%	7.7%	-2.3%	1.7%	2.3%
Metro Denver	$98,459	0.0%	6.5%	-1.8%	3.0%	2.5%
Mountain	$21,035	0.6%	10.4%	-0.3%	5.8%	5.2%
Northern	$25,820	-13.4%	6.3%	1.6%	4.9%	4.2%
Pueblo	$3,758	0.2%	13.8%	-0.8%	3.6%	5.4%
San Luis Valley	$863	1.6%	14.4%	-2.2%	1.8%	4.4%
Southwest Mountain	$3,480	-7.2%	10.3%	-0.7%	7.5%	5.6%
Western	$11,839	-9.1%	10.9%	0.6%	7.6%	6.3%
Statewide Total	**$182,015**	**-2.8%**	**7.9%**	**-0.9%**	**3.9%**	**3.6%**

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

2024 intervening year. All regions experienced growth in residential property values. Growth in residential assessed value rose between 1.2 percent and 2.7 percent among the state's regions. The fastest increase in residential values was recorded in the San Luis Valley, followed by other areas with faster development like the Eastern Plains and Colorado Springs. For the Eastern Plains region, growth continues along the I-76 corridor, east of Denver in communities along I-70, and in communities between the Colorado Springs and Denver suburbs in Elbert County. The slowest residential growth was recorded in the Mountain region, followed by the

Pueblo-Southern Mountains region. As shown in Table 20, residential growth for the state overall was 1.7 percent. In contrast, nonresidential values fell in all regions of the state except the San Luis Valley where they increased 1.1 percent. Nonresidential property classes were impacted largely by a significant decline in the value of oil and gas property reflecting decreased prices following the pandemic surge. The regions impacted the most by the oil and gas correction included the Northern region that had an 18.6 percent decline in nonresidential assessed value, the Western region where value fell 16.4 percent, and the Southwest Mountain region where value fell 12.8 percent.

2025 reassessment year. Although impacted by weaker-than-usual growth for a reassessment year following the surge in post-pandemic value, assessed value for school districts is expected to increase 7.9 percent as value reductions effective for PTY 2023 and 2024 end and the residential assessment rate for school districts rises to 7.05 percent from 6.7 percent. For residential assessed value, lower value regions of the state will experience more rapid increases in value due to the expiration of value reductions. Residential assessed value is expected to rise as much as 40 percent in the San Luis Valley, and large gains are expected for the Eastern Plains, Pueblo, Southwest Mountain and Western regions. Residential assessed value is expected to increase around a lower 14 percent pace for the Mountain and Metro Denver regions. Nonresidential assessed value is expected to fall slightly in PTY 2025, partly due to weakness in the commercial real estate sector in areas of Metro Denver.

2026 intervening year. The outlook for PTY 2026 is largely influenced by new construction activity that is expected to contribute to a modest increase in residential value for most regions. Nonresidential values, in contrast, are expected to decline for most regions of the state as the impact of lower nonresidential assessment rates offsets residential growth. The outlook is also influenced by a decrease in the forecast for oil and gas production that will impact energy sector intensive regions of the state. Changes in the oil and gas outlook will positively or negatively impact the forecast for these regions.

2027 reassessment year. The outlook for PTY 2027 reflects improvements in the residential real estate market with higher values expected across the state. Communities in the Western, Southwest Mountain, and Northern regions are expected to experience faster increases in residential value, between 9.7 percent and 11.4 percent. Regions of the state along the Front Range and Eastern Plains are anticipated to experience more moderate growth between 3.1 percent and 7.3 percent. Nonresidential assessed value in 2027 will continue to be shaped by reductions in nonresidential assessment rates that will offset most growth in value from new construction and market conditions. Overall, statewide assessed value for school districts is expected to increase a modest 3.9 percent, a weaker-than-usual growth rate for a reassessment year.

Risks to the Forecast

The outlook for assessed values continues to be less certain than usual due to ongoing policy changes that will interact with a real estate market that is still recovering from the spike in post-pandemic values. The forecast relies on a projection of actual value growth from 2024 to 2025. If statewide growth in actual values unexpectedly exceeds 5 percent, residential assessment rates will decrease for both schools and non-school districts, with mixed impacts to the forecast as faster-than-expected growth in values interacts with lower assessment rates. Further, property tax valuations for 2025 depend on reassessments for most property classes. This forecast anticipates slow but positive growth in market values for the June 2022 to June 2024 period. However, the final assessment of these property classes will not be finalized until later in 2025. Actual values that differ from those anticipated in the forecast also present a risk to the forecast.

Looking ahead, the forecast for PTY 2027 relies on projections of market conditions for June 2026. If markets take longer than anticipated to adjust to lower interest rates, or if there is a recession, or some other factor that impedes residential and nonresidential property value growth, the outlook will be lower than expected. Typical of most years, volatility in oil and gas represents another risk to the forecast. The current forecast anticipates stable but flat market conditions leading to slow and slightly positive assessed value growth in 2025. Worsening prices are forecast to lead to a modest contraction in assessed value in 2026, followed by slightly negative but more stable conditions influencing values in 2027. Oil and gas volatility broadly impacts nonresidential assessed values, but more so in areas heavily influenced by oil and gas valuations. Deviations from the outlook may significantly affect the forecast for these parts of the state.

Table 23
Residential and Nonresidential Assessed Values for Non-School Local Governmental Entities
Millions of Dollars

Year	**Residential** Assessed Value	**Residential** Percent Change	**Nonresidential** Assessed Value	**Nonresidential** Percent Change	**Total** Assessed Value	**Total** Percent Change
2010	$42,727	1.0%	$49,917	-10.0%	$92,644	-5.3%
2011	$38,874	-9.0%	$48,962	-1.9%	$87,835	-5.2%
2012	$39,198	0.8%	$50,211	2.6%	$89,409	1.8%
2013	$38,456	-1.9%	$50,153	-0.1%	$88,609	-0.9%
2014	$38,997	1.4%	$52,578	4.8%	$91,575	3.3%
2015	$46,378	18.9%	$58,899	12.0%	$105,277	15.0%
2016	$47,261	1.9%	$54,157	-8.1%	$101,419	-3.7%
2017	$52,162	10.4%	$59,468	9.8%	$111,630	10.1%
2018	$53,279	2.1%	$62,636	5.3%	$115,915	3.8%
2019	$62,486	17.3%	$73,086	16.7%	$135,572	17.0%
2020	$63,751	2.0%	$72,480	-0.8%	$136,231	0.5%
2021	$70,985	11.3%	$71,295	-1.6%	$142,279	4.4%
2022	$70,180	-1.1%	$79,986	12.2%	$150,166	5.5%
2023	$89,723	27.8%	$97,571	22.0%	$187,294	24.7%
2024	$91,231	1.7%	$90,784	-7.0%	$182,015	-2.8%
2025f	$94,134	3.2%	$90,143	-0.7%	$184,277	1.2%
2026f	$96,068	2.1%	$87,085	-3.4%	$183,153	-0.6%
2027f	$102,049	6.2%	$88,207	1.3%	$190,256	3.9%

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

Assessed Value Outlook for Non-School Local Governmental Entities

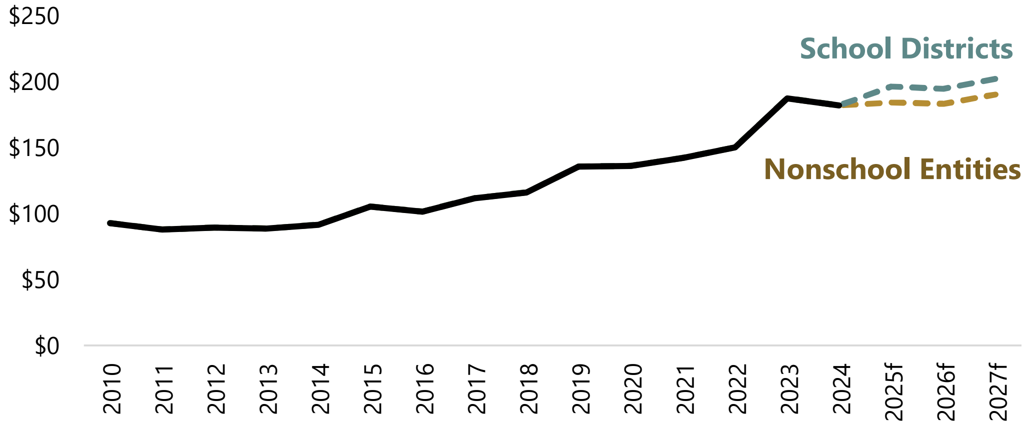
The outlook for non-school local government entities differs from the outlook for school districts due to policy changes impacting residential assessments. The outlook for nonresidential assessed value is the same for both school and non-school district property taxes. Table 23 presents the outlook for assessed value for non-school local government entities.

Like residential assessed value for school districts, residential assessed value through the forecast period is shaped by legislative adjustments in Senate Bill 24-233 and House Bill 24B-1001. Like with school district assessed value, PTY 2025 for non-school local governmental entities will be impacted by the end of value reductions that were effective for PTY 2023 and 2024. Partly offsetting the upward pressure of ending the value reductions is a lower assessment rate. As shown in Table 21, the assessment rate is contingent on actual value growth from PTY 2024 to 2025. The forecast assumes a 6.25 percent assessment rate for non-school district property taxes, consistent with actual value growth of 5 percent or less in 2025. In contrast to the 16.4 percent increase in residential assessed value for school property taxes, the lower assessment rate for non-school districts results in a 3.2 percent increase for non-school property taxes. Despite the slow, positive rate of growth expected statewide, the impact of the changes will vary widely among local entities. Low value areas of the state are expected to experience rapid growth from 2024 to 2025 with the expiration of value reductions, while high value areas may experience little to no growth as a result of the lower assessment rate.

In 2026, a new value reduction will be implemented for residential assessed value for non-school local governmental entities. Senate Bill 24-233 created a subtraction equal to 10 percent of the property's actual value, up to $70,000, or the amount that reduces assessed value to $1,000, after which the assessment rate is applied. Beginning with PTY 2027, the $70,000 threshold will be increased annual by inflation. Offsetting the downward impact of the value reduction is an increase in the assessment rate for non-school districts to 6.8 percent, assuming actual value growth from 2024 to 2025 is less than 5 percent; otherwise the assessment rate will increase to 6.7 percent. With new construction and the policy changes, assessed value statewide for non-school local government entities will increase 2.1 percent.

In 2027, a largely consistent policy environment will result in residential assessed value for non-school district local governmental entities growing 6.2 percent, consistent with growth expected for residential school assessed values, and reflecting the influence of new construction and real estate conditions.

Figure 12
Statewide Assessed Values for School Districts and Non-School Local Governmental Entities
Billions of Dollars



Source: Colorado Department of Local Affairs, Division of Property Taxation. f=forecast for 2025 to 2027.

Table 24
Regional Trends in Assessed Values for School Districts

Region	Residential Trends	Nonresidential Trends
Metro Denver	• Policy adjustments to boost 2025 growth, but at rates lower than other areas of the state. Slow actual value growth. • Slower construction will impact value in 2026, with higher activity continuing in the northern, eastern, and southern suburban and exurban areas.	• Policy adjustments for most nonresidential property classes will depress growth through the forecast period. • Slower construction, higher interest rates, and market conditions will impact value in the 2025 reassessment cycle with some property types, such as offices, more significantly impacted.
Colorado Springs	• Policy adjustments to boost 2025 growth, slow actual value growth overall. Continued price appreciation for areas accompanying population growth and new construction. • Slower growth expected in southern and eastern areas competing with lower prices in neighboring regions.	• Dampened growth from policy adjustments in 2025, but slow positive growth expected overall. • Slower growth in areas with large amounts of state assessed property and limited new development.
Northern	• Policy adjustments to boost 2025 growth, robust construction still expected for many areas, although at a slower pace than prior years. • Construction activity will boost 2026 growth faster than other areas of the state.	• Following the contraction in oil and gas activity, moderate growth in oil and gas is expected for Weld County. • Ongoing development and state assessed property growth to offset policy adjustments and push growth through the forecast period.
Western	• Policy adjustments to contribute to rapid growth in 2025, along with home price appreciation in low value properties and high value second homes. • Moderate new construction in 2026.	• Policy adjustments for most nonresidential property classes will depress growth through the forecast period. • Low natural gas prices impacting oil and gas values for a second consecutive year in 2025, impacting areas of Garfield, Mesa, and Rio Blanco counties.
Pueblo – Southern Mountains	• Larger relative impact of policy adjustments will significantly boost 2025 growth more than other regions. • Moderate home price appreciation in Pueblo, Cañon City, and Florence driving additional gains in 2025. • Strong residential construction for some districts expected.	• Appreciation in state assessed and industrial buildings, particularly in Pueblo and Fremont counties. • Policy adjustments to depress growth in nonresidential in 2026 and 2027.

Table 24 (Cont'd)
Regional Trends in Assessed Values

Region	Residential Trends	Nonresidential Trends
Eastern Plains	• Larger relative impact of 2025 policy adjustments will significantly boost growth more than typical for a reassessment year. • New construction still expected in areas adjacent to Front Range communities such as along the I-76, I-70, and Highway 86 corridors.	• Slow construction and policy adjustments to dampen growth in most nonresidential property classes. • Moderate appreciation in state assessed land values, new renewable projects could boost some areas significantly in 2027. • A mixed outlook for oil and gas throughout the region.
Mountain	• Policy adjustments to boost 2025 growth, but at rates lower than other areas of the state despite ongoing moderate price appreciation. • Home price appreciation still expected in both resort and non-resort areas following strong post-pandemic demand.	• Policy adjustments to result in a contraction in nonresidential value in 2026. • Moderate development activity expected, and more rapid gains in Routt County in and around Steamboat Springs.
Southwest Mountains	• Policy adjustments to boost 2025 growth faster than other regions of the state, ongoing price appreciation around Durango. • Slow home price appreciation in Archuleta, Dolores, and Montezuma counties in 2025.	• Policy adjustments to weigh on nonresidential valuation in 2025 and 2026, but offset by accelerating growth in 2027. • Low natural gas prices depressing fossil fuel intensive areas of the region.
San Luis Valley	• Larger relative impact of 2025 policy adjustments will result in the fastest growth in the state. • Faster 2025 price appreciation expected in areas around Alamosa. • Moderate new construction in 2026, particularly in Costilla County.	• Policy adjustments to result in a contraction in nonresidential value in 2026 and 2027. • Slow construction activity and price appreciation expected.

Figure 13
Assessed Values for School Districts by Region
Billions of Dollars

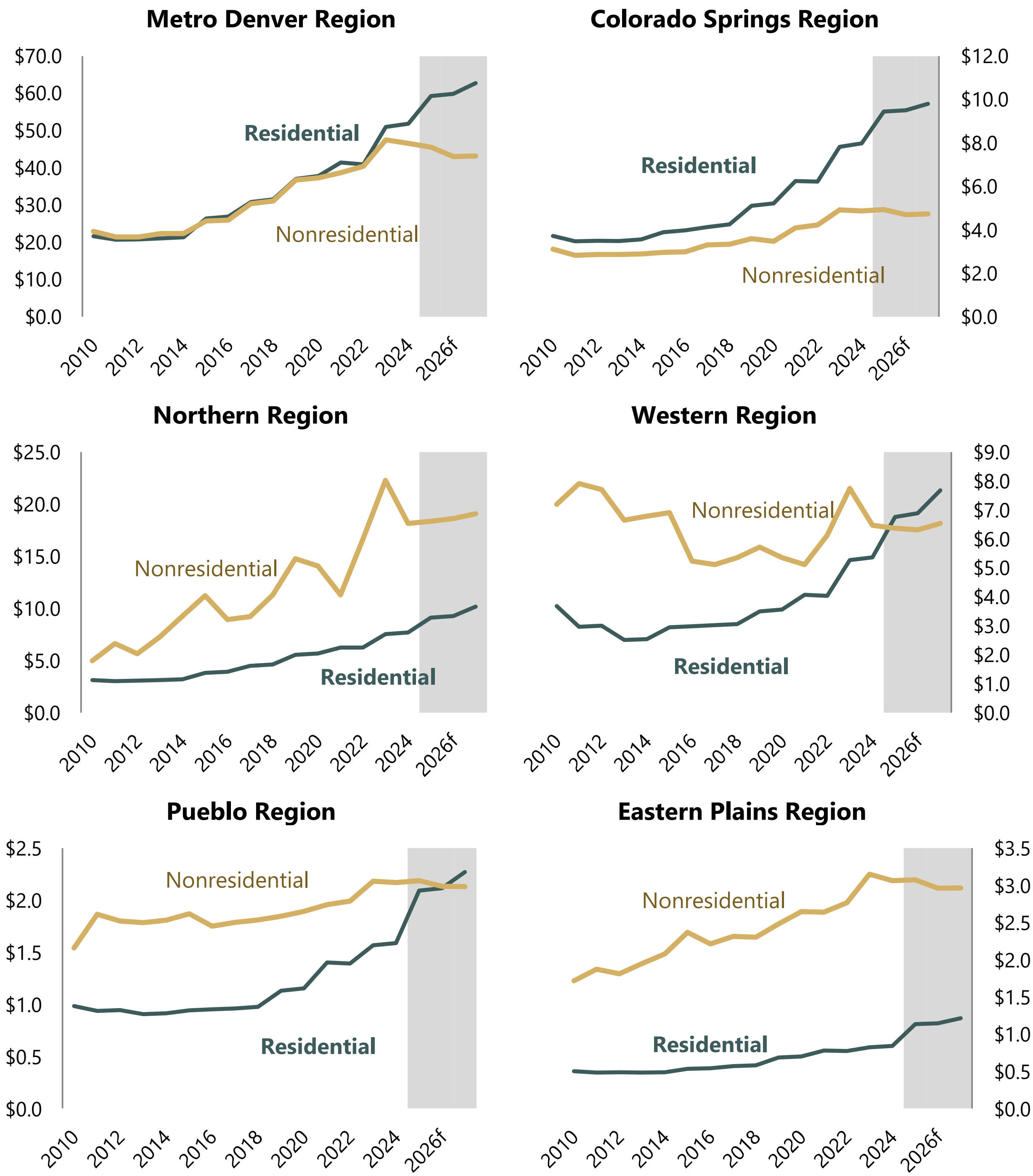
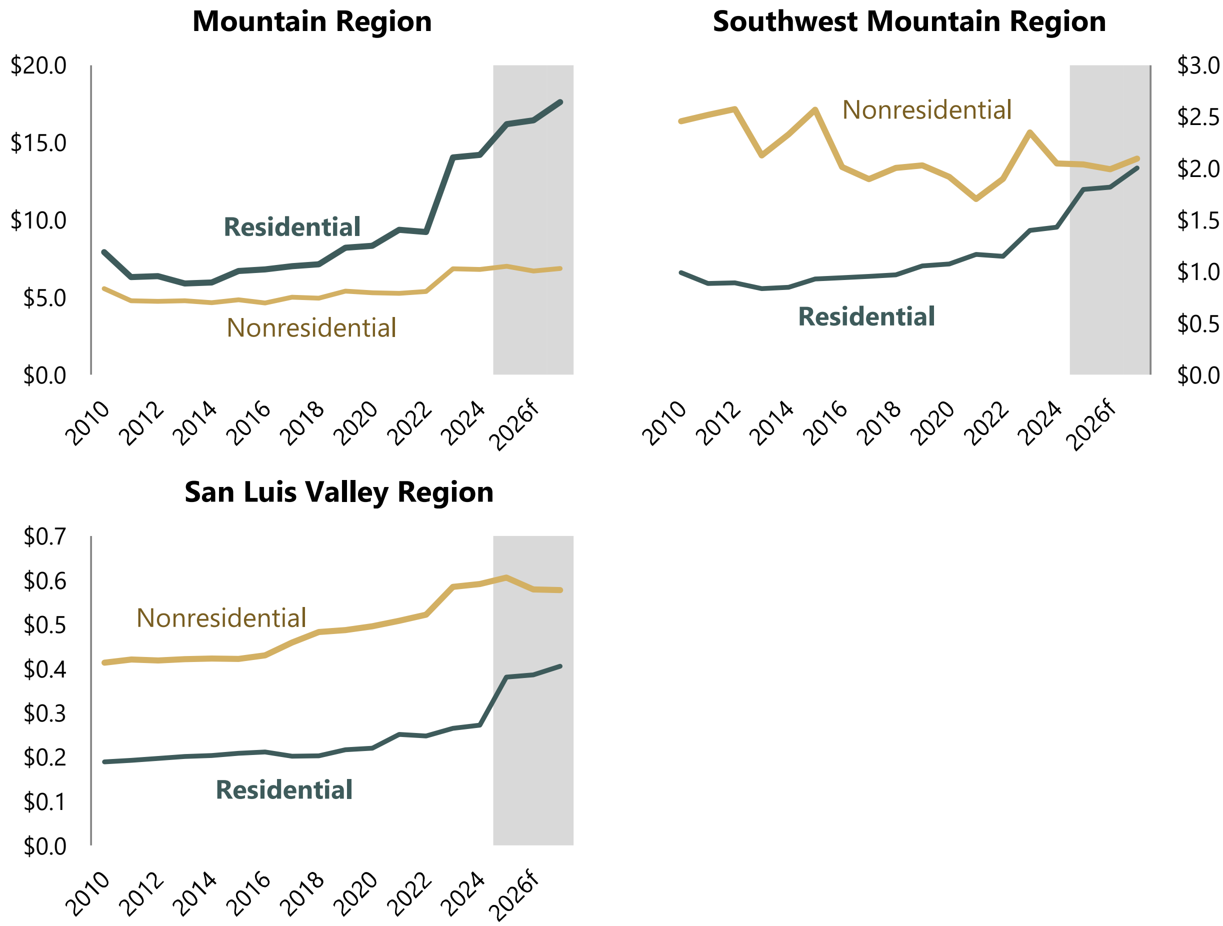


Figure 13 (Cont'd)
Assessed Values for School Districts by Region
Billions of Dollars



Source: Department of Local Affairs, Division of Property Taxation.
Legislative Council Staff forecast 2025 through 2027.

Figure 14
Percent Change in School District Assessed Values by Region and School District
2024 Intervening Year (FY 2024-25)

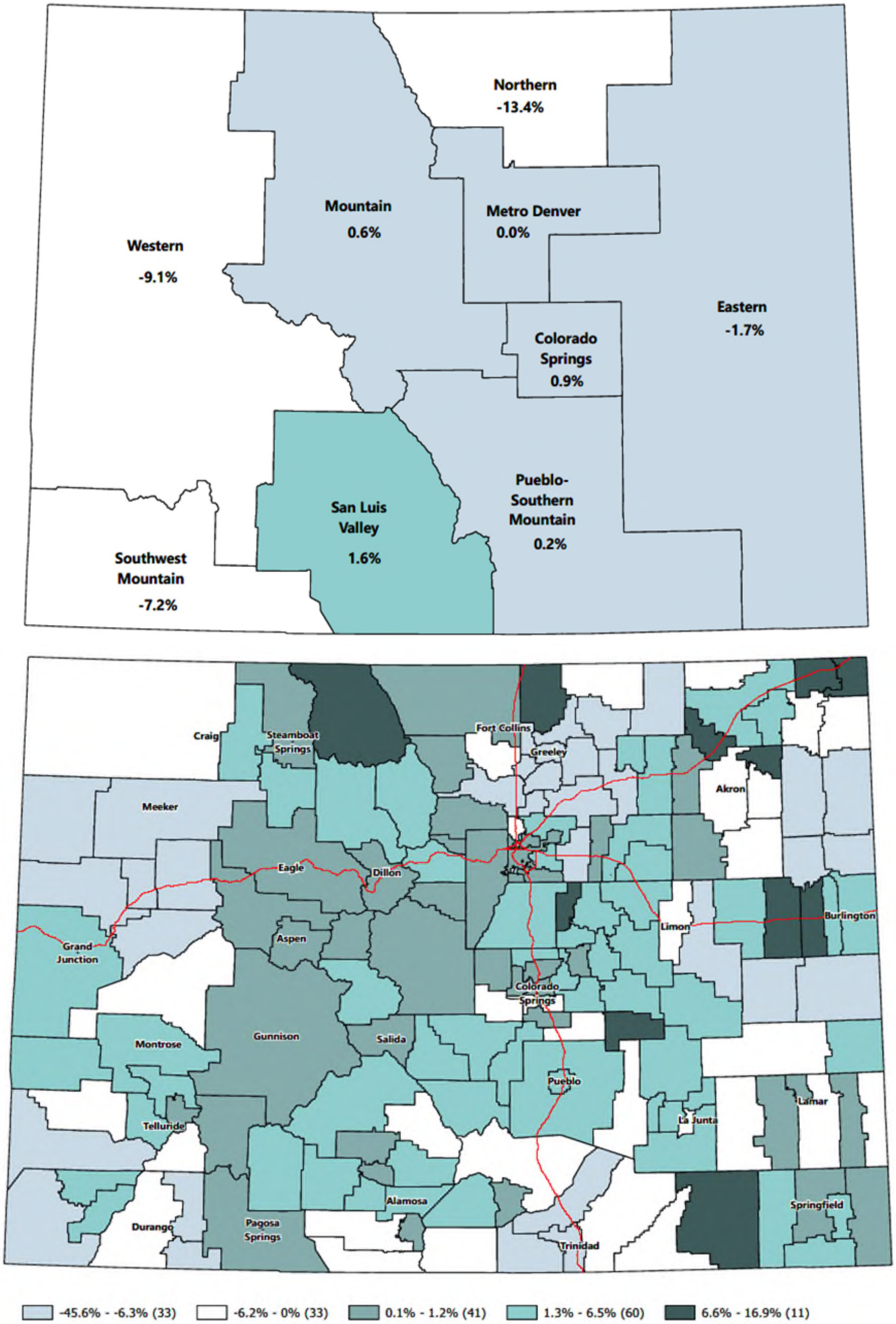
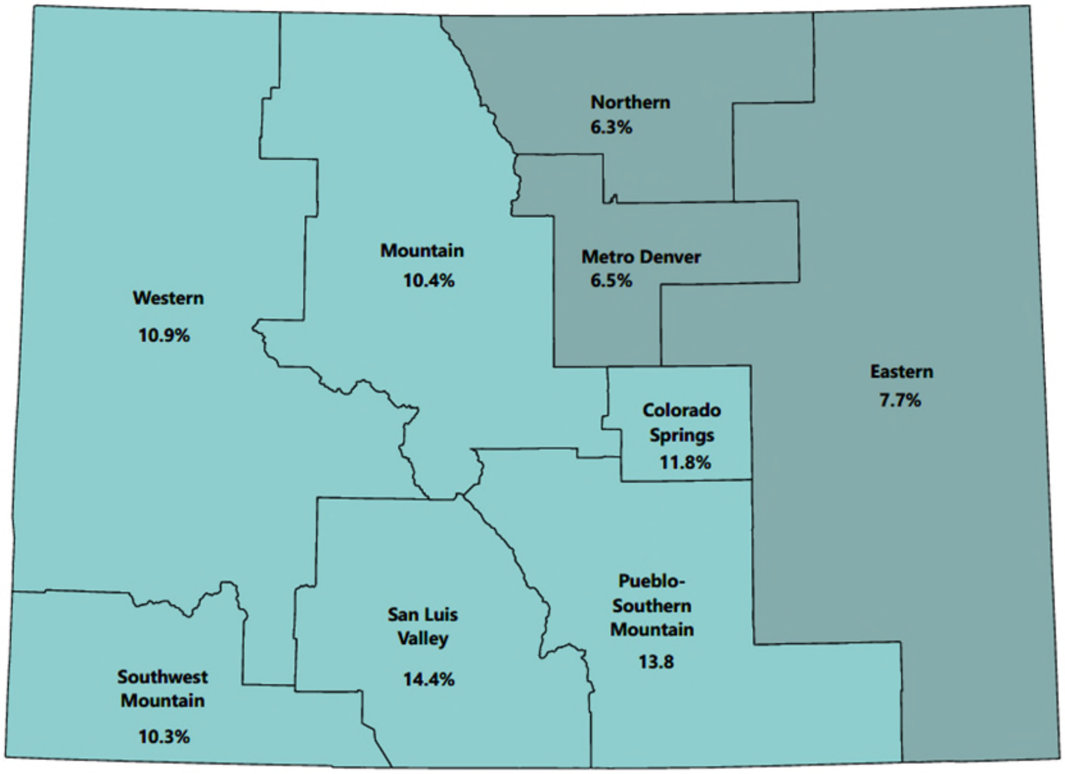
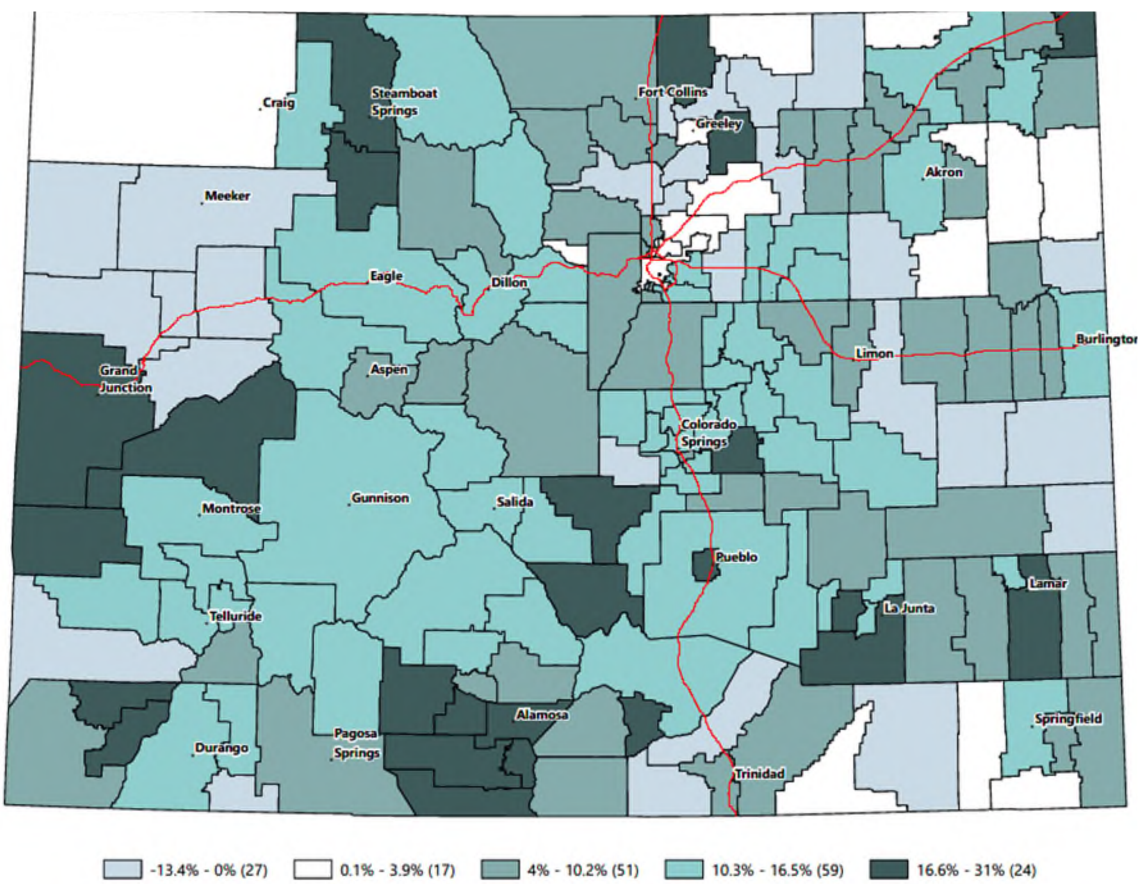


Figure 15
Forecast Percent Change in School District Assessed Values by Region and School District
2025 Reassessment Year (FY 2025-26)





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Adult Prison Population and Parole Caseload Projections

This section presents actual and projected caseloads for the state's adult prison and parole populations from FY 2024-15 through FY 2026-27. It includes a discussion of the historical and current trends affecting these populations, changes to expectations since the December 2023 forecast, and relevant recent legislation. It concludes with an analysis of risks to the forecast.

Key Findings

The criminal justice system has emerged from several years of fluctuation due to significant legislative changes affecting sentencing and parole, and the aftermath and recovery from the COVID-19 pandemic. Post-pandemic patterns have become more stable over the past year, with the current trajectory expected to continue.

Population increase slows. The Department of Corrections (DOC) jurisdictional population ("prison population") has been increasing since reaching a low of 15,434 in June 2021. Growth slowed to 2.6 percent in FY 2023-24, from 4.2 percent in FY 2022-23. The prison population ended FY 2023-24 with a count of 17,489, an increase of 435 offenders. The June 30, 2024, prison population was above the December 2023 forecast by 32 offenders, or 0.2 percent. The prison population has fluctuated in the first five months of FY 2024-25, and has shown a net decline of 0.1 percent, or 11 inmates, between June 30 and November 30.

Parole caseload remains at historically low levels. The June 30, 2024, in-state parole population was 7,311, an increase of 0.2 percent, or 11 parolees, from the previous year. In comparison, the December 2023 forecast anticipated a larger increase of 1.1 percent, to 7,382 parolees. As a result, in-state parole population was below last year's forecast by 71 offenders, or 1.0 percent, as of June 30, 2024. Like the prison population, the domestic parole population has fluctuated since June, and has declined on net, by 0.4 percent or 31 parolees, in FY 2024-25 through November.

Forecast summary. As shown in Table 25 on page 88 (prison population) and Table 26 on page 91 (parole caseload), the outcomes described below are anticipated over the forecast period.

- **Overall population.** The prison population is expected to increase to 17,545 inmates in June 2025, an increase of 0.3 percent during FY 2024-25, or an increase of 0.4 percent relative to the most recent population count on November 30. The population is expected to grow a further 1.2 percent in FY 2025-26, to 17,754 inmates in June 2026. The forecast assumes that the population will return to pre-pandemic patterns of relative stability with slower growth and some periods of decline, resulting in a lower prison population than in any year prior to the pandemic and since 2002. Staffing shortages are expected to continue to impact operations in some areas, with the remoteness of some facilities as well as competition with private-sector jobs in others presenting continuous challenges.

  The forecast assumes that both admissions and releases will continue to increase slowly through the forecast period. Releases, which remained subdued for longer than admissions, will increase at a higher rate, but remain below admissions on average. Since the December 2023 forecast, the prison population forecast has been revised down, reflecting recent trends.

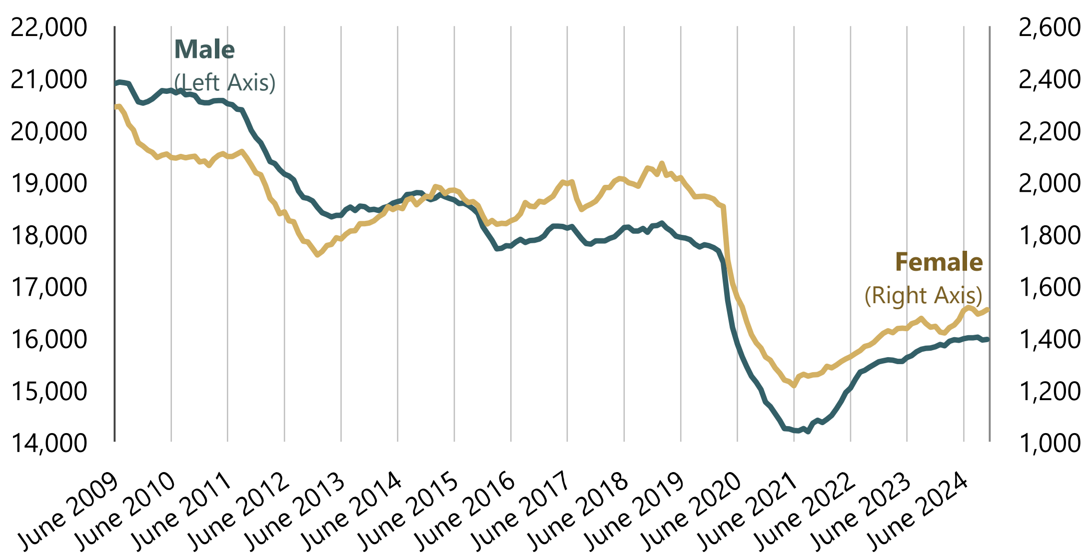
- **Male population.** After increasing by 2.3 percent, to 15,984 inmates at the end of FY 2023-24, the male prison population is expected to increase by a further 15 inmates, or 0.1 percent, to 15,999 inmates in June 2025. It is expected to continue to increase slowly, by 1.0 percent, to 16,158 inmates in June 2026. Trends driving changes in the male population are similar to those for the overall state inmate population.
- **Female population.** After increasing by 4.8 percent in FY 2023-34, the female population is expected to increase by 41 inmates, or 2.7 percent, from 1,505 to 1,546 inmates in June 2025. It is expected to increase a further 3.2 percent, to 1,596 inmates in June 2026. The female population fell faster than the male population in FY 2021-21 and FY 2022-23, and has since grown more quickly. The share of the female population in the total prison population is expected to increase from 8.6 percent in June 2024, to 9.0 percent in June 2026.
- **Parole caseload.** After increasing by 0.2 percent to 7,311 in June 2024, the in-state parole caseload is expected to increase by 0.6 percent, to 7,357 in June 2025 and by 1.2 percent, to 7,444 parolees in June 2026. The parole population is expected to increase slowly, following the pattern of expected releases from the prison population.

Prison Population: Recent Trends

This forecast projects the number of offenders committed to DOC custody, including those in state prisons, private prisons, community corrections facilities, county jails, and other locations.

As shown in Figure 16, the prison population has been converging on a firmer, lower level following significant fluctuations starting in FY 2019-20. After rising by 4.2 percent in FY 2022-23, the prison population continued to rise at a slowing rate, by 2.3 percent in FY 2023-24, and has fluctuated in the current fiscal year, down 11 inmates or 0.1 percent in the first five months of FY 2024-25.

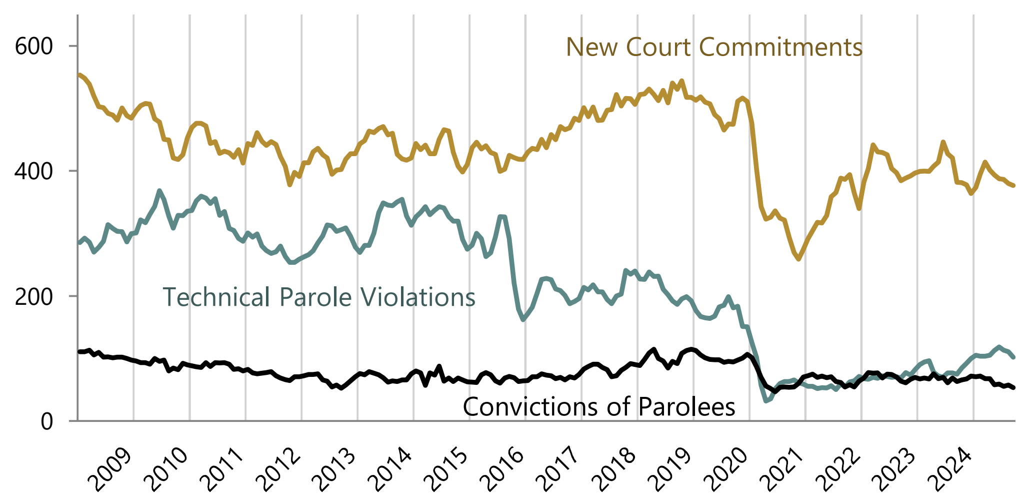
Figure 16
Prison Population by Sex
June 2009 to November 2024



Source: Colorado Department of Corrections.

Admissions. The majority of admissions to a DOC facility are due to an offender being convicted of a felony and sentenced to a period of incarceration, also called a **new court commitment**. The two other principal types of admissions are for readmissions of parolees, either because the parolee **committed a new crime** while on parole or because the parolee incurred a **technical parole violation**—a violation of parole conditions that was not prosecuted as a new crime. Of the primary sources of admissions, new court commitments have the greatest impact on the prison population, representing 70 percent of prison admissions in the fiscal year-to-date through November 2024. Not only do they account for the majority of admissions, but newly convicted offenders generally remain in prison for a longer duration than those revoked from parole.

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



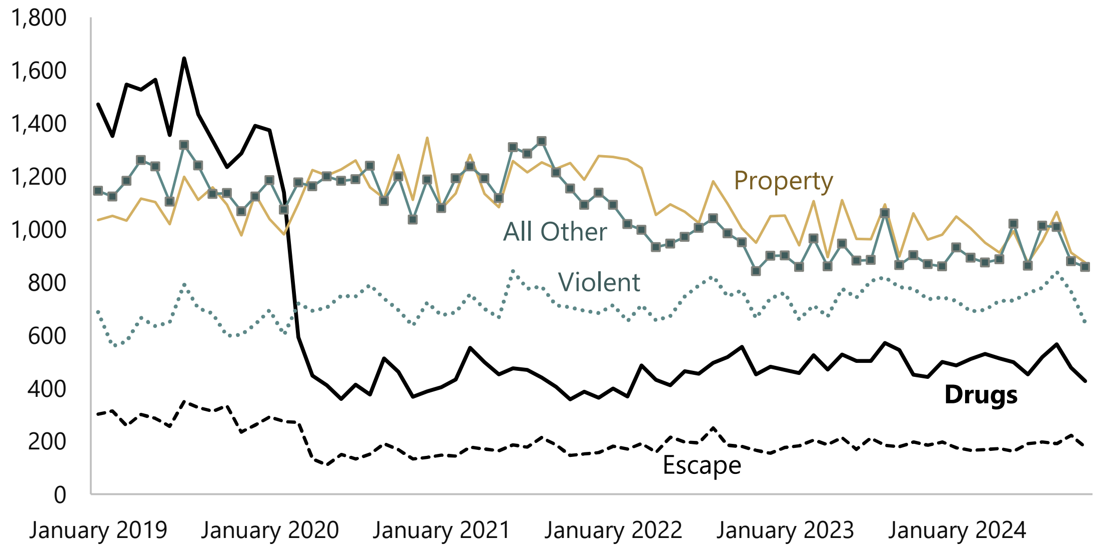
Source: Colorado Department of Corrections.
*Omits admissions for returns from prior releases to probation, court order discharge or appeal bond, interstate compact, and youthful offender system terminations. The omitted categories produced a combined average of seven admissions per month over the sample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

Trends in prison admissions are presented in Figure 17. Monthly admissions have generally trended up since reaching a low of 337 in November 2020 and have started to flatten out. However, admissions remain low compared to historical levels. Admissions increased by 1.4 percent in FY 2023-24, for a monthly average of 555, down over 30 percent from the FY 2018-19 monthly average of 807. Through November 2024, monthly admissions in FY 2024-25 have averaged 549, down 0.5 percent from the same period last year. Increasing technical parole violations have offset declines in new court commitments, which have trended downward over the past year.

Figure 18 shows felony case filings, the precursor to DOC sentences and new court commitments, by crime type since January 2019. As shown in Figure 18, a significant driver of the decline in case filings in 2020 was the decline in drug filings. This decline followed the enactment of **House Bill 19-1263**, which reclassified many drug felonies. Since 2020, case filings have flattened or declined further, with monthly case filings down 1.7 percent on average in FY 2023-24 compared with the previous year. Increases in drug and violent crime filings, up by

1.5 percent and 1.7 percent, respectively, were offset by declines of 5.1 percent, 3.3 percent, and 2.0 percent, for filings for property crimes, escape, and all other crime types, respectively.

Figure 18
State District Court Felony Case Filings by Crime Type



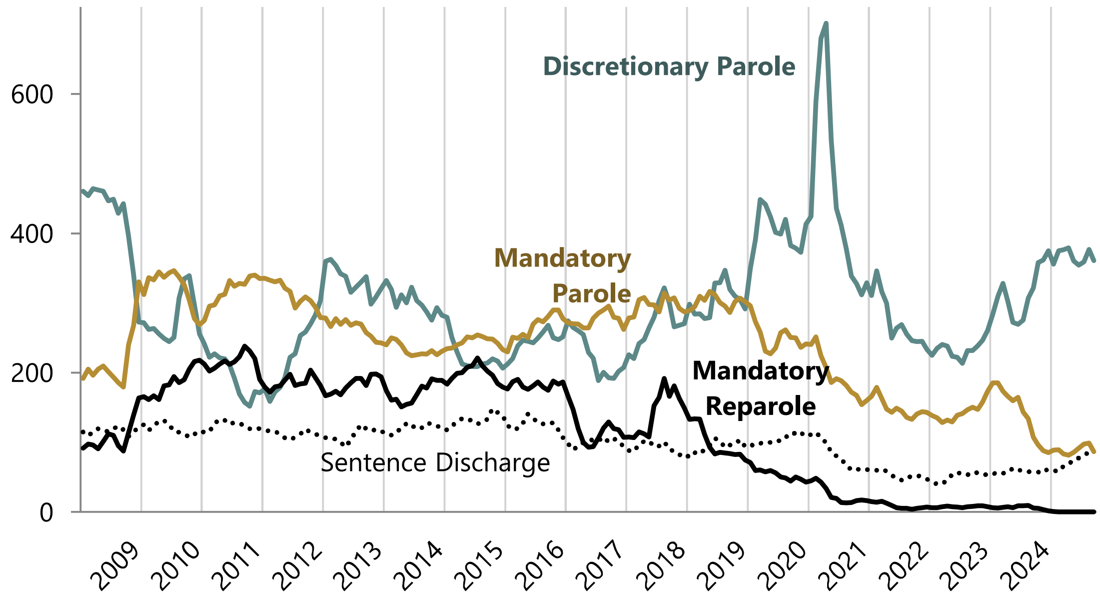
Source: Judicial Branch, State Court Administrator's Office. Aggregation by Legislative Council Staff. Monthly data through October 2024.

Releases. Inmates may be released from incarceration in three primary ways: discretionary parole, mandatory parole or reparole, and sentence discharge.

Discretionary parole releases occur when the State Board of Parole (Parole Board) chooses to release an offender who would otherwise remain incarcerated. Discretionary release may occur following the offender's parole eligibility date but before the offender's mandatory release date. The board, in its discretion, may also rerelease offenders who were readmitted to DOC following a violation of their terms of parole (technical parole violations).

Mandatory parole releases indicate an offender was not granted early parole and instead was allowed to leave a DOC facility after reaching their mandatory release date. Mandatory reparole releases used to occur after a readmitted offender completed the term for which they were revoked to a DOC facility; however, mandatory reparoles have fallen nearly to zero following implementation of **Senate Bill 19-143**, which limited the circumstances under which the Parole Board may revoke an offender's parole and removed the option of mandatory reparole. Instead, revoked offenders are required to serve out the duration of their sentence in a DOC facility before receiving a **sentence discharge**, unless they are granted discretionary reparole first. Figure 19 presents state prison releases in each category.

Figure 19
State Prison Releases by Source*
Three-Month Moving Average



Source: Colorado Department of Corrections.
*Omits releases to probation, court-ordered discharges, releases on appeal bonds and inmate deaths. The omitted categories produced a combined average of 17 releases per month over the sample period.

Monthly releases have trended up over the past two years since reaching a low of 372 in July 2022, with growth of 10.3 percent in FY 2022-23 for a monthly average of 490 releases, slowing to growth of 5.6 percent in FY 2023-24, for a monthly average of 518 releases. Fiscal year-to-date through November 2024, average monthly releases are up a further 7.5 percent, to 549 offenders, compared with the same period last year. Since 2023, the number of discretionary parole release has increased, while mandatory parole has correspondingly declined.

Prison population forecast. This forecast anticipates that the prison population will increase slowly through the forecast period, with admissions continuing to slightly outpace releases. Policy changes affecting felony drug case filings and sentences have reduced admissions, and those trends are expected to persist. While admissions will increase through the forecast period, the inmate population is not expected to return to pre-pandemic levels through FY 2026-27. The DOC population is expected to increase by a modest 0.3 percent during FY 2024-25 to total 17,545 offenders in June 2025. The pace of growth will remain below that of recent years through the forecast period, with the population increasing a further 1.2 percent during FY 2025-26 to total 17,754 offenders in June 2026, and 0.6 percent during FY 2026-27 to reach 17,867 offenders in June 2027. The female population has grown at a faster rate than the male population since FY 2021-22, and is expected to continue to do so through the forecast period. This difference is expected to continue through the forecast period, but women are expected to continue to make up a smaller share of incarcerated persons than before the pandemic.

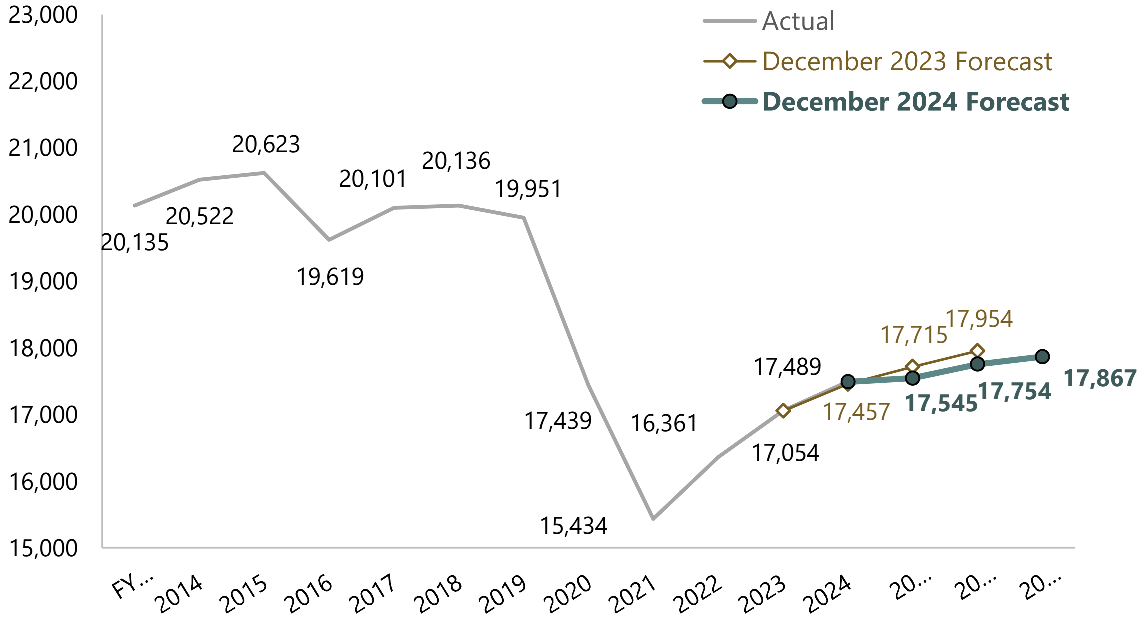
Table 25
Adult Prison Population by Sex
As of June 30 each Fiscal Year

Fiscal Year	Males	Percent Change	Females	Percent Change	Total	Percent Change
FY 2010-11	20,512	-1.2%	2,098	0.2%	22,610	-1.1%
FY 2011-12	19,152	-6.6%	1,885	-10.2%	21,037	-7.0%
FY 2012-13	18,355	-4.2%	1,780	-5.6%	20,135	-4.3%
FY 2013-14	18,619	1.4%	1,903	6.9%	20,522	1.9%
FY 2014-15	18,655	0.2%	1,968	3.4%	20,623	0.5%
FY 2015-16	17,768	-4.8%	1,851	-5.9%	19,619	-4.9%
FY 2016-17	18,108	1.9%	1,993	7.7%	20,101	2.5%
FY 2017-18	18,125	0.1%	2,011	0.9%	20,136	0.2%
FY 2018-19	17,935	-1.0%	2,016	0.2%	19,951	-0.9%
FY 2019-20	15,886	-11.4%	1,553	-23.0%	17,439	-12.6%
FY 2020-21	14,218	-10.5%	1,216	-21.7%	15,434	-11.5%
FY 2021-22	15,033	5.7%	1,328	9.2%	16,361	6.0%
FY 2022-23	15,618	3.9%	1,436	8.1%	17,054	4.2%
FY 2023-24	15,984	2.3%	1,505	4.8%	17,489	2.6%
FY 2024-25*	15,999	0.1%	1,546	2.7%	17,545	0.3%
FY 2025-26*	16,158	1.0%	1,596	3.2%	17,754	1.2%
FY 2026-27*	16,249	0.6%	1,618	1.3%	17,867	0.6%

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

Adjustments to the forecast for total population. Figure 20 illustrates the inmate population forecasts published in December 2023 and December 2024. The June 2024 population exceeded the December 2023 forecast by 32 inmates, or 0.2 percent. Since then, the inmate population has grown more slowly than anticipated, and in November 2024 is below the December 2023 forecast by 280 inmates, or 1.6 percent. Reflecting slower-than-expected growth during the current fiscal year, this forecast makes downward revisions to the expected population throughout the forecast period.

Figure 20
Adult Inmate Population as of June 30



Source: Colorado Department of Corrections and Legislative Council Staff. Actual values shown for FY 2012-13 through FY 2023-24. *Current forecast period.

Parole Forecast

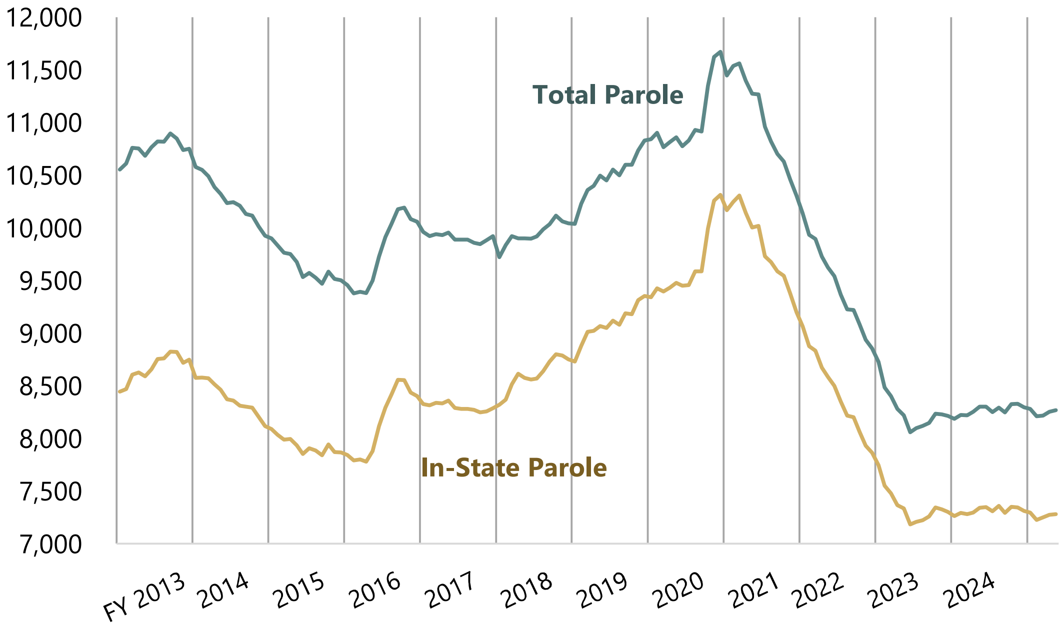
Colorado's parole population encompasses offenders who have been released from prison but have not yet been discharged from DOC supervision. These offenders may live with family or friends in the community, be housed in community corrections facilities, or be detained in county jails for violating parole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

Offenders may be released to parole on or after their parole eligibility date at the discretion of the Parole Board (discretionary parole). Offenders who are not granted discretionary parole are released at their mandatory release date (mandatory parole). An offender's parole period is dictated by statute according to the offender's initial sentence. Offenders who violate parole terms may be revoked to DOC following a Parole Board revocation hearing. Parolees who are convicted for new crimes may again be sentenced to DOC custody and returned to prison to begin a new sentence.

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

Recent trends. Figure 21 shows the parole population's steep decline and slight recovery since mid-2023. The June 30, 2024, in-state parole population was 7,311, an increase of 11, or 0.2 percent, from the previous year. The domestic parole population has decreased slightly during the first five months of FY 2024-25, by 31 offenders, or 0.4 percent.

Figure 21
Colorado Parole Caseload



Source: Colorado Department of Corrections. Omits absconders.

Parole caseload forecast. This forecast anticipates slow but positive growth in the parole caseload throughout the forecast period, reflecting relatively slow growth in releases. Table 26 presents the parole population forecast, which is discussed below.

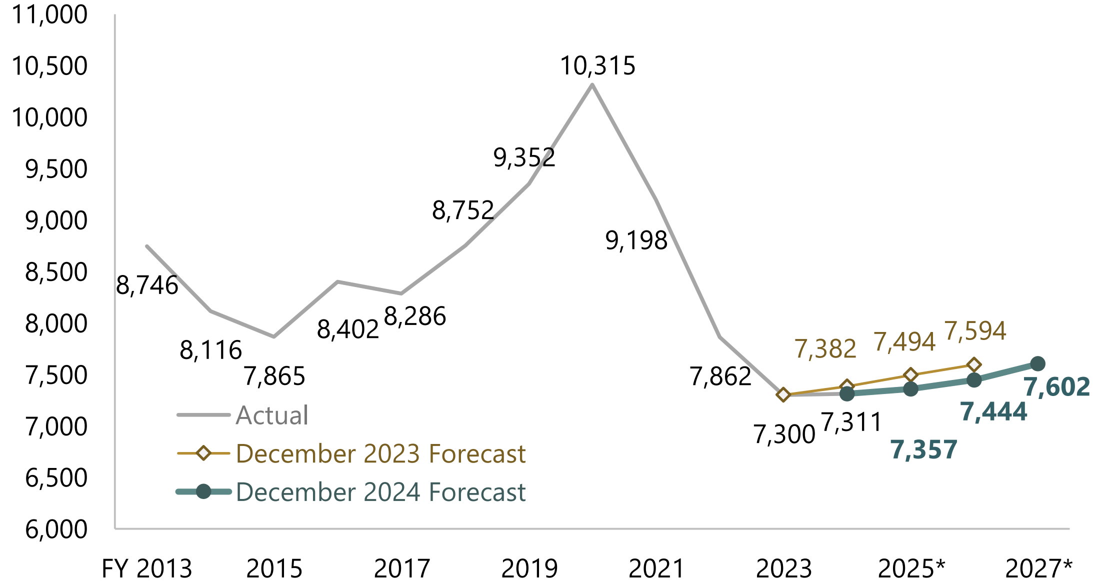
Table 26
Parole Population
As of June 30 each Fiscal Year

Fiscal Year	In-State Parole	Percent Change	Out-of-State Parole	Percent Change	Total	Percent Change
FY 2010-11	8,181	-4.1%	1,922	-8.5%	10,103	-5.0%
FY 2011-12	8,445	3.2%	2,066	7.5%	10,511	4.0%
FY 2012-13	8,746	3.6%	2,008	-2.8%	10,754	2.3%
FY 2013-14	8,116	-7.2%	1,808	-10.0%	9,924	-7.7%
FY 2014-15	7,865	-3.1%	1,636	-9.5%	9,501	-4.3%
FY 2015-16	8,402	6.8%	1,656	1.2%	10,058	5.9%
FY 2016-17	8,286	-1.4%	1,633	-1.4%	9,919	-1.4%
FY 2017-18	8,752	5.6%	1,290	-21.0%	10,042	1.2%
FY 2018-19	9,352	6.9%	1,480	14.7%	10,832	7.9%
FY 2019-20	10,315	10.3%	1,357	-8.3%	11,672	7.8%
FY 2020-21	9,198	-10.8%	1,106	-18.5%	10,304	-11.7%
FY 2021-22	7,862	-14.5%	992	-10.3%	8,854	-14.1%
FY 2022-23	7,300	-7.1%	912	-8.1%	8,212	-7.3%
FY 2023-24	7,311	0.2%	984	7.9%	8,295	1.0%
FY 2024-25*	7,357	0.6%	998	1.4%	8,355	0.7%
FY 2025-26*	7,444	1.2%	1,011	1.3%	8,454	1.2%
FY 2026-27*	7,602	2.1%	1,033	2.2%	8,634	2.1%

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

Adjustments to the parole caseload forecast. Figure 22 illustrates the in-state parole caseload forecasts published in December 2023 and December 2024. The June 2024 parole population fell short of last year's expectations by 71 offenders, or 1.0 percent. Staffing shortages continue to impact the availability of certain treatment and reentry programs often required for inmates to be eligible for parole, with a recent uptick in hiring for providers of these services expected to facilitate releases to parole. The forecast anticipates a slow increase in parole caseload during the forecast period, with a relatively steady gap between releases to parole and parole discharges alongside declines in the population of absconders.

Figure 22
Adult In-State Parole Population as of June 30



Source: Colorado Department of Corrections and Legislative Council Staff.
Actual values shown for FY 2012-13 through FY 2023-24. *Current forecast period.

The population of absconders, who are omitted from parole caseload for the purposes of this forecast, increased significantly at the outset of the pandemic, from an average of 799 offenders per month in FY 2019-20, to a high of 1,422 offenders in June 2021, and has remained elevated since. **House Bill 20-1019,** which created a new crime of unauthorized absence for certain offenses that had previously been classified as more serious crimes of escape and attempted escape, may have played a role in the persistently high population of absconders. However, a shift in resources for fugitive apprehension within DOC contributed to a 16 percent decline in the absconder population in FY 2023-24, with the number of absconders averaging 1,041 offenders per month in FY 2024-25 through November. The population of absconders is expected to continue to decline, but remain above pre-pandemic levels through the forecast period, contributing to limited growth in the parole caseload.

Factors Affecting the Adult Prison Population and Parole Caseload

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

Colorado's population. All other things being equal, a larger state population may result in a greater number of criminal offenses, arrests, criminal felony filings, and prison commitments. Colorado's population is projected to grow about 1.0 percent annually through the forecast period, which may put mild upward pressure on the inmate population.

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

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

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

Departmental administration. The DOC's Division of Prisons oversees the state's prisons and, within constraints imposed by an offender's sex and custody level, has discretion to place inmates in appropriate facilities. Because the Parole Board has appeared more willing to grant parole to inmates who have completed certain treatment and reentry programs, navigation of inmates to the facilities in which those programs are offered may have an effect on the rate at which inmates are granted parole. In particular, as treatment and programs increase in availability, it is possible that the number of inmates released to parole increases.

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

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

Legislation. Legislation enacted by the General Assembly may influence the state prison population and parole caseload. Over the past several years, the General Assembly has enacted bills that have impacted the state prison population and/or parole caseload, as discussed above. In 2024, the following measures expected to have potential impacts on corrections populations were enacted by the General Assembly or passed by voters:

- **Proposition 128,** approved by voters in November 2024, increases the amount of prison time a person convicted of certain crimes of violence starting in January 2025, must serve before becoming eligible for discretionary parole or earned time reductions; and makes a person convicted of a third crime of violence ineligible for discretionary parole or earned time reductions. The measure is expected to increase the prison population, but not until beyond the current forecast period.
- **Senate Bill 24-035** adds human trafficking for involuntary servitude and human trafficking for sexual servitude to the list of crimes of violence, which include certain additional criminal acts and are subject to enhanced sentencing guidelines, and increases the statute of limitations for prosecuting these offenses to 20 years. The bill may minimally increase the prison population.

- **Senate Bill 24-131** prohibits the carrying of firearms in certain government buildings, schools, and polling places, and reclassifies some existing felony offenses as misdemeanors. The bill is expected to minimally decrease the prison and parole populations.
- **House Bill 24-1074** modifies the class 4 felony offense of aggravated cruelty to animals to include knowingly or recklessly killing or harming a law enforcement animal. The bill may minimally increase the prison population.
- **House Bill 24-1355** creates the Bridges Wraparound Care Program to refer eligible individuals from the criminal justice system to mental health services. The bill may reduce the prison and parole populations by diverting offenders from DOC.
- **House Bill 24-1461** exempts earned time received from an inmate completing a higher education degree from the statutory limit of total earned time an inmate can receive. The bill may reduce the prison population and increase the parole population if more inmates receive additional earned time.

Risks to the Forecast

The forecast assumes that the prison population will return to pre-pandemic patterns of relative stability with slower growth and even some periods of decline, converging around a lower level than before the pandemic. While this forecast assumes that recent patterns and relationships will continue to hold, the possibility of unforeseen disruptors presents both upside and downside risks to the forecast. Small shifts in timing and magnitudes of relationships between felony case filings, DOC sentences, new court commitments, prison admissions, releases, and parole discharges can contribute to substantial deviations in the prison and parole populations above or below those forecast.

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

Youth Corrections Population Projections

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

Summary

Reversing a longstanding trend, the DYS-administered commitment population is expected to increase during the forecast period before resuming its decline, with the parole population mirroring this trend. The detention population is expected to continue to rise, albeit at a slower pace than in the previous two years. Expectations for the commitment population have been revised upward to reflect an increase in the population in FY 2023-24 and recent trends in the average daily population year-to-date. Expectations for the detention population continue to reflect increases in this population, against long-term trends and in-line with prior year expectations. The following outcomes are anticipated over the forecast period:

- The **DYS commitment population will increase** during the forecast period, from an average daily population of 265 youths in FY 2023-24 to 270 youths in FY 2024-25, before **declining** over the remainder of the forecast period, to 265 youths in FY 2025-26 and 257 youths in FY 2026-27.
- The **average daily parole population will correspondingly increase,** from 96 youths in FY 2023-24 to 104 youths in FY 2024-25, 109 youths in FY 2025-26, and 108 youths in FY 2026-27.
- The **DYS detention population will increase** from an average daily population of 193 youths in FY 2023-24, to 197 youths in FY 2024-25, 210 youths in FY 2025-26, and 220 youths in FY 2026-27.

Juvenile Offender Sentencing Options

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

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

Detention. The court may sentence a youth to a detention facility if the youth is found guilty of an offense that would constitute a class 3, 4, 5, or 6 felony or a misdemeanor if committed by an adult. Detention sentences typically do not exceed 45 days, and most youths remain in detention for less than a month. Juvenile offenders awaiting adjudication with lengthy trials or being prosecuted as adults and awaiting trial in an adult court may also be part of the detention population. In these cases, the average length of stay in detention is generally much longer, exceeding 200 days.

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

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

Influences on the Juvenile Offender Population

Court sentencing practices. Total juvenile case filings increased consistently during the 1990s, peaking in 1998 and declined in most years until FY 2021-22. Since then, filings have been on the rise again, but remain below pre-pandemic levels. The decrease in case filings correlated with the rising availability of pre-trial diversion programs. In addition to changes in the number of cases adjudicated, changes to statute and sentencing practices have led to the rise of alternative sentencing options, which have correspondingly reduced the population of detained and committed youths. Limited availability of these options post-pandemic has contributed to an increase in both the commitment and detention populations.

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

Composition of youth offender admissions. The proportion of detainees and committed youth with violent charges has increased in the post-pandemic period, increasing the time these youth stay in DYS facilities. For example, the percentage of youth committed for homicide or a closely related charge increased from 5 percent in FY 2019-20 to 15 percent in FY 2023-24. The complexity of youth offender cases impacts the viability of alternative sentencing options and the need for supportive services. For example, youth requiring formal mental health intervention has also increased, from 66 percent of new commitments in FY 2019-20 to 75 percent of new commitments in FY 2023-24. As a result, the average length of stay for a youth committed to a secure state facility has doubled since FY 2015-16, from 8.3 months to 16.6 months.

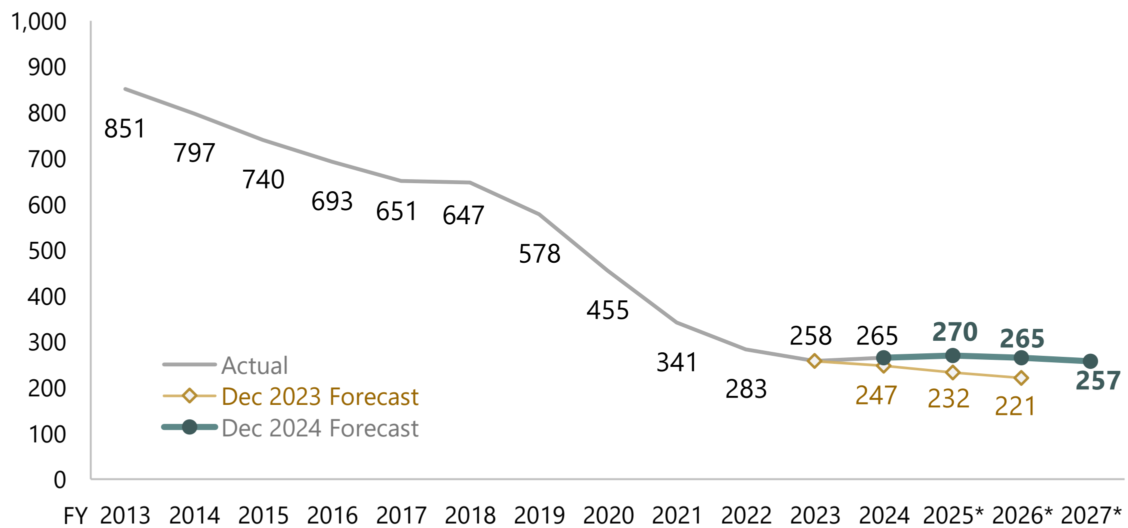
Division of Youth Services Sentencing Placements and Population Forecast

Commitment. The commitment population consists of youths adjudicated for a crime and committed to DYS custody. In FY 2023-24, the average daily commitment population was 265 youths, representing a 2.8 percent increase from the prior year and the first time the average daily commitment population has registered a year-over-year increase since

FY 2004-05, when the average daily commitment population reached 1,454 youths. The average daily commitment population exceeded the December 2023 forecast by 18 youths. The commitment population is expected to continue to increase in the current fiscal year, by 1.9 percent, to 270 youths, before returning to its long-term declining trend, declining by 1.9 percent in FY 2026 and by 2.8 percent in FY 2026-27, to 257 youths by the end of the forecast period.

This reflects the continued impacts of long-term shifts toward diversion programs and alternative sentencing leading to a decrease in commitments to DYS against shorter term trends placing upward pressure on the commitment population. These shorter term trends include those limiting the availability of alternative sentencing options and related youth services, as well as the increasingly complex composition of youth offenders, as discussed above. With the reversal of the long-term decline in the commitment population in FY 2023-24, expectations for the commitment population have been revised upward throughout the forecast period, as shown in Figure 23.

Figure 23
Comparison of DYS Average Daily Commitment Population Forecasts

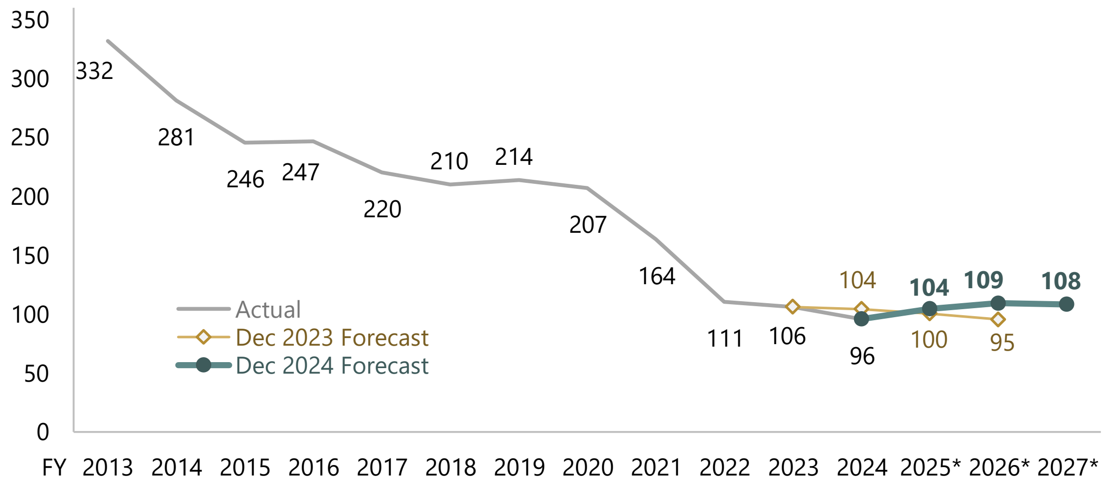


Source: Colorado Department of Human Services Division of Youth Services and Legislative Council Staff.
*Forecast.

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

The juvenile parole population averaged 96 youths in FY 2023-24, a decline of 9.8 percent from FY 2022-23, and was 8 youths below the December 2023 forecast, as shown in Figure 24. The parole population is expected to increase in line with the commitment population, increasing by 9.1 percent in FY 2024-25, to 104 youths and by 4.6 percent, or 109 youths, in FY 2025-26, before declining to 108 youths by the end of the forecast period as releases from commitment facilities begin to drop off.

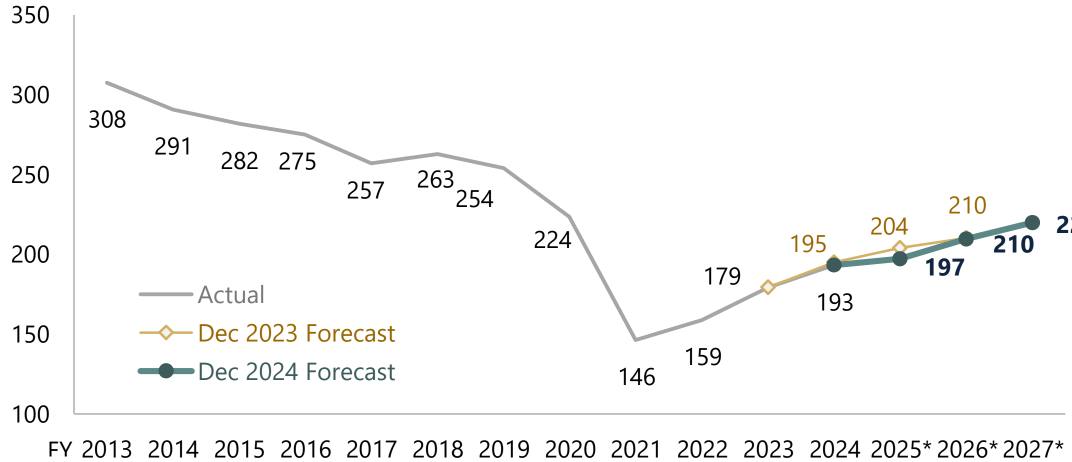
Figure 24
Comparison of DYS Average Daily Parole Population Forecasts



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

Detention. The DYS manages eight secure facilities housing detained youth. Under Senate Bill 21-071, the detention population cap is 215 youths, with an additional 22 temporary emergency detention beds allowed under House Bill 23-1307. Relative to the commitment and parole populations, the detention population is more volatile because of the short sentences served by most detained youth, and has risen from a low of 132 youths reached in April 2021, to a post-pandemic high of 206 youths in June 2024. The detention population averaged 193 youths in FY 2023-24, an 8 percent increase over FY 2022-23 following a 13 percent increase in that year over the prior year. The FY 2023-24 population was below the December 2023 forecast by 2 youths. Expectations for the detention population have been revised downward in the current fiscal year, reflecting a decline in the population year-to-date. As shown in Figure 25, the detention population is expected to return to the growth trend observed since 2021 in the forecast period, reaching 220 youths in FY 2026-27.

Figure 25
Comparison of DYS Average Daily Detention Population Forecasts



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

Risks to the Forecast

The forecast assumes that the commitment and parole populations will deviate from established patterns during the forecast period, before returning to long term trends of decline. Rising new commitments and increasing average length of stay for committed youth suggest upward pressure on both the commitment and parole populations. Whether and when these pressures will abate remains a significant source of uncertainty in this forecast, with both upside and downside risks.

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

Further attitudinal or operational changes that may increase or decrease the future numbers of youths placed in DYS custody are not accounted for here and may result in smaller or larger populations than those forecast. The detention population is particularly volatile, and reached or exceeded the bed cap of 215 on some days in FY 2023-24. This forecast anticipates that the detention population will exceed 215 youths on a daily average basis by FY 2026-27, and will exceed the bed cap on average in several months prior to that, requiring the use of some but not all of the 22 emergency beds allowed under current law. The volatility of the detention population and the upward trend in this population increases the upside risk in this forecast.

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Economic Outlook

While U.S. economic growth slightly outpaced that of Colorado through the first three quarters of 2024, both economies continue to skirt an economic slowdown. Corporate profits and consumer spending have continued to increase despite a softening labor market paired with still-high interest rates, and the Federal Reserve has responded to cooling inflation with monetary policy easing that is expected to continue throughout the forecast period.

This forecast expects the U.S. and Colorado economies to grow at healthy rates in 2025 and 2026. While U.S. economic growth is expected to slow next year as employment gains moderate, the forecast has been revised up since September as inflation cools faster than previously anticipated, a series of interest rate cuts continues, and consumer spending holds fast against persistently high prices and a softening labor market. In addition, upward revisions to personal income data have elevated economic growth expectations.

U.S. and Colorado labor markets—which lag in response to changes in interest rates—are on track to reach peak unemployment in 2025, before re-tightening in reaction to easing monetary policy. While the Colorado economy generally outperforms that of the nation, Colorado's unemployment rate converged with the U.S. rate as of quarter three of 2024 and is expected to remain consistent with U.S. unemployment for the remainder of the forecast period. On a similar note, Colorado retail sales are underperforming relative to the U.S. and are projected to continue to fall below U.S. growth rates during the forecast period, partially because inflation has slowed quicker in Colorado than elsewhere.

Depressed household spending in Colorado, paired with downgrades to forecasts for housing permits; nonresidential construction; and oil prices, will pose risks to Colorado's economy while healthy income and wage growth should strengthen the outlook. Colorado's economy is expected to track with the nation's, a slight downward revision from the September forecast as unemployment rates converge, consumer spending remains sluggish, and disinflation slows as the deflation in some price components wanes.

Tables 27 and 28 on pages 129 and 130 present the December 2024 Legislative Council Staff forecasts for the U.S. and Colorado economies, respectively. The tables in the Appendix, beginning on page 141, present historical data for the U.S. and Colorado economies.

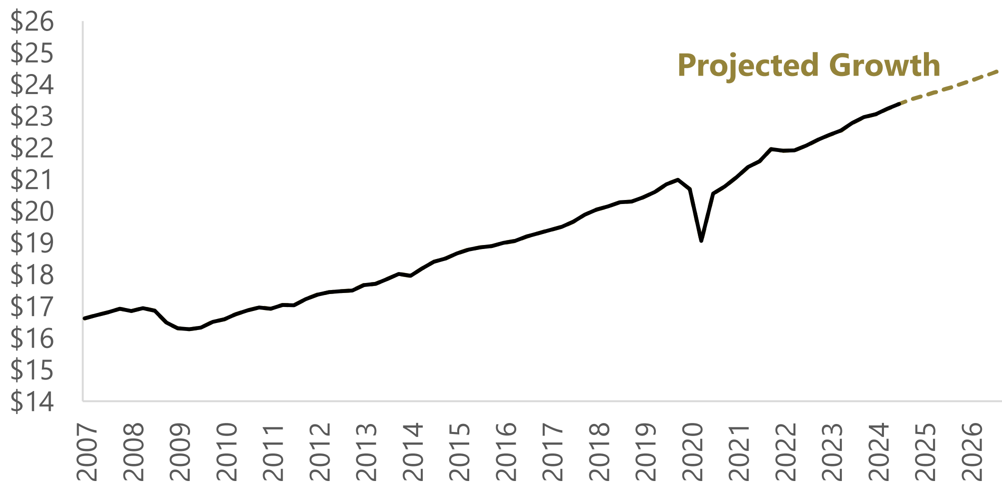
Gross Domestic Product

The U.S. real gross domestic product (GDP), the broadest measure of economic output, continues to post solid gains despite elevated interest rates. After increasing at an annual rate of 3.0 percent in the second quarter of 2024, U.S. real GDP grew at a 2.8 percent in the third quarter of the year. Solid consumer spending and business equipment investment offset a decline in residential investment and a meaningful increase in imports, which the GDP calculation subtracts from U.S. economic activity. The Colorado economy continued to expand through the second quarter of the year but at a slightly slower pace than the U.S rate.

This forecast anticipates a steady pace of expansion in 2025 and 2026. The labor market's lagged response to still-high interest rates and reduced federal government spending are expected to moderate growth in 2025. Risks to the GDP forecast are balanced, with both upside and downside risks present.

- Real U.S. GDP growth is estimated to have increased by 2.8 percent in 2024, led by consumer spending as inflation wanes and interest rates begin to fall. Economic output is projected to increase at more moderate rates of 2.2 percent in 2025 and 2.0 percent in 2026.

Figure 26
U.S. Real Gross Domestic Product
2017 Dollars in Trillions



Source: U.S. Bureau of Economic Analysis and Legislative Council Staff December 2024 Forecast.

Despite high borrowing costs, consumer spending remains resilient. In the third quarter of 2024, personal consumption expenditures grew at a healthy rate of 3.0 percent year-over-year, after increasing by 2.7 percent in the previous quarter. The third quarter rate was tied for the largest year-over-year increase since mid-2022. Though overall spending on both goods and services in the third quarter were strong, services—particularly those in health care—continued to be the main drivers of growth alongside recent acceleration in spending on both durable and nondurable goods. Among durable goods, furnishings and durable household equipment; recreational goods and vehicles; and other durable goods were strong, while motor vehicles and parts were weak as automotive interest rates remained elevated. Among nondurable goods, food and beverages; clothing and footwear; and other nondurable goods drove the bulk of growth while gasoline and other energy goods stagnated with lower energy prices.

The outlook for the overall economy depends greatly on near-term and medium-term consumer activity. The economy will expand for as long as consumers are able to sustain growth. This forecast anticipates positive U.S. consumer contributions through 2026, although the lagged effects of higher interest rates will slow the pace of expansion.

Growth in business investment moderates in the third quarter. Business investment increased 3.2 percent year-over-year in the third quarter of 2024 after posting gains of 5.5 percent and 5.6 percent in the first and second quarters of the year, respectively. Business expenditures in the third quarter were hampered by a pullback in residential investments and nonresidential investments in structures and certain equipment.

After struggling through all of 2022 and the first three quarters of 2023 because of higher interest rates, investment in residential projects has shown mixed performance. After posting a historically high quarter-over-quarter growth rate of 3.3 percent in the first quarter of 2024, residential investment declined by 0.7 percent from quarter one to quarter two and another 1.3 percent from quarter two to quarter three.

Though investments in nonresidential structures have been steadily contributing to U.S. economic growth since late 2021, spending on these projects saw a quarter-over-quarter decline of 1.0 percent from quarter two to quarter three of 2024. On the other hand, spending on intellectual property, such as software development, research and development, and entertainment, continues to be major contributors for nonresidential investment growth.

Business investment contributed modestly to growth in 2024, and is expected to strengthen in 2025 and 2026 as a result of monetary policy easing.

Government spending continues to contribute to GDP. Governments have consistently made modest positive contributions to GDP since the end of 2022, with state and local governments contributing more than the federal government in 2023. Public sector contributions are facing headwinds into 2025 and 2026, as American Rescue Plan Act funds were required to be disbursed by the end of 2024 and spending through the Inflation Reduction Act ramps down.

U.S. exports surged in the third quarter. U.S. imports totaled $3.7 billion in the third quarter of 2024, a 7.2 percent year-over-year growth rate. Many businesses rushed to bring in imported goods such as consumer electronics before a pending strike at U.S. ports, which was resolved in early October. Imports have steadily increased since mid-2023. U.S. exports rose a healthy 4.5 percent in the third quarter of 2024 but the bigger trade gap slowed GDP growth.

Colorado's economy lagged behind the U.S. In the second quarter of 2024, the latest data available, Colorado's GDP grew at annual rate of 2.7 percent, slightly slower than the U.S. rate of 3.0 percent. The professional, scientific, and technical services industry, which contains businesses with software and legal occupations, contributed the most in terms of the market value of goods and services produced in the Colorado economy.

Coming off a period of very strong increases, economic growth in Colorado is expected to trend closer to the national average. This forecast anticipates that Colorado's economy will track the U.S. economy through 2026.

Labor Markets

The U.S and Colorado labor market indicators remain consistent with an economy in a moderate, yet cooling expansion. Employers continue to add new employees to their payroll at a rate consistent with monthly averages prior to pandemic-related disruptions. Though U.S. and Colorado unemployment rates remain low, they have been slowly, steadily increasing. Some of the rise in unemployment rates reflects new or returning entrants to the labor force. Near-term employment growth is expected to continue to slow for both the U.S. and Colorado, as the labor market response lags declining interest rates while long-term employment growth is challenged by demographic shifts. The impacts of labor market cooling are expected to continue to be uneven, with unemployment rates and job growth varying significantly across industries.

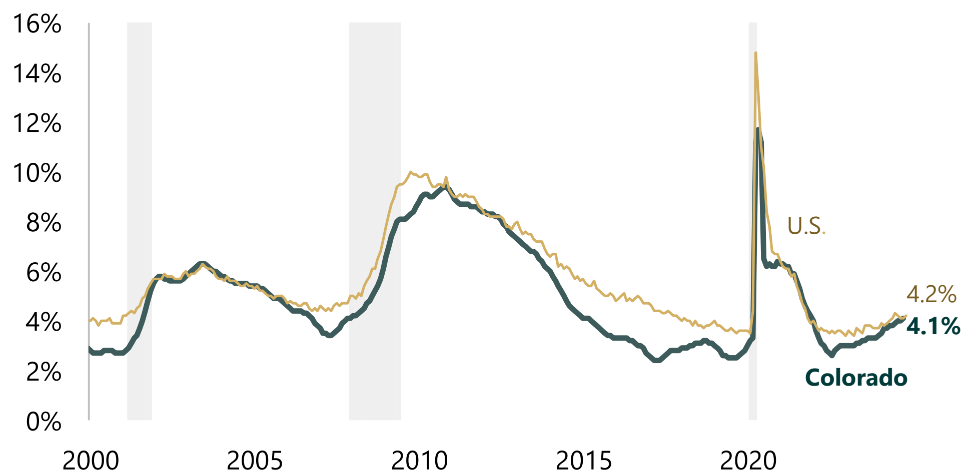
Larger-than-usual expected revisions and other sources of data uncertainty make the labor market picture cloudier than usual.

- U.S. nonfarm employment is expected to end 2024 with 1.6 percent growth, slowing to 0.9 percent in 2025 and 0.8 percent in 2026. The U.S. unemployment rate is expected to average 4.0 percent over 2024, rising slightly to 4.1 percent in 2025 and 2026.
- In Colorado, employment is expected to end 2024 having increased by 1.7 percent, and to decelerate throughout the forecast period, to 1.2 percent in 2025 and 1.2 percent in 2026. The Colorado unemployment rate is expected to average 3.8 percent over 2024, increasing to 4.1 percent in 2025 and 4.1 percent in 2026.

Colorado's unemployment rate continues its upward drift, but remains low. Colorado's unemployment rate ticked up by 0.1 percentage points, to 4.1 percent in October 2024, equal to that of the U.S. in the same month, but remains low by historical standards (Figure 27). Some of the increase reflects new or returning entrants to the labor force, as growth in the labor force outpaced growth in the unemployed in October. Colorado was one of 24 states that posted a statistically significant increase in their unemployment rate from a year earlier. Only 6 states had decreases, and the remaining states saw unemployment rates essentially unchanged.

Colorado's unemployment rate was the 17th highest among the states in October 2024, equal to that of Louisiana and Texas. Colorado has consistently ranked among the worse half of states in terms of unemployment rates over the past year, reversing a longstanding trend. South Dakota had the lowest unemployment rate (1.9 percent), while the highest rate belonged to Nevada (5.7 percent).

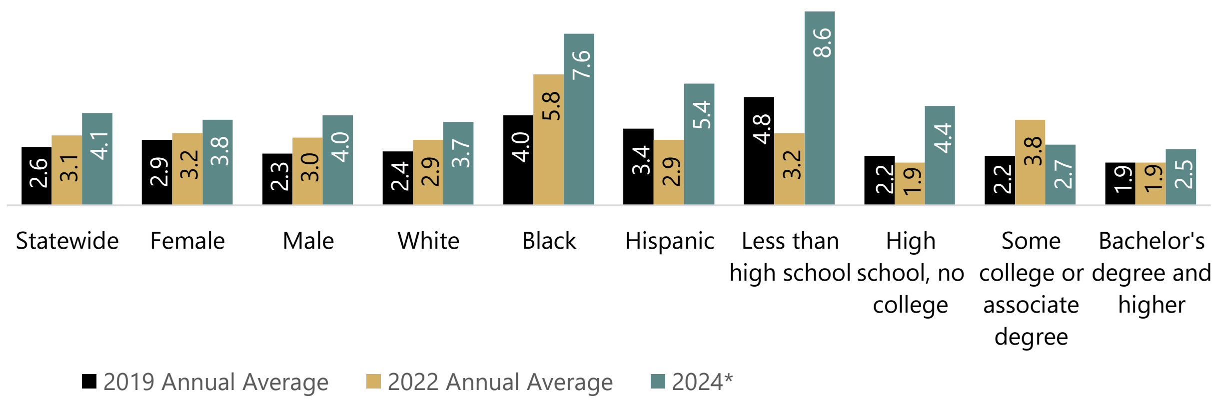
Figure 27
Unemployment Rates



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. U.S. data are through November 2024. Colorado data are through October 2024.

Impacts of labor market cooling vary by demographic group. The impact of a slowing labor market is uneven across demographic groups, with disparities by race, ethnicity, and educational attainment continuing to widen for the 12 months ending in October 2024 compared to before the pandemic, as people of color and those without a high school diploma continue to experience higher unemployment rates (Figure 28). Small sample sizes may reduce the statistical significance of these patterns in some cases.

Figure 28
Colorado Unemployment Rates by Demographic Group

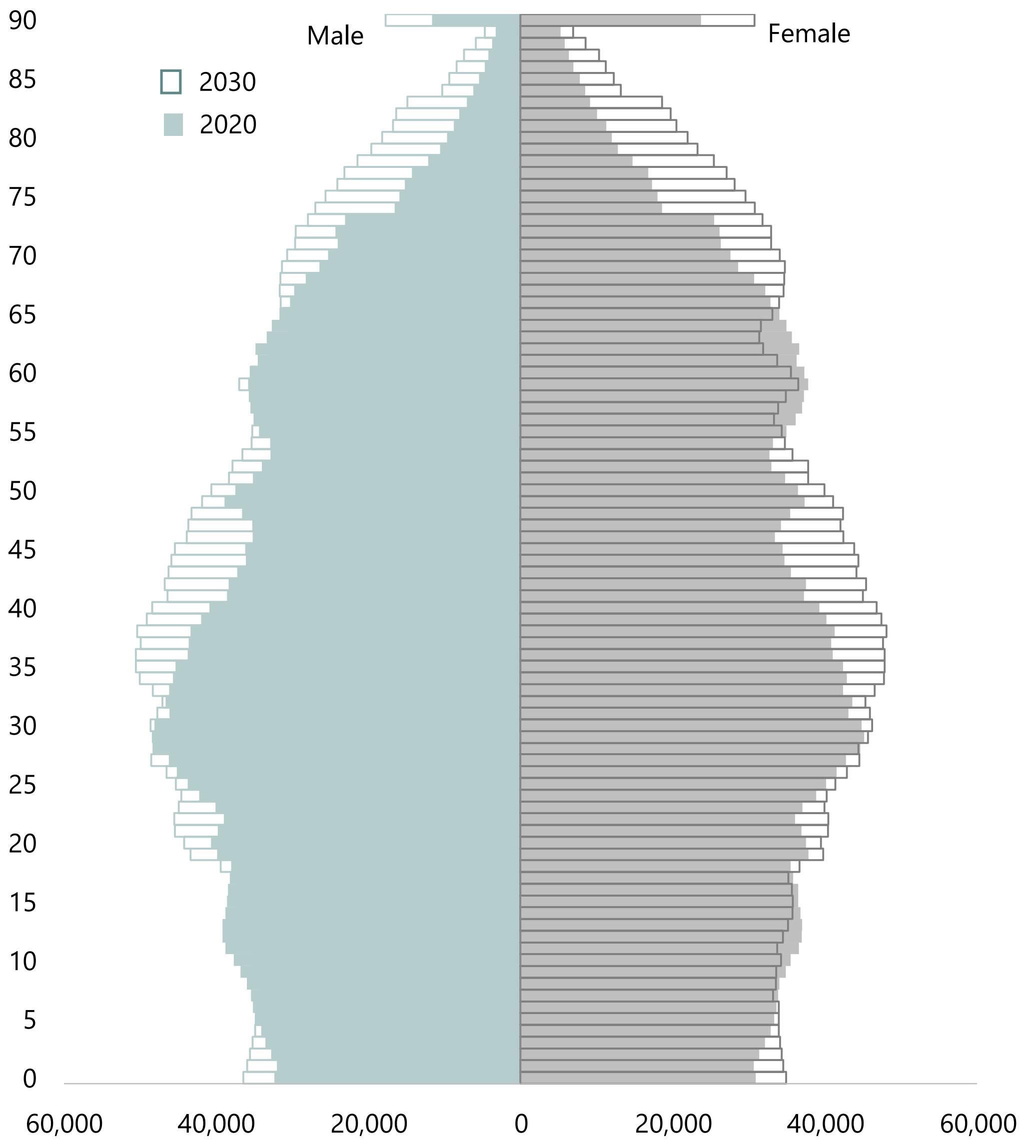


*2024 is a twelve-month average, November 2023 to October 2024.
Source: U.S. Bureau of Labor Statistics, Current Population Survey, retrieved from the Colorado Department of Labor and Employment. Data are not seasonally adjusted. Unemployment rates by educational attainment include individuals 25 and over; all other unemployment rates include individuals 16 and over. Unemployment rates shown in the chart are calculated differently than the official estimates of unemployment and should not be compared directly.

Colorado has one of the nation's highest labor force participation rates. Colorado's labor force participation rate is holding steady at 67.9 percent in October, down from the post-pandemic high of 68.6 percent, but still well above the national rate of 62.6 percent in the same month. Among the 50 states, Colorado has the fourth highest labor force participation rate, behind North Dakota (68.8 percent), Nebraska (68.4 percent), and Utah (68.3 percent). Mississippi continues to have the lowest labor force participation rate at 54.7 percent. Compared to the U.S., Colorado's labor force participation is bolstered by higher rates for women (62.8 percent in Colorado versus 57.5 percent in the U.S. on average over the past year).

Labor force growth will be challenged by demographic shifts. While Colorado's labor force is bolstered by its higher labor force participation rate, longer term demographic shifts will challenge growth and contribute to slowing job gains. While Colorado's prime working age population (ages 25 to 54) is expected to increase by 12 percent between 2020 and 2030, the population ages 65 and older is expected to grow 36 percent, with the share of those 75 and over within the latter group growing from 38 percent to 46 percent, according to Colorado State Demography Office projections (Figure 29). As the Colorado population ages into groups with lower labor force participation rates, labor force growth will slow, weighing on employment growth.

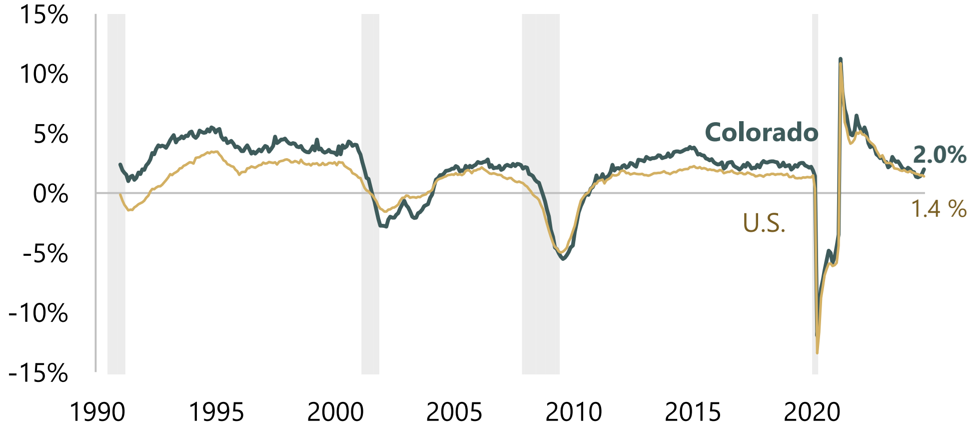
Figure 29
Colorado Population by Age and Sex



Source: Colorado State Demography Office

Nonfarm payroll job gains normalize following post-pandemic recovery. Nonfarm employment in Colorado was up 2.0 percent year-over-year in October 2024, compared with 1.4 percent nationwide during the same period. Colorado employers added 9,000 nonfarm jobs in October, for an average monthly gain in 2024 of 5,800 jobs. The immediate post-pandemic recovery saw historically high monthly job growth, with average gains of 13,700 jobs per month between January 2021 and April 2022. Current monthly job gains have slowed, but are similar to pre-pandemic monthly gains which averaged about 5,000 jobs in 2018 and 2019, consistent with a moderate economic expansion (Figure 30).

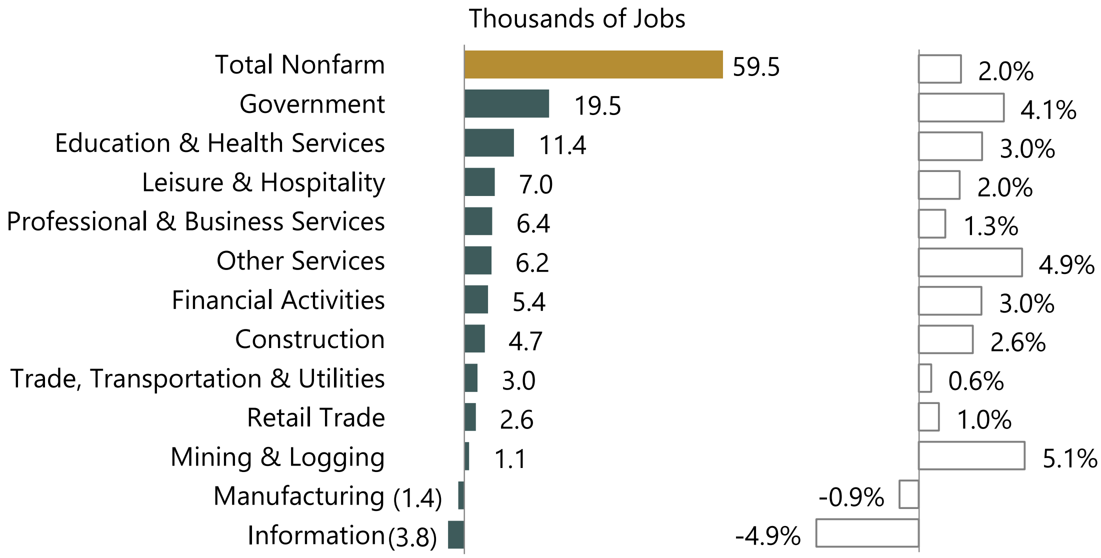
Figure 30
Nonfarm Employment Growth
Year-over-Year Percent Change



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. U.S. data are through November 2024. Colorado data are through October 2024.

Colorado job gains led by government. Employment gains continue to be led by four of Colorado's five largest supersectors as measured by employment, including government, up 19,500 jobs (4.1 percent); education and health services, up 11,400 jobs (3.0 percent); leisure and hospitality, up 7,000 jobs (2.0 percent); and professional and business services, up 6,400 jobs (1.3 percent). Local government job gains account for more than half of the growth in government jobs since October 2023. Among the top five supersectors, only trade, transportation, and utilities lags in job growth, with just 3,000 jobs added in the past year (0.6 percent), reflecting slowing retail trade activity and workforce challenges in transportation. The manufacturing and information supersectors have faced employment challenges in the past year through October, and are down 1,400 (0.9 percent) and 3,800 (4.9 percent) jobs, respectively. Employment trends in these industries reflect ongoing impacts from higher interest rates and sluggish industrial production.

Figure 31
Colorado Job Gains and Losses by Industry
Year-over-Year Change, October 2024



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

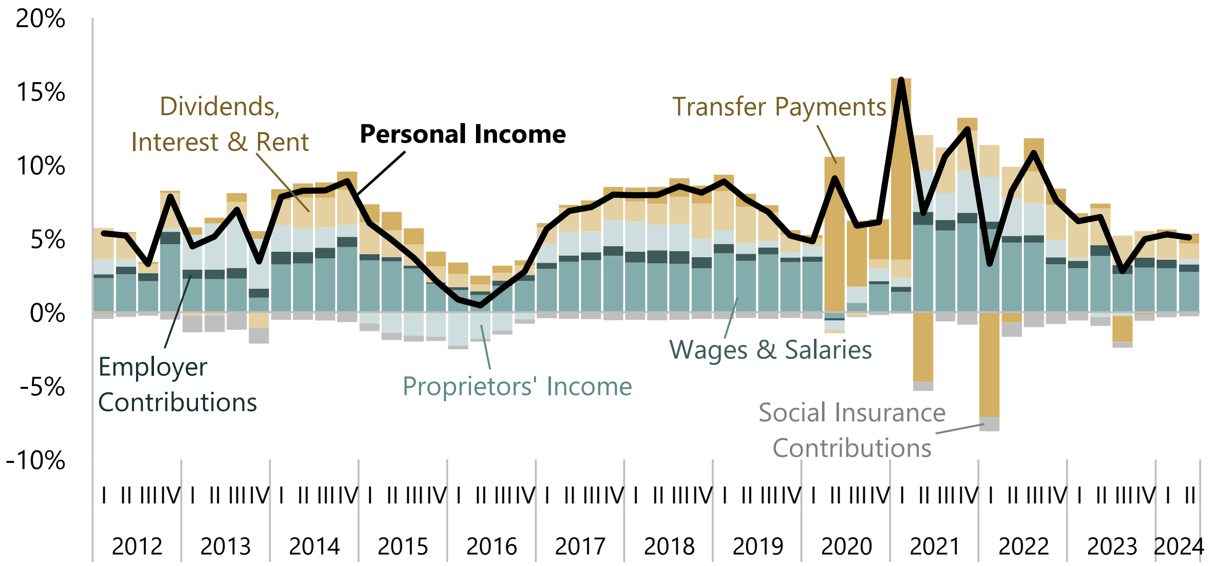
State employment data remain cloudier than usual. Larger than usual expected revisions, reduced household and establishment survey response rates since the pandemic, and a system modernization that disrupted the collection of employment census data in Colorado at the end of 2023 combine to make the state employment picture cloudier than usual.

Personal Income

Personal income measures the aggregate amount of income received by individuals and households from wages and salaries, business ownership, investments, and other sources. Personal income influences state revenue streams such as individual income tax revenue and foreshadows consumer spending and contributions to sales tax receipts.

Personal income has continued to grow at a moderate pace in both Colorado and the nation. Since the last forecast, personal income data were revised upward, showing stronger growth over the past 3 years than was previously thought. The upward revision helps explain strong readings in consumer spending over that time period. A history of year-over-year growth in nominal personal income in Colorado is shown in Figure 32.

Figure 32
Colorado Nominal Personal Income and Its Contributions
Contributions to Percent Change, Year-over-Year



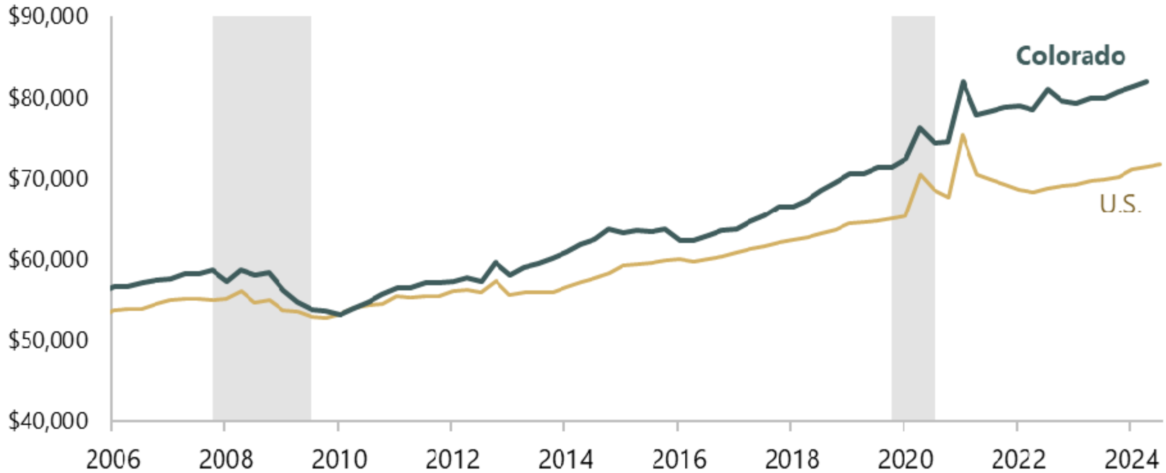
Source: U.S. Bureau of Economic Analysis with Legislative Council Staff calculations. Data are seasonally adjusted through the second quarter of 2024.

Total Colorado personal income was 5.1 percent higher in the second quarter of 2024 compared to a year prior. Wages and salaries are the largest source of personal income, and were up 5.4 percent compared to one-year prior, a bit slower than the average rate of growth before the pandemic. The second largest component of personal income, dividends, interest, and rent, grew by 4.6 percent over the past year.

- Personal income growth is expected to slow to 4.8 percent nationally and 5.0 percent in Colorado in 2025 as wage pressures from a tight labor market recede and interest rates fall.
- Similarly, growth in wage and salary income is expected to moderate to 4.5 percent nationally and 5.1 percent in Colorado in 2025, as employment and inflation slow.

While nominal personal income continues to grow, households have also had to contend with above-trend inflation over the past few years. After adjusting for population and inflation, personal incomes in both Colorado and the U.S. increased modestly over the past year, up by 2.5 percent and 2.8 percent respectively (Figure 33). Growth has been more robust in Colorado than the nation since the pandemic, with real per-capita incomes being 14 percent higher in Colorado than the national average in the second quarter. With inflation expected to remain anchored through the forecast period, real per-capita personal income is expected to continue increasing modestly for both the U.S. and Colorado in 2025.

Figure 33
Real Per-Capita Personal Income
Constant 2023 Dollars



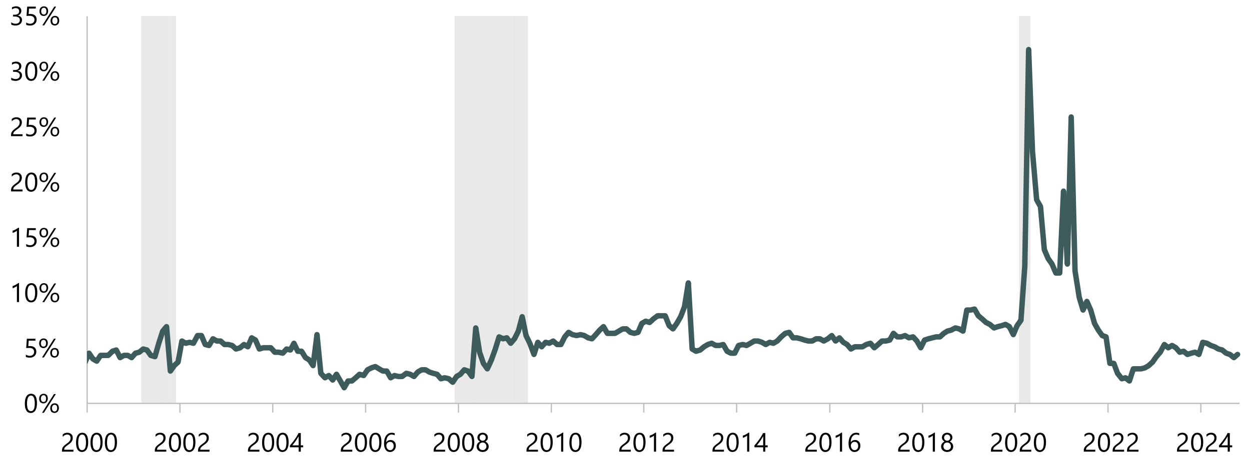
Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, and LCS calculations. Data are adjusted for inflation using the national PCE price index.

Household Finances

An upward revision in personal income indicates that household finances are healthier than previously thought. The personal saving rate is at a fairly healthy level but is ticking down, while the total amount of borrowing is similar to the pre-pandemic economy and the delinquency rate for mortgage debt remains low.

The U.S. personal saving rate was revised up. The personal saving rate is lower than the pre-pandemic rate, sitting at 4.4 percent. The personal saving rate rebounded in 2022 and early 2023, but has been stagnant since at a moderate level. A declining savings rate signals that residual inflation continues to impact household purchasing power, causing households to spend a higher percentage of their incomes for comparable levels of real consumption. This is one sign that household finances are strained, which may have a negative impact on consumer spending moving forward.

Figure 34
U.S. Personal Saving Rate*
Percent

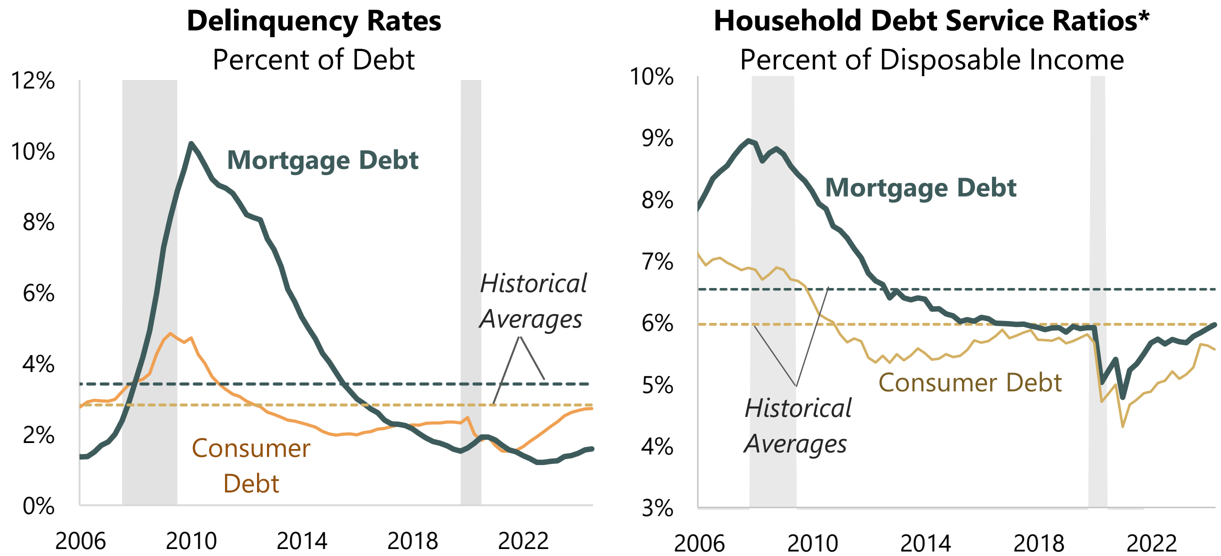


Source: U.S. Bureau of Economic Analysis. Data are shown as seasonally adjusted annual rates. Data are through September 2024.
*The personal saving rate is calculated as the ratio of personal saving as a percentage of disposable personal income.

The level of household debt is consistent with a healthy economy. Delinquency rates show the percentage of outstanding loan debt that is past due by thirty days or more. Delinquencies on mortgages are low by historical standards, and below where they were before the pandemic. As of the third quarter of 2024, the delinquency rate on consumer loans, which includes credit card debt, auto loans, and other consumer loans, has steadied at 2.7 percent, compared to about 2.3 percent before the pandemic. Moderate delinquency rates indicate that the current level of debt is manageable for most households.

Debt service ratios (Figure 35, right) measure the percentage of households' disposable income that is obligated toward mortgage payments and consumer debt. Higher ratios imply that households will have a lower percentage of their incomes available to spend on additional goods and services, and may be more likely to reduce spending or default on debt due to financial stress. The methodology used by the Federal Reserve Board of Governors to calculate debt service ratios was updated since the last forecast leading to a significant upward revision in the debt service ratio for mortgages and a small downward revision in the debt service ratio for other consumer loans.

Figure 35
Household Debt



Source: Federal Reserve Board of Governors. Data are through 2024Q3 (left) and 2024Q2 (right). *Debt service ratios are calculated as the ratio of household mortgage and consumer credit debt payments to disposable personal income. Historical averages are calculated from 2000 to the most recent quarter of data. Data are seasonally adjusted.

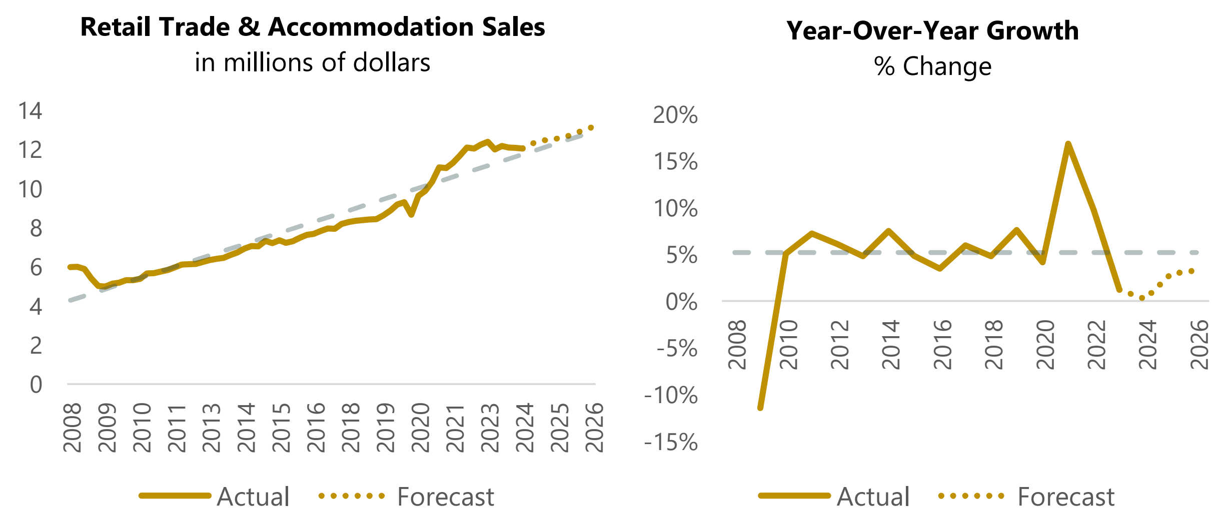
Consumer debt as a percentage of disposable income stands at a level similar to the historical average and pre-pandemic levels, and ticked down in the most recent quarter. Mortgage debt fell steadily between the 2008 financial crisis and the 2020 pandemic-induced recession, and remains below its historical average but similar to pre-pandemic levels. Overall, this signals that households have more financial obligations than during the early days of the pandemic, but that borrowing remains similar to pre-pandemic levels.

Consumer Activity

Consumers remain resilient among perceived economic uncertainty. Despite below average levels of consumer confidence as measured by the University of Michigan's Consumer Sentiment Index, personal consumption expenditures performed slightly better through the first three quarters of 2024 than in 2023, indicating ongoing resiliency among consumers in the face of numerous economic headwinds. While consumer activity was quick to recover from the COVID-19 recession and has remained resilient since, the lagged effect of high interest rates, a softening labor market, and weakened household balance sheets are expected to contribute to a modest slowdown of consumer activity through the next year—a moderation that has already started. From 2021 through 2023, year-over-year growth in U.S. retail sales averaged 10.6 percent, but have since slowed to an average of 2.2 percent year-over-year growth through the first three quarters of 2024.

Consumer spending slows quicker in Colorado than in the United States. Nationwide, nominal sales in the retail trade and food services sector increased 2.2 percent year-over-year as of August 2024. In contrast, sales in the same sector in Colorado declined 0.6 percent year-over-year during the same time period. All of the following industries posted declines of 2 percent or more in retail sales year-over-year through August 2024: automotive dealers; building and garden supply dealers; clothing and accessory stores; food and beverage stores; furniture, home furnishings, and electronics; and health and personal care stores. The difference in consumer spending in Colorado versus the United States is likely partially attributable to inflation, which has fallen faster in Colorado than nationwide. Higher cost-of-living in Colorado may also contribute to dampened disposable incomes, lending to relatively less consumer activity in the retail trade sector.

Figure 36
Colorado Retail Trade and Accommodation Forecast



Source: LCS December 2024 Forecast. Actuals from Colorado Department of Revenue through Q2 2024.

Some industries fare better than others amidst high prices and restrictive monetary policy. Real U.S. personal consumption expenditures on services continued to accelerate, posting 3.1 percent year-over-year growth through the third quarter of 2024. Similarly, spending on durable goods accelerated to a 3.6 percent year-over-year growth rate in the third quarter of 2024. On the other hand, retail trade industries concentrated on home improvement, such as furniture and home furnishings and electronics and appliance stores, saw overall declines in 2024, down 2.3 percent and 4.6 percent year-over-year, respectively, through September. In addition, while single family home sales in Colorado have increased by 1.4 percent year-to-date as of October 2024, sales of condos and townhomes fell significantly, by 10.6 percent, demonstrating the unequal impact of weakened household balance sheets on consumers across income levels.

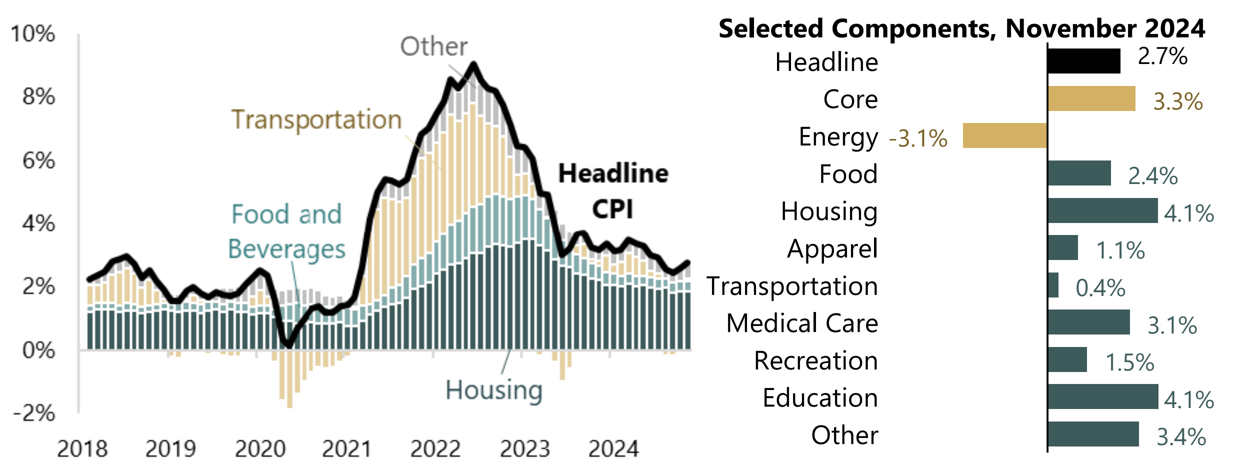
Consumer activity expected to slow in a lagged response to recent headwinds. Though the first of a series of interest rate cuts occurred in September 2024, it takes time for consumers to respond; therefore, consumer contributions to the overall economy are expected to continue to slow through the remainder of the year, with growth below historical averages throughout the forecast period. Lower-income households are expected to be more heavily impacted by tight credit market conditions, while higher-income households continue to support overall consumer spending growth.

Inflation

U.S. inflation remains somewhat elevated. Inflation remains above 2 percent nationwide, but has fallen considerably over the past year. As measured by the U.S. urban average consumer price index (CPI-U), inflation fell to 2.4 percent in September, but ticked back up in October in and November, now sitting at 2.7 percent. Disinflation over the past year was primarily driven by transportation costs, including declining prices for gasoline and vehicle sales (Figure 37). These declining prices were partially offset by the rising cost of auto insurance, which is up 12.7 percent compared to a year ago.

- Headline inflation for U.S. urban consumers is expected to abate throughout the forecast period, averaging 3.0 percent in 2024, 2.4 percent in 2025, and 2.0 percent in 2026.

Figure 37
Contributions to U.S. Consumer Price Index (CPI-U) Inflation
Percent Change in Prices, Year-over-Year



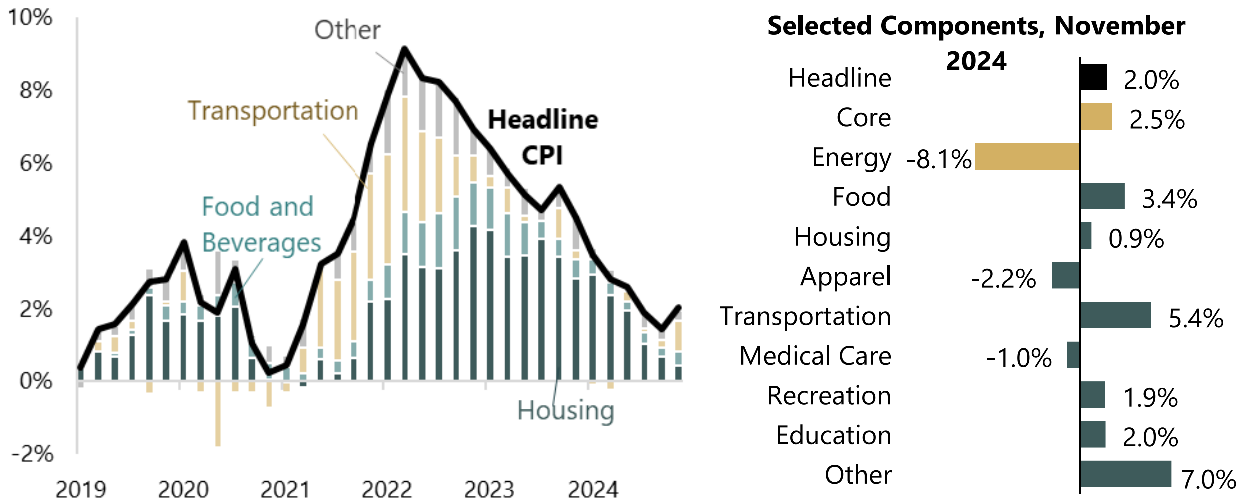
Source: U.S. Bureau of Labor Statistics.
Headline inflation includes all products and services. Transportation includes new and used vehicles, vehicle parts, and motor fuel. Housing includes the cost of rent, homeowner rental equivalent, utilities, and other housing costs.

Year-over-year inflation is still driven primarily by rising housing costs, which are up 4.1 percent year-over-year as of November, down from a peak of 8.2 percent in February 2023. A cooling labor market is expected to contribute to slowing housing inflation in 2025.

Inflation in Denver-Aurora-Lakewood has fallen sharply. Inflation in the Denver-Aurora-Lakewood area ("the Denver area") fell to 1.4 percent in September, but ticked back up to 2.0 percent in November. Figure 38 shows the recent path of headline inflation and inflation among select components, as measured by the Denver area consumer price index. Housing inflation has softened substantially, down to 0.9 percent growth year-over-year, while vehicle and gas prices contributed to the recent uptick in headline inflation. Transportation prices are up 5.4 percent compared to a year ago, and are expected to continue to rise in 2025. The exact source of the upswing in transportation prices is unknown, as local inflation data are not available at a granular enough level to discern this. Energy prices, including motor fuel, have fallen over the past year, partially offsetting some of the upward pressure in vehicle prices.

- Headline inflation in the Denver-Aurora-Lakewood combined statistical area is expected to remain below that of the U.S., averaging 2.4 percent in 2024 and 2.3 percent in 2025.

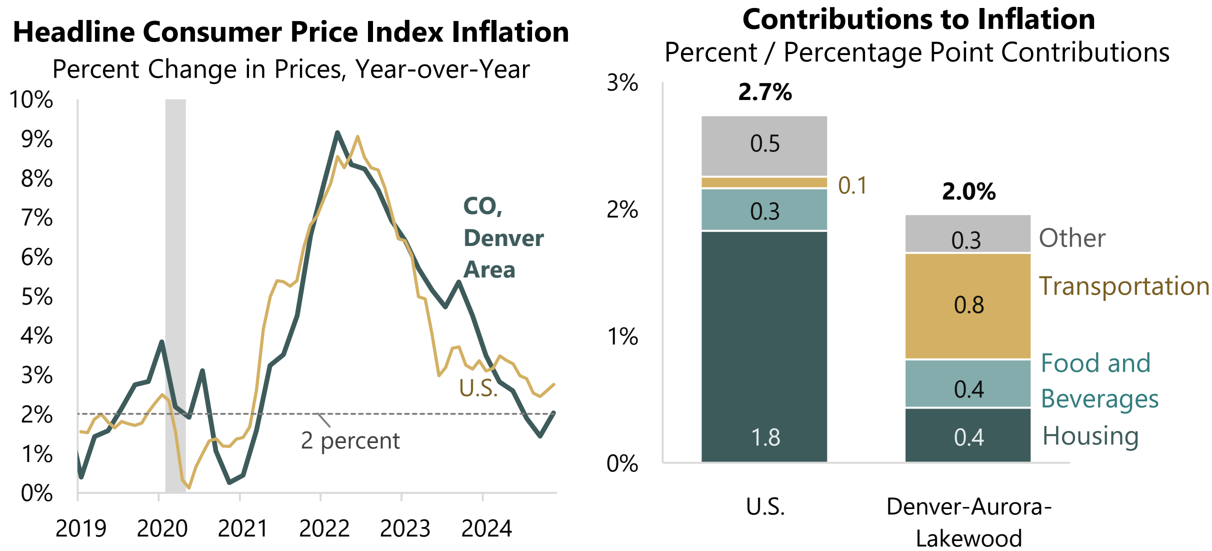
Figure 38
Denver-Aurora-Lakewood Consumer Price Index (CPI-U) Inflation
Percent Change in Prices, Year-over-Year



Source: U.S. Bureau of Labor Statistics and Legislative Council Staff calculations.
Headline inflation includes all products and services. Transportation includes new and used vehicles, vehicle parts, and motor fuel. Housing includes the cost of rent, homeowner rental equivalent, utilities, and other housing costs.

Housing costs are driving higher inflation in the U.S. than in the Denver area. Headline inflation in the Denver area is significantly lower than that of the nation, driven almost entirely by differences in housing inflation. Figure 39 (right) presents contributors to the current rates of inflation for the nation compared to the Denver area.

Figure 39
Comparing U.S. and Colorado Inflation



Source: U.S. Bureau of Labor Statistics and Legislative Council Staff calculations.
Note: The "Contributions to Inflation" chart (right) shows U.S. and Denver-Aurora-Lakewood inflation for November, reflecting the most recent data available. Totals may not sum due to rounding.

Housing is by far the largest component of the CPI and currently makes up about 45 percent of U.S. consumer prices. The housing component includes costs for rent payments (or for homeowners, the cost a homeowner would pay to rent their home), utilities, and other housing-related goods and services. Because the housing component of the CPI includes rents (or owner equivalent rents) paid by all households rather than rental prices actively on the market, the housing component tends not to change quickly, as most renters' payments are not subject to change on a monthly basis.

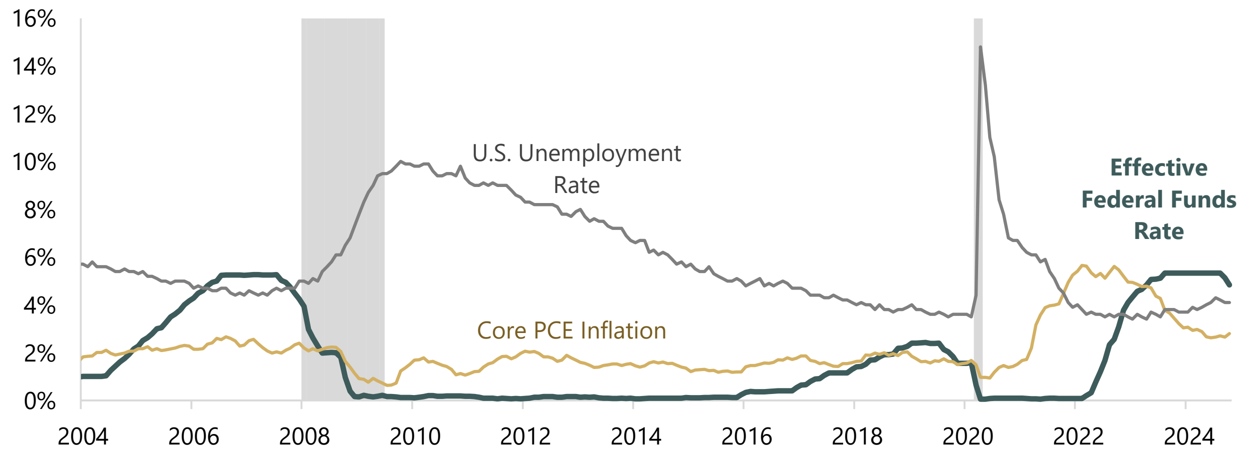
Housing prices in the U.S. are 4.1 percent higher than they were a year ago, compared to 0.9 percent growth in the Denver area. Inflation is lower in the Denver area for shelter costs, including rents and owner equivalent rents, but is slightly higher for auxiliary housing costs like household furnishings. Transportation prices, on the other hand, were much higher in the Denver area compared to the U.S., which partially offset the difference in housing inflation.

Monetary Policy

The Federal Reserve signals the federal funds rate will be reduced slowly. The Federal Open Market Committee (FOMC) uses changes to its balance sheet and its benchmark interest rate, the federal funds rate, to promote maximum employment and a long-term average of 2 percent inflation. The Federal Reserve can slow inflation by raising the federal funds rate, which increases the cost of short-and medium-term borrowing, and by reducing the size of its balance sheet, which increases the cost of long-term borrowing.

The FOMC uses the personal consumption expenditures price index excluding food and energy, also known as core PCE, as its preferred measure of trend inflation. Core PCE ticked up slightly to 2.9 percent in October. Headline PCE nearly reached the Federal Reserve's 2 percent average inflation target, falling to 2.1 percent this fall, but then increased back to 2.3 percent. At the same time, the U.S. unemployment rate has ticked up slightly compared to a year ago but remains at a healthy level, sitting at 4.1 percent in November.

Figure 40
Core PCE, Unemployment, and the Federal Funds Rate
Percent / Year-Over-Year Percent Change



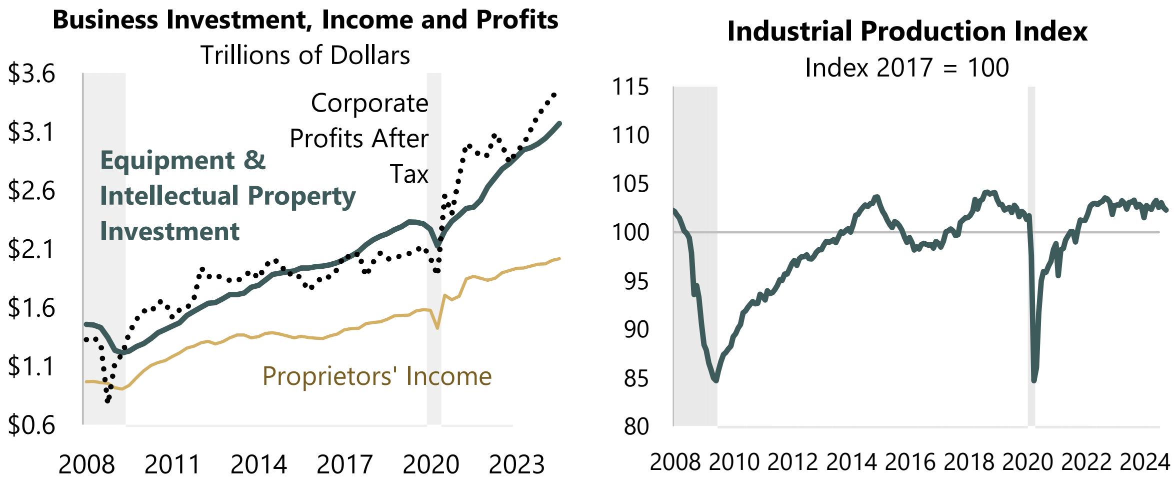
Source: The Federal Reserve, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics.

In response to falling inflation, the FOMC reduced the Federal Funds rate by 50 basis points in September and an additional 25 points in November. The FOMC has indicated it plans to continue to move the federal funds rate closer to a neutral rate, but aims to do so slowly, as the economy continues to expand at a solid pace. This forecast expects that the federal funds rate will continue to be moved down slowly throughout 2025. Despite these rate cuts, the Fed is expected to continue to reduce its balance sheet by allowing a portion of its portfolio of U.S. treasury bonds and mortgage-backed securities to mature without replacement.

Business Activity

U.S. business activity is mixed. Profits in non-factoring industries, such as banks and other service-related businesses, continue to post record high corporate profits, while manufacturing companies continue to struggle with high borrowing costs and a sluggish global economy.

Figure 41
Selected U.S. Indicators of Business Activity



Sources: U.S. Bureau of Economic Analysis data (left), not adjusted for inflation, through the third quarter of 2024. Federal Reserve Board of Governors data (right) through October 2024.

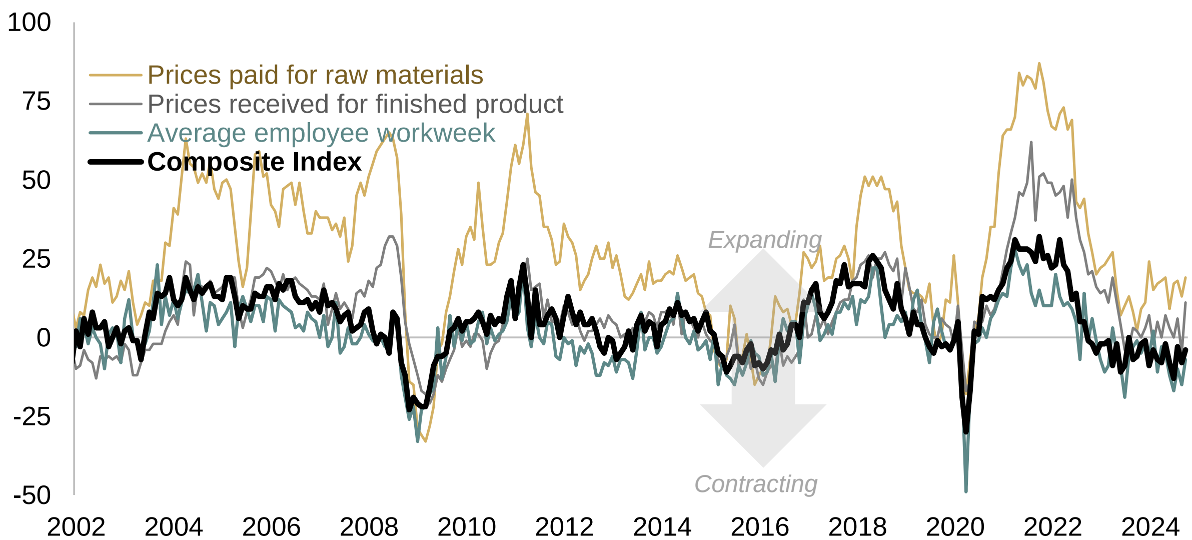
Corporate profits continue to climb as margins increase. In the third quarter of 2024, U.S. corporate profits totaled just over $3.4 trillion, up 9.6 percent from the same period last year (Figure 41, left), an all-time high. Corporate gains have steadily increased every quarter since the beginning of 2023, largely attributable to rising prices paired with decreasing input costs such as energy prices. In the third quarter of 2024, the average U.S. corporate margin, the portion of a company's sales revenue that it keeps as profit, after subtracting all of its costs, was 10.7 percent, up 10.9 percent from the same quarter last year.

Strong corporate profits have buoyed business investment. Since the second half of 2020, business investment in equipment and intellectual property has been increasing. The growing economy, delayed investments, and higher prices have boosted business investment, despite higher borrowing costs. In the third quarter of 2024, equipment and intellectual investment totaled $3.2 billion—the highest on record—up almost seven percent from the same quarter one year prior. Decreasing interest rates are expected to continue to support business investment.

Despite record corporate profits, manufacturing continues to struggle. The industrial production index, which measures real output from manufacturing, mining, and utilities compared to output in 2017, has been sluggish since mid-2022 (Figure 41, right). These industries are particularly sensitive to higher interest rates and global economic conditions, which have weakened demand and increased the cost for materials. In October 2024, the industrial price index was down from the same month last year, marking the second consecutive monthly year-over-year decline. However, the October reading included lingering effects of Hurricanes Milton and Helene paired with the Boeing machinist strike.

Following the post-pandemic surge, the manufacturing sector has struggled. The Federal Reserve Bank of Kansas City produces a monthly manufacturing index for the Tenth District region, which includes Colorado and several surrounding states (Figure 42). The composite index has been mildly negative since late 2022, indicating contracting manufacturing activity. Respondents were more likely to report decreases than increases in production, volume of shipments, and volume of new orders. With new orders down and inventories up, manufacturing activity is likely to remain stalled in the near term.

Figure 42
Tenth District Manufacturing Index
Diffusion Index



Source: Federal Reserve Bank of Kansas City. Data are seasonally adjusted. Data through October 2024. A value above zero indicates expansion; below zero indicates contraction.

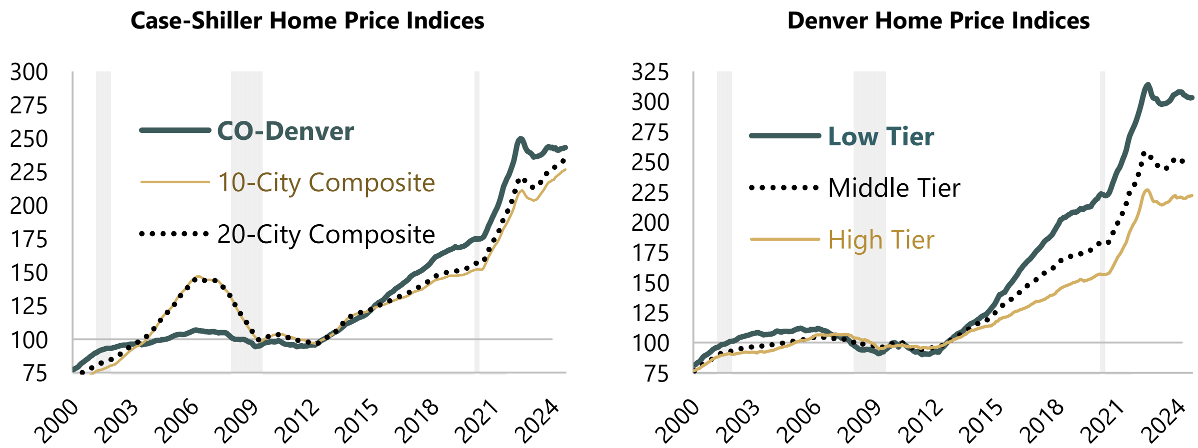
Real Estate and Construction Activity

Colorado home prices rose slowly in 2024. Home prices across the nation fell from their mid-2022 peak through the first half of 2023 following the Federal Reserve's rapid monetary policy tightening and post-pandemic surge in demand (Figure 43). Despite this 4 percent peak to trough drop in the Case-Shiller 20-city composite index, prices are now about 6 percent above the previous peak and continue to trend upward. The national home price index was up 4.2 percent year-over-year in August 2024 as the nation continued to struggle with low supply. However, prices in Denver not only fell faster than the nation as interest rates rose, dropping by 5.9 percent from the June 2022 peak to January 2023, but remained 2.6 percent below peak levels in August 2024. In August, Denver's home price index was up just 0.7 year-over-year, with the recovery proceeding more slowly than nationally.

In Colorado, home prices remain well above other areas of the nation despite a steeper correction. In October, the Colorado Association of Realtors reported the median sales price of a single-family home in the state was $583,000, nearly 40 percent above the $419,000 median sales price reported nationwide by the National Association of Realtors in the third quarter of 2024. Affordability remains a challenge for the state, and sales remain depressed from post-pandemic highs paired with high interest rates. Concurrently, inventory levels are up. According to the state association, the duration of the supply of inventory, a common measure of inventory comparing listings and sales, has approached levels last recorded in 2014 and 2015. While the forecast expects mortgage interest rates to continue to fall in response to Federal

Reserve rate cuts, there will be a lingering impact on markets and affordability in the state will continue to present a challenge. In October, the 30-year fixed rate mortgage averaged 6.4 percent. The rate has eased from a high of 7.6 percent in October 2023, and the forecast anticipates further easing.

Figure 43
Selected Home Price Indicators
Index 100 = July 2012



Source: S&P Dow Jones Indices LLC. Data are seasonally adjusted and are through August 2024.

Market conditions lead to slower homebuilding. Single family and multifamily homebuilding in the U.S. have trended differently since interest rates began climbing in mid-2022. Until early 2023, a steep decline in single-family units was partially offset by continued growth in multifamily. However, by the end of 2023, multifamily starts declined significantly while the single family market partially rebounded. As of September 2024, single family starts were up 10.8 percent year-to-date while multifamily starts were down 29 percent. Overall homebuilder sentiment remains weak as a large portion of builders continue to cut sales prices, impacting profit margins, and starts are down 3.1 percent year-to-date in total.

In Colorado, housing starts are reeling after a historic surge in multifamily construction. In September, multifamily starts were down nearly 46 percent. Although there has been improvement in the number of single family starts, starts are up just 3.7 percent year-to-date. Looking ahead, the Colorado's homebuilding market is expected to remain depressed over the next year. With a strong pace of new completions still flooding multifamily and high interest rates, builders are expected to hold off on new projects. Single family starts will stabilize, but are not expected to grow until 2026.

- The number of residential construction permits issued in Colorado is expected to end 2024 down 26.6 percent, and to decline 5.8 percent further in 2025 before rising 15.4 percent in 2026. Construction is expected to remain below peak levels through the forecast period.

Nonresidential construction expands in the U.S., but slows in Colorado. After struggling in the two years following the pandemic recession, the nation's nonresidential construction rebounded strongly in 2023. Real (inflation-adjusted) nonresidential private investment in structures rose in each quarter and ended the year near pre-pandemic levels. Investment in structures picked up over the course of 2024 despite slowing in the third quarter.

As tracked by the Census Bureau, the value of U.S. nonresidential construction including both public and private spending, not adjusted for inflation, rose 19.5 percent in 2023, and was up another 7.8 percent year-to-date through September 2024. Manufacturing construction continues to be a bright spot for the nation, and was up by 23.3 percent year-to-date in September. Public spending on highways and streets also continues to increase and was up 7.8 percent year-to-date following a 19.8 percent jump in 2023.

In contrast to the nation, Colorado's nonresidential construction grew by just 0.1 percent in 2023, and through October 2024 the value of new nonresidential construction projects was down about 28 percent compared to the same ten-month period last year. Nonresidential construction has declined over the past year across both private and public projects. The largest decrease has been for manufacturing facilities after a surge in 2023 that offset contractions in many other building types. Several sectors were on pace to decline for the second consecutive year after peaking in 2022, including commercial buildings and warehouses. Finally, the boost in investment in public infrastructure that was attributable to federal dollars after the pandemic has waned and new public investments in categories like streets and bridges were down in 2024.

- The value of nonresidential construction starts in Colorado is expected to decline by 22.2 percent for the year. Activity is expected to pick up in 2025 by 17.2 percent, and then increase by 5.3 percent in 2026.

Energy Markets

Expectations for oil prices have decreased on weak global demand and increasing supply. The price of West Texas Intermediate crude oil continues to fall below expectations and was down about 16 percent year-over-year in October 2024, reaching an average of $71.99 for the month. The price in October was about 37 percent below the mid-2022 peak following the pandemic (Figure 44, left). For the year, oil is expected to average $76.76 per barrel, down from a forecast of $80.06 in September 2024, and down from an average of $77.64 in 2023. Global production over the next year is expected to outpace demand. In its latest outlook, the U.S. Energy Information Administration (EIA) expects production to increase broadly, including in the U.S. and OPEC countries. Although delayed recently, the expectation is that OPEC will still allow voluntary cuts among member states to expire as the group manages declining market share among its members. Also noteworthy, in its recent oil market report, the International Energy Agency noted that production is projected to significantly increase for Brazil after an unexpected underproduction this year. On the demand side, China continues to underperform. Combined with slower economic growth, analysts note that the rapidly expanding electric vehicle market paired with use of liquefied natural gas in trucking and shipping are slowing China's oil consumption. Globally, economic growth is expected to remain steady without significant acceleration that would boost oil demand.

- The price of West Texas Intermediate crude oil is expected to average $76.76 per barrel over 2024, decrease further to $64.00 per barrel in 2025, and then fall to $62.25 per barrel in 2026.

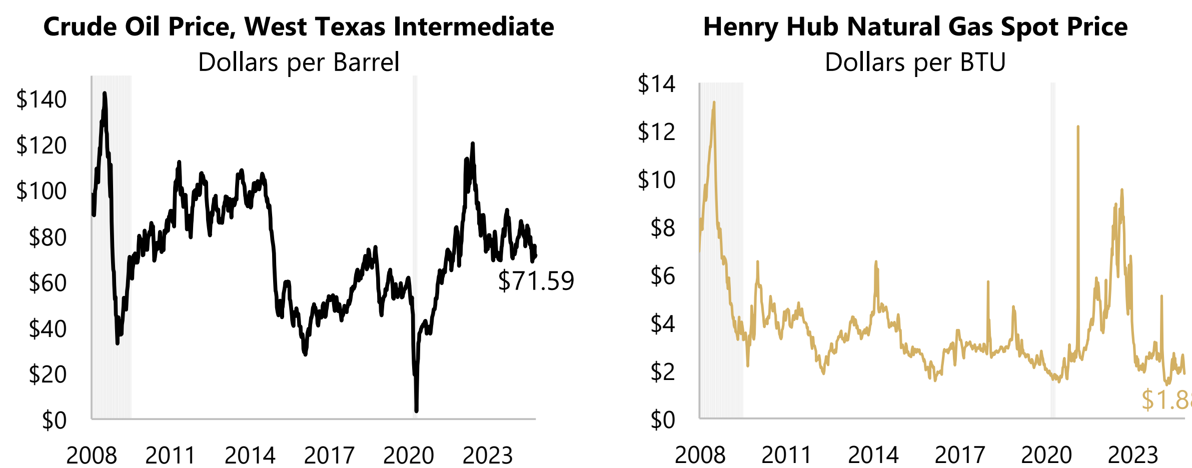
Expectations for natural gas prices have been revised down. Natural gas prices have fallen to pandemic-era levels after rising as high as $8.13 in May 2022, attributable to supply that has outpaced demand over the past couple of years. Since the September 2024 forecast, the outlook for natural gas prices has been revised down through the forecast period. In 2024, the Henry Hub spot price is now expected to average $2.19 for the year, down from a projected $2.30. The Henry Hub spot price has not climbed as quickly as anticipated from a low of $1.51 in March, averaging just $2.27 per million BTU in October 2024.

Although low prices early in the year caused some producers to curtail or stop production in response to low prices, and a hot summer boosted demand for electricity, warmer-than-expected fall temperatures delayed seasonal inventory withdrawals. Although U.S. production remains near all-time highs and improved slightly in the third quarter, production was down in the U.S. year-over-year in the second quarter for the first time since the first quarter of 2021. Monthly production in the U.S. peaked in December 2023. Although U.S. production is slower than the past couple of years, it is still expected to grow modestly during the forecast period, partly due to natural gas produced alongside oil wells that will continue to increase. Lower prices create varied production pressures across regions of the U.S. States producing oil-associated natural gas continue to grow, while those with more unassociated natural gas operations are experiencing declining production.

- Over 2024, the Henry Hub spot price is expected to average $2.19 per million BTU, rising to $2.90 in 2025 and $3.20 in 2026.

Colorado's retail gasoline prices ease down in 2024, expected to fall further on lower oil prices. Colorado's retail gasoline prices have declined year-over-year for 12 consecutive months through October 2024, reaching $3.33 per gallon. Year-to-date, Colorado's average prices through October were 14.5 percent below 2023 levels, while down just 5.7 percent nationally. In 2023, Colorado's prices were temporarily pushed up due to a refinery outage, but have since trended below the national average in general. Prices in both Colorado and the nation remain well below the peak in June 2022, when prices were hovering around $5.00. In 2024, U.S. prices averaged approximately $3.32 per gallon, slightly below the $3.38 expected in the September forecast. In 2025, retail gas prices are expected to fall further with lower oil prices.

Figure 44
Select Energy Price Indicators

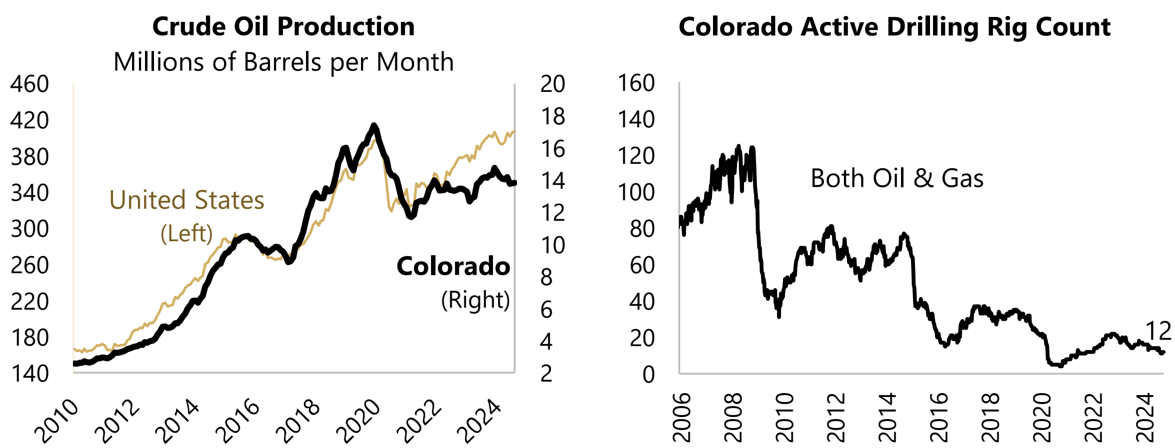


Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted and are through the week of November 1, 2024.

Colorado's oil and gas production expected to trend downward. Following the pandemic recession, U.S. crude oil production rebounded, while Colorado's production experienced a larger pull-back and a slower recovery that stalled in the latter half of 2022 (Figure 45, left). Production in the state improved modestly in 2023 and ended the year up 3.9 percent, versus 8.5 percent for the U.S. over the same period. The outlook for Colorado's oil production is similar to the forecast in September, with declining production expected through the forecast period after remaining flat in 2024. The state's production is still expected to trend opposite U.S. production, which is expected to grow at a moderate pace. Colorado's production is expected to decline in 2025, by 1.6 percent, then decline further, by 0.6 percent in 2026. As of November 2024, Colorado had 12 active drilling rigs, down from 22 in December 2022, and from a monthly average of 30 active rigs in 2019 (Figure 45, right).

Based on revised price expectations and current data, Colorado's natural gas production is now expected to increase just 0.9 percent over 2024, down from 3.4 percent projected in September. The outlook for Colorado's natural gas production is also revised down, and production is expected to decline moderately during the forecast period. In 2025, the state's production is expected to fall by 1.1 percent before declining another 0.6 percent in 2026.

Figure 45
Select Energy Production Indicators



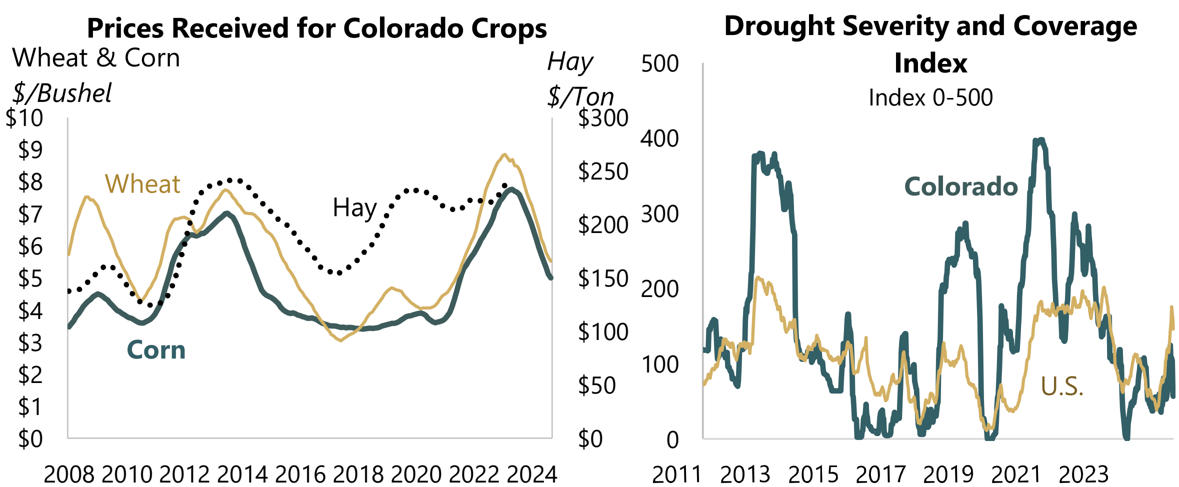
Sources: U.S. Energy Information data (left) shown as a three-month moving average, not seasonally adjusted, through August 2024. Baker Hughes data (right) not seasonally adjusted, through November 2024.

Agriculture

Conditions in the U.S. agriculture industry continue to soften from higher input costs and expensive financing, despite still-elevated commodity prices and favorable growing conditions. The U.S. Department of Agriculture (USDA) forecasted that net farm income, a broad measure of profits, would end 2024 down again after a 16.0 percent decrease in 2023. However, Colorado producers are relatively well-positioned, as prices for Colorado's key outputs are strong, and drought conditions in the state remain favorable.

Commodity prices peaked halfway through 2024. After declining by 17 percent from its peak in June 2022 to January 2024, the USDA's nationwide index of prices received began to increase through the first half of 2024 with avian flu contributing to a sharp rise in poultry and egg prices. While poultry and egg prices continue to increase through the third quarter of 2024, prices received for agricultural and crop production peaked in June 2024 and have declined through the third quarter of 2024. Similarly, cattle prices peaked at an all-time high in July 2024 and have been on the decline through September. The all-time high prices for beef cattle were largely attributable to low inventories as a result of unfavorable drought conditions from 2020 through 2023. However, beef production is on track to exceed 2023 levels, which may be contributing to moderating prices. Still, the nationwide cattle inventory is at its lowest level since 1951, which is expected to keep cattle prices high compared to historical averages, lending to beneficial conditions for Colorado producers.

Figure 46
Selected Agricultural Indicators



Source: National Agricultural Statistics Service (left); data shown as twelve-month moving averages through September 2024. U.S. Drought Monitor (right); data through November 19, 2024.

Farm income remains depressed alongside elevated production costs. After U.S. farm income moderated in 2023 coming off multiple years of strong growth, the USDA expected another 5 percent decrease in 2024 U.S. farm income. Crop producers are experiencing the brunt of income declines as crop prices remain weak, largely attributable to a stronger crop harvest paired with lower export activity. In contrast, strong cattle prices have boosted margins for many ranchers and feedlots. U.S. production costs remained elevated, but the USDA forecasted a slight decrease in production expenses through late 2024 as inflation cooled and interest rates were cut. While interest costs inch lower from elevated levels, banks in the Federal Reserve's Tenth District[2] report a continued decline in loan repayments through the first three quarters of 2024 as farmers face still-high costs for labor and input goods. Alongside narrow profit opportunities and still-tight credit conditions, growth in farmland values have slowed, but remain positive.

Precipitation levels in 2024 lend to healthy drought conditions. Through November 2024, drought levels in Colorado have been at their lowest since 2017, remaining relatively stable through the year. As of November, 58 percent of the state is completely drought free, and

[2] "Credit Conditions Tighten Gradually, Early Signs of Financial Pressure." *Ag Credit Survey*, Federal Reserve Bank of Kansas City. August 12, 2024. https://www.kansascityfed.org/agriculture/ag-credit-survey/credit-conditions-tighten-gradually/.

another 31 percent is just abnormally dry, leaving only 11 percent of the state in current drought conditions. Drought conditions are moderate in the Denver metropolitan area and increase in severity up north, impacting Weld County and Larimer County the most.

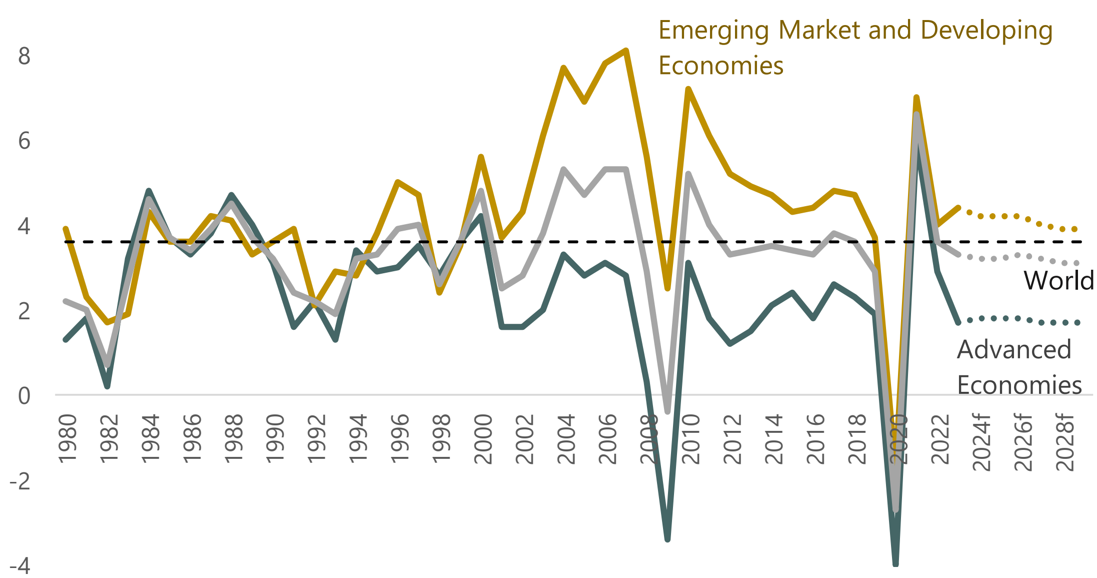
Precipitation has continued to be relatively consistent and generally above median levels statewide through 2024. As of November 2024, precipitation accumulation levels averaged 102 percent of the state median, ranging from 76 percent of the median in the Laramie and North Platte River Basin to 153 percent in the Arkansas River Basin. The USDA forecasts relatively healthy water supply levels for Colorado through the remainder of 2024 and into 2025, with most downside risk for the San Miguel-Dolores-Animas-San Juan River basin where reservoir storage levels have remained well below average since 2020.

Global Economy and International Trade

Coming off the high inflation period following the pandemic, disinflation is slowing for some countries, posing dissipating risk for a global downturn. Economic risks are unique to each country but concentrated in those experiencing regional conflicts, trade disruptions, and persistently high prices.

The global economy is expected to remain unremarkably stable. The International Monetary Fund (IMF) expects economic output to grow 3.2 percent in 2024 and 2025, roughly in line with the 2023 rate of 3.3 percent. Global economic output is expected to remain around this level throughout the forecast period, a level that is healthy yet underwhelming compared to the average of 3.6 percent year-over-year growth posted in the ten years immediately preceding the pandemic. With about half of the world population hosting elections in 2024, there is more uncertainty to the current global outlook as newly elected governments across the globe could introduce significant changes to trade and fiscal policy.

Figure 47
GDP Year-over-Year Percent Change



Source: International Monetary Fund (IMF), October 2024. https://www.imf.org.

While the IMF's overall global outlook remained little changed from July to October, offsetting revisions occurred under the surface. Outlook for the United States economy was boosted based on continued consumer resilience while projected GDP in the Euro area was revised downward as persistent sluggishness in manufacturing continues to limit growth for some countries, particularly Italy and Germany. Germany is additionally feeling pressure from tightening fiscal policy and a decline in its real estate prices. Similarly, Japan's GDP was revised downward as tourism in the area slowed from 2023 surges and an August 2024 tsunami and earthquake temporarily disrupted its auto parts supply.

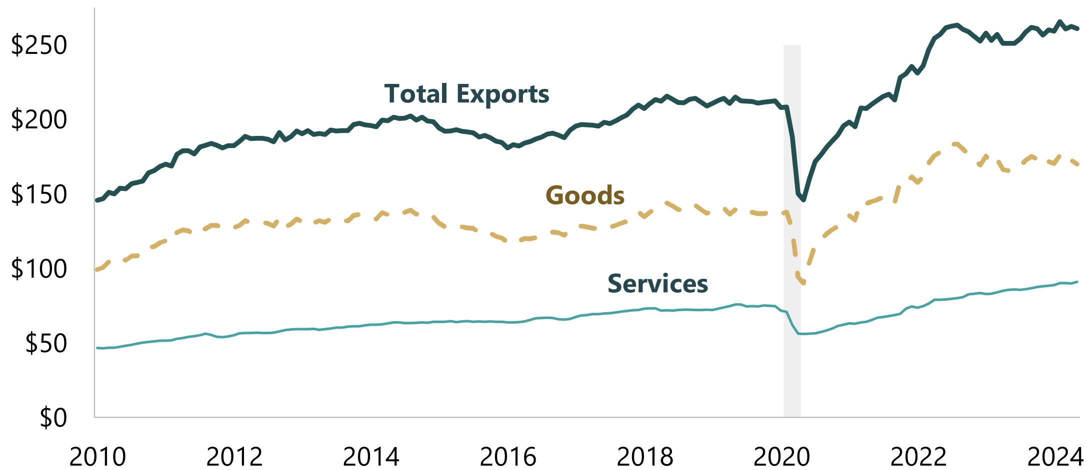
One major slowing economy to note is China's, where annualized GDP slowed to 4.6 percent in quarter three of 2024, falling below the government's targeted rate of 5 percent. In October 2024, China's home prices declined 5.9 percent year-over-year, the steepest decline since April 2015. Persistent weakness in China's property sector poses significant risk to the country's overall growth, as about one quarter of China's gross domestic product is reliant on its real estate market. Chinese government stimulus policies in the coming months will play an important role on the trajectory of the country's real estate market and consumer demand.

The global disinflation process continues to progress. In 2023, global headline inflation averaged 6.7 percent and was expected to fall to 5.8 percent in 2024 and 4.3 percent in 2025. However, inflation of services prices has remained elevated in many regions across the globe, with core services price inflation resting 50 percent higher in major advanced and emerging economies than it was before the pandemic. This is partly attributable to nominal wage growth that was higher than pre-pandemic averages to offset increased cost-of-living perceived after the post-pandemic inflation surge. As wage growth moderates and inflation stabilizes near central bank targets, countries are expected to ease monetary policy and shift towards fiscal tightening to manage debt dynamics.

The economic risk from global conflict is fading. The U.S. and China have steadily decoupled their economies while avoiding disruptive conflict; trade patterns away from one another are expected to continue without having a larger impact on the economy, barring any changes to current law. Global oil markets and international trade have additionally remained largely un-impacted from the Russian war in Ukraine and the Israel-Hamas conflict. These wars are not anticipated to escalate across country borders; therefore, risk of disruption to the global economy has dissipated. Finally, the attacks in the Red Sea—through which nearly 15 percent of seaborne trade travels—have only minimally impacted U.S. and global trade. While there is always risk for conflict to escalate, trade is expected to remain resilient, keeping the risk of resurgent inflation stemming from supply shocks to a minimum.

U.S. trade volume is up and accelerating after a slower 2023. The dollar value of U.S. trade in the first half of 2024 was up 4.2 percent compared to the same time last year, after ending 2023 down 3.9 percent, according to data from WiserTrade. Oil and gas products, industrial and electric machinery, vehicles, and aircraft are the top categories of U.S. exports. The U.S.'s top three export markets are Canada, Mexico, and China. The total value of trade with China had increased 1.2 percent year-to-date through September 2024 after posting two years of double digit declines. The United States has also significantly increased its trade with other Asian countries such as Korea, Vietnam, Taiwan, Thailand, Singapore, and India as it attempts to move away from trade with China.

Figure 48
U.S. Monthly Exports
Billions of Dollars



Source: U.S. Bureau of Economic Analysis (balance of payments basis). Data are seasonally adjusted but not adjusted for inflation. Data are through September 2024.

Colorado total trade continues to decline. Through September 2024, Colorado is on track to realize another year of year-over-year declines in total trade value, facing sharp decreases in trade with China, paired with decreases in exports to Canada and Korea and imports to Mexico, some of Colorado's top trading partners. Most notably, Colorado has posted a steep decline in exports of electric machinery and surgical instruments, both of which are in the top five Colorado exports. Colorado is similarly realizing double digit declines in imports of electric and industrial machinery and surgical instruments, all of which are in the top five Colorado imports.

Risks to the Forecast

Bidirectional economic risks have risen since the September forecast. This section discusses risks that could cause economic and revenue performance to deviate from the expectations presented in this document.

The national election outcome poses bidirectional risks to the economy. The incoming presidential administration paired with a flip of power in Congress raises the possibility of significant changes to federal policy in the near-term. This forecast assumes current federal law. Depending on how federal policy changes in the coming years, the U.S. economic trajectory may deviate from forecasted levels in either direction.

Downside risks are led by relatively poor consumer sentiment and strained international relationships. Consumers continue to perceive poor economic conditions as prices remain high. If consumers rein in their spending, reduced consumer contributions to GDP could constrain economic output levels. Should employers be slower to respond to lower interest rates than expected, additional strain would be placed on household incomes and the overall economy. In addition, depressed residential construction over the longer term could lead to resurgent inflation in housing prices as supply struggles to meet demand. Lastly, U.S. GDP has remained largely unaffected by increased tariffs on China in an effort to decouple our economies.

However, a future increase in strained trade relationships would pose a risk for supply shocks accompanied by resurgent inflation in the U.S.

Upside risks are led by decreased U.S. imports and a quicker reversal than expected in the softening labor market. While the FOMC began a series of interest rate cuts in September 2024, the forecast expects unemployment to remain above 4.0 percent throughout the forecast period as industries take time to respond to changes in interest rates. Rebounding employment in industries most directly impacted by interest rates, such as manufacturing and construction, could lead to higher-than-expected employment growth. A strengthening labor market could also boost consumer spending. Finally, ongoing efforts to increase manufacturing in the United States could drive down U.S. imports from the record high posted in the third quarter of 2024, which would lift GDP. The identified upside risks are about as probable to occur as the downside risks, but would likely result in smaller deviations from forecast projections.

Table 27
National Economic Indicators

Calendar Years	2019	2020	2021	2022	2023	Legislative Council Staff Forecast 2024	2025	2026
Real GDP (Billions, 2017 dollars) [1]	$20,715.7	$20,267.6	$21,494.8	$22,034.8	$22,671.1	$23,302.0	$23,814.7	$24,294.3
Percent Change	2.6%	-2.2%	6.1%	2.5%	2.9%	2.8%	2.2%	2.0%
Nonfarm Employment (Millions) [2]	150.9	142.2	146.3	152.5	156.1	158.5	160.0	161.2
Percent Change	1.3%	-5.8%	2.9%	4.3%	2.3%	1.6%	0.9%	0.8%
Unemployment Rate [2]	3.7%	8.1%	5.4%	3.6%	3.6%	4.0%	4.1%	4.1%
Personal Income (Billions) [1]	$18,363.2	$19,620.1	$21,419.5	$22,088.9	$23,402.5	$24,735.0	$25,930.2	$27,077.4
Percent Change	4.8%	6.8%	9.2%	3.1%	5.9%	5.7%	4.8%	4.4%
Wage and Salary Income (Billions) [1]	$9,325.1	$9,465.7	$10,315.6	$11,123.1	$11,725.2	$12,504.6	$13,067.3	$13,612.1
Percent Change	4.8%	1.5%	9.0%	7.8%	5.4%	6.6%	4.5%	4.2%
Inflation [2]	1.8%	1.2%	4.7%	8.0%	4.1%	3.0%	2.4%	2.0%

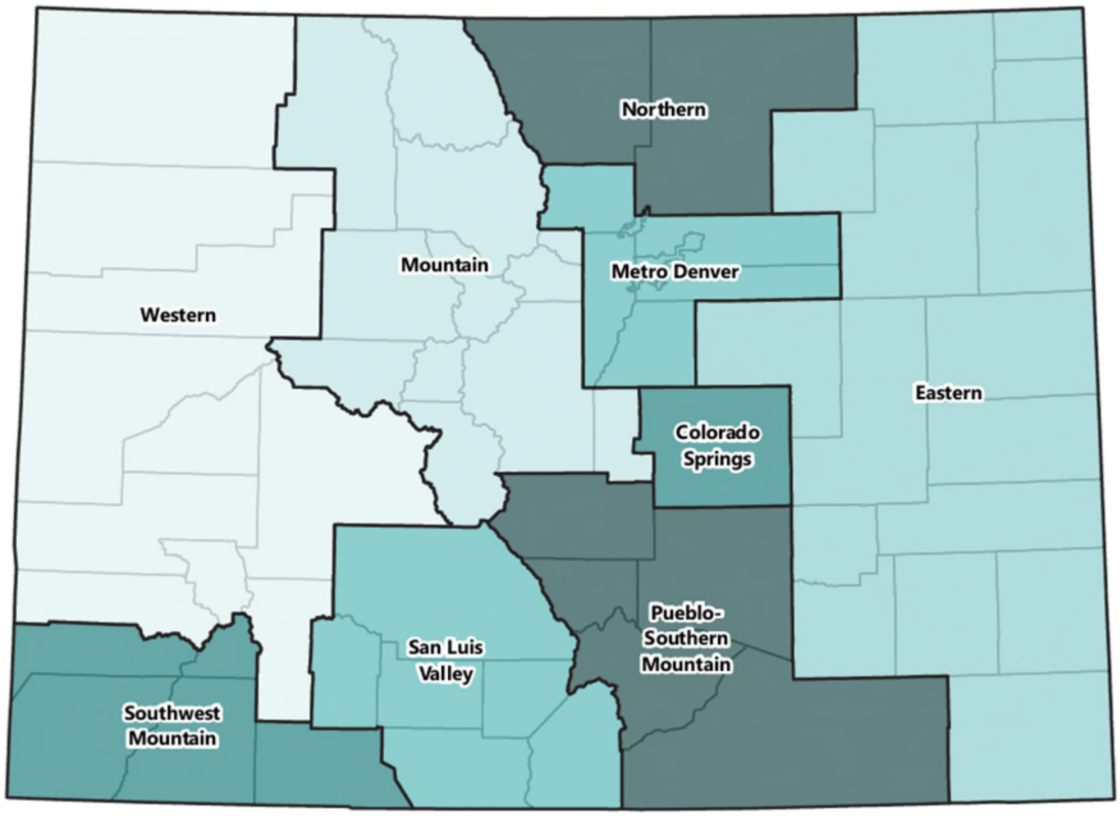
Sources:
[1]U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation and shown in 2017 dollars. Personal income and wages and salaries not adjusted for inflation.
[2]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).

Table 28
Colorado Economic Indicators

Calendar Years	2019	2020	2021	2022	2023	Legislative Council Staff Forecast 2024	2025	2026
Population (Thousands, as of July 1) [1]	5,734.9	5,785.0	5,811.1	5,840.2	5,876.3	5,935.1	5,986.6	6,039.0
Percent Change	1.0%	0.9%	0.5%	0.5%	0.6%	1.0%	0.9%	0.9%
Nonfarm Employment (Thousands) [2]	2,790.1	2,652.7	2,750.9	2,869.7	2,942.0	2,991.2	3,027.7	3,062.7
Percent Change	2.3%	-4.9%	3.7%	4.3%	2.5%	1.7%	1.2%	1.2%
Unemployment Rate [2]	2.7%	6.8%	5.5%	3.1%	3.2%	3.8%	4.1%	4.1%
Personal Income (Millions) [3]	$351,476	$374,262	$416,727	$447,854	$470,606	$495,077	$519,752	$546,083
Percent Change	7.1%	6.5%	11.3%	7.5%	5.1%	5.2%	5.0%	5.1%
Wage and Salary Income (Millions) [3]	$182,963	$187,826	$205,637	$224,794	$238,724	$252,362	$265,197	$279,080
Percent Change	7.1%	2.7%	9.5%	9.3%	6.2%	5.7%	5.1%	5.2%
Retail Trade Sales (Millions) [4]	$105,547	$112,431	$131,528	$144,145	$145,707	$145,999	$150,233	$155,190
Percent Change	5.0%	6.5%	17.0%	9.6%	1.1%	0.2%	2.9%	3.3%
Housing Permits (Thousands) [1]	38.6	40.5	56.5	48.3	39.4	28.9	27.2	31.4
Percent Change	-9.4%	4.8%	39.7%	-14.5%	-18.5%	-26.6%	-5.8%	15.4%
Nonresidential Construction (Thousands) [5]	$5,161.5	$5,607.5	$5,681.0	$6,662.3	$6,639.7	$5,165.7	$6,054.2	$6,375.1
Percent Change	-36.5%	8.6%	1.3%	17.3%	-0.3%	-22.2%	17.2%	5.3%
Denver-Aurora-Lakewood Inflation [6]	1.9%	2.0%	3.5%	8.0%	5.2%	2.4%	2.3%	2.1%

Sources:
[1]U.S. Census Bureau. 2020 population numbers reflect the 2020 Census, while other numbers reflect the July 1 estimates. Residential housing permits are the number of new single- and multifamily housing units permitted for building.
[2]U.S. Bureau of Labor Statistics.
[3]U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.
[4]Colorado Department of Revenue.
[5]F.W. Dodge.
[6]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index.

Colorado Economic Regions



The tables in the following sections provide economic indicators for nine regions in Colorado. Beginning with the March 2024 forecast, detailed regional narratives describing trends and the outlook for each region will be replaced by summary tables for the December, March, and September forecasts. Each year for the June forecast document, detailed regional profiles and outlooks will be prepared as in past publications. The most recent regional narratives are included in the June 2024 forecast document.

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

Like the employment data, residential housing permits and agricultural 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.

Metro Denver Region

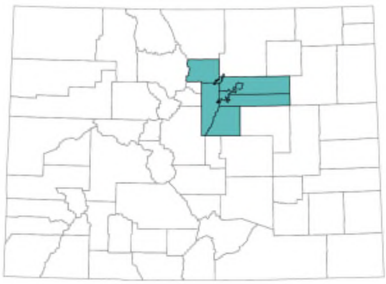


Table 29
Metro Denver Region Economic Indicators
Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth[1]					
Denver-Aurora-Lakewood MSA	-4.9%	3.9%	5.0%	2.2%	-0.1%
Boulder MSA	-5.4%	3.5%	4.2%	1.9%	2.2%
Unemployment Rate[2]	6.9%	5.4%	3.0%	3.1%	4.0%
Wages[3]					
Average Weekly Wage Growth	7.8%	6.5%	5.2%	3.1%	4.1%
Level	$1,431	$1,524	$1,604	$1,654	$1,835
Housing Permit Growth[4]					
Denver-Aurora-Lakewood Single Family	1.5%	16.3%	-22.3%	-10.2%	5.4%
Boulder Single Family	-6.2%	-34.4%	42.7%	22.8%	-34.4%
Nonresidential Construction Growth[5]					
Value of Projects	-9.5%	2.8%	35.7%	-15.6%	-25.9%
Square Footage of Projects	-6.7%	32.4%	28.7%	-48.9%	-28.7%
Level (Thousands)	14,701	19,470	25,055	12,813	8,189
Number of Projects	1.0%	14.4%	14.6%	13.2%	1.6%
Level	689	788	903	1022	888
Housing Market[6]					
Average Sale Price – Single Family	8.7%	19.4%	10.8%	-0.4%	2.0%
Level (Thousands)	$597	$712	$790	$787	$805
Inventory – Single Family	-38.2%	-46.4%	102.3%	13.6%	44.7%
Home Sales – Single Family	7.8%	1.9%	-21.1%	-16.3%	8.4%
Retail Sales Growth[7]	0.1%	17.4%	11.4%	-0.1%	1.0%

MSA = Metropolitan statistical area. NA = Not available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2024.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through October 2024.
[3]U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q1.
[4]U.S. Census. Growth in the number of residential building permits. Data through October 2024.
[5]F.W. Dodge. Data through October 2024.
[6]Colorado Association of Realtors. Data through November 2024.
[7]Colorado Department of Revenue. Data through August 2024.

Northern Region

Table 30
Northern Region Economic Indicators
Weld and Larimer Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth[1]					
Fort Collins MSA	-4.7%	3.7%	4.2%	3.2%	2.5%
Greeley MSA	-7.2%	-0.2%	4.6%	4.2%	1.8%
Unemployment Rate[2]	6.2%	5.2%	3.0%	3.0%	3.8%
Wages[3]					
Average Weekly Wages	6.4%	3.8%	6.2%	5.3%	2.0%
Level	$1,106	$1,149	$1,219	$1,284	$1,343
State Cattle and Calf Inventory Growth[4]	1.9%	4.0%	-1.0%	-7.5%	-0.6%
Natural Gas Production Growth[5]	8.3%	-2.8%	-2.3%	0.8%	7.4%
Oil Production Growth[5]	-11.9%	-10.3%	-0.1%	0.8%	4.9%
Housing Permit Growth[6]					
Fort Collins MSA Total	-0.3%	13.3%	-19.5%	7.7%	-24.9%
Fort Collins MSA Single Family	34.7%	-0.1%	-36.1%	-7.5%	8.4%
Greeley MSA Total	9.1%	15.5%	17.8%	-14.1%	-25.2%
Greeley MSA Single Family	28.1%	3.8%	-9.8%	-6.9%	-9.6%
Nonresidential Construction Growth[7]					
Value of Projects	85.4%	-26.9%	61.0%	34.4%	-33.6%
Square Footage of Projects	8.1%	-1.5%	162.1%	-51.6%	-42.1%
Level (Thousands)	2,619	2,581	6,763	3,275	1,565
Number of Projects	-9.4%	-5.4%	21.0%	-18.1%	15.8%
Level	242	229	277	227	220
Housing Market[8]					
Average Sale Price - Single Family	7.4%	16.5%	12.3%	1.4%	2.2%
Level (Thousands)	$457	$532	$598	$606	$620
Inventory - Single Family	-21.7%	-44.3%	53.4%	14.5%	21.4%
Home Sales - Single Family	9.8%	2.3%	-20.4%	-19.0%	3.7%
Retail Sales Growth[9]					
Larimer County	7.6%	13.0%	12.3%	4.1%	-0.3%
Weld County	-2.3%	13.6%	16.2%	3.7%	1.5%

MSA = Metropolitan statistical area. NA = Not available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2024.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through October 2024.
[3]U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q1.
[4]National Agricultural Statistics Service. Cattle and calves on feed. Data through November 2024.
[5]Colorado Oil and Gas Conservation Commission. Data through August 2024.
[6]U.S. Census. Growth in the number of residential building permits. Data through October 2024.
[7]F.W. Dodge. Data through October 2024.
[8]Colorado Association of Realtors. Data through November 2024.
[9]Colorado Department of Revenue. Data through August 2024.

Colorado Springs Region

Table 31
Colorado Springs Region Economic Indicators
El Paso County

	2020	2021	2022	2023	YTD 2024
Employment Growth[1]					
Colorado Springs MSA	-2.7%	4.1%	4.3%	3.3%	2.0%
Unemployment Rate[2]	6.8%	5.7%	3.3%	3.3%	4.1%
Wages[3]					
Average Weekly	7.5%	4.8%	4.6%	4.4%	4.1%
Level	$1,088	$1,140	$1,192	$1,244	$1,312
Housing Permit Growth[4]					
Total	25.7%	34.7%	-5.5%	-40.0%	-29.0%
Single Family	24.4%	0.7%	-28.4%	-26.2%	6.5%
Nonresidential Construction Growth[5]					
Value of Projects	47.1%	0.8%	-26.4%	7.5%	-30.4%
Square Footage of Projects	124.5%	-48.2%	-32.7%	-31.6%	0.4%
Level (Thousands)	6,719	3,480	2,344	1,603	1,383
Number of Projects	16.3%	-26.4%	17.5%	-43.4%	114.8%
Level	435	320	376	213	363
Housing Market[6]					
Average Sale Price – Single Family	13.8%	18.0%	10.1%	-0.2%	3.2%
Level (Thousands)	$417	$492	$542	$541	$560
Inventory – Single Family	-34.7%	-30.0%	117.7%	8.0%	26.8%
Home Sales – Single Family	6.2%	4.0%	-17.5%	-24.3%	-2.6%
Retail Sales Growth[7]	8.6%	18.3%	8.5%	0.1%	2.1%

MSA = Metropolitan statistical area. NA = Not available.

[1] U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2024.

[2] U.S. Bureau of Labor Statistics, LAUS (household survey). Data through October 2024.

[3] U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q1.

[4] U.S. Census. Growth in the number of residential building permits. Data through October 2024.

[5] F.W. Dodge. Data through October 2024.

[6] Colorado Association of Realtors. Data through November 2024.

[7] Colorado Department of Revenue. Data through August 2024.

Pueblo – Southern Mountains Region

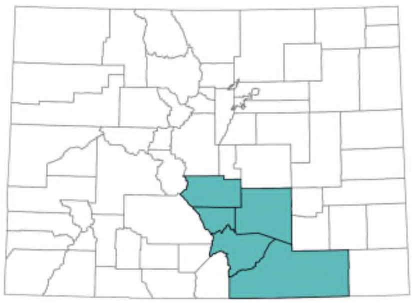


Table 32
Pueblo Region Economic Indicators
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth					
Pueblo Region[1]	-2.7%	0.4%	1.6%	-0.4%	-1.1%
Pueblo MSA[2]	-2.8%	0.7%	2.7%	0.7%	0.1%
Unemployment Rate[1]	7.5%	7.8%	4.5%	4.5%	5.5%
Wages[3]					
Average Weekly Wage	7.0%	3.8%	5.3%	3.8%	-1.7%
Level	$904	$939	$988	$1,026	$1,019
Housing Permit Growth[4]					
Pueblo MSA Total	18.4%	24.0%	-22.9%	-43.8%	-11.7%
Pueblo MSA Single Family	19.4%	24.0%	-22.9%	-43.8%	-11.7%
Nonresidential Construction Growth[5]					
Value of Projects	26.2%	175.3%	-63.2%	157.0%	-64.5%
Square Footage of Projects	37.7%	278.3%	-68.6%	174.2%	-48.0%
Level (Thousands)	438	1,658	520	1,426	690
Number of Projects	86.5%	2.9%	-21.1%	28.6%	49.2%
Level	69	71	56	72	88
Housing Market[6]					
Average Sale Price – Single Family	17.5%	22.9%	4.2%	2.8%	-0.5%
Level (Thousands)	$265	$326	$340	$349	$348
Inventory – Single Family	-23.9%	-27.0%	68.7%	31.4%	28.9%
Home Sales – Single Family	14.1%	7.3%	-6.2%	-17.5%	-6.2%
Retail Sales Growth[7]	4.2%	13.4%	14.5%	-1.7%	-5.7%

MSA = Metropolitan statistical area. NA = Not available.

[1] U.S. Bureau of Labor Statistics, LAUS (household survey). Data through October 2024.

[2] U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2024.

[3] U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q1.

[4] U.S. Census. Growth in the number of residential building permits. Data through October 2024.

[5] F.W. Dodge. Data through October 2024.

[6] Colorado Association of Realtors. Data through November 2024.

[7] Colorado Department of Revenue. Data through August 2024.

Eastern Region

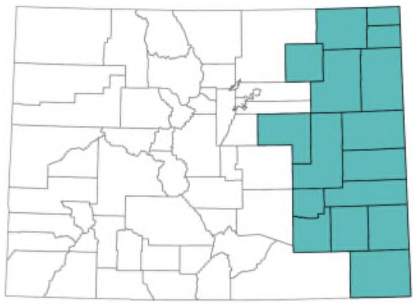


Table 33
Eastern Region Economic Indicators
Baca, Bent, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Logan, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth[1]	-4.1%	-2.0%	1.3%	0.0%	0.1%
Unemployment Rate[1]	4.2%	4.5%	2.8%	2.8%	3.5%
Wages[2]					
Average Weekly Wage	5.4%	4.1%	5.3%	4.3%	2.5%
Level	$838	$872	$918	$957	$970
Crop Price Changes[3]					
Wheat ($/Bushel)	6.3%	37.7%	42.2%	-14.3%	-31.0%
Corn ($/Bushel)	-4.6%	53.8%	30.9%	-7.0%	-32.6%
Alfalfa Hay (Baled, $/Ton)	-6.6%	2.5%	2.8%	14.5%	-21.0%
Dry Beans $/hundredweight					
Livestock[3]					
State Cattle and Calf Inventory Growth	1.9%	4.0%	-1.0%	-7.5%	-0.6%
Milk Production	7.1%	2.4%	0.7%	-1.9%	0.0%
Housing Permit Growth[4]	22.3%	21.7%	-26.2%	-25.9%	44.3%
Housing Market[5]					
Average Sale Price – Single Family	8.0%	16.6%	7.7%	-1.2%	3.7%
Level (Thousands)	$328	$382	$412	$407	$425
Inventory – Single Family	-22.6%	-28.9%	65.9%	23.6%	11.2%
Home Sales – Single Family	4.2%	9.9%	-6.8%	-10.3%	0.3%
Retail Sales Growth[6]	3.3%	12.5%	18.9%	-0.3%	1.6%

[1] U.S. Bureau of Labor Statistics, LAUS (household survey). Data through October 2024.
[2] U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q1.
[3] National Agricultural Statistics Service statewide data. Data through October 2024.
[4] F.W. Dodge. Data through October 2024.
[5] Colorado Association of Realtors. Data through November 2024.
[6] Colorado Department of Revenue. Data through August 2024.

Mountain Region

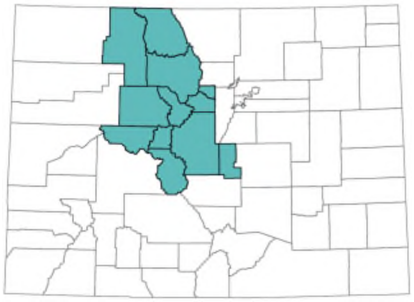


Table 34
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth[1]	-7.9%	2.0%	3.5%	1.9%	1.4%
Unemployment Rate[1]	7.8%	4.8%	2.7%	2.7%	3.3%
Wages[2]					
Average Weekly Wages	11.6%	4.8%	8.4%	4.1%	1.7%
Level	$981	$1,028	$1,114	$1,159	$1,172
Housing Permit Growth[3]	-36.9%	30.7%	41.1%	-39.7%	51.5%
Nonresidential Construction Growth[3]					
Value of Projects	87.8%	-55.1%	36.5%	-11.8%	-6.6%
Square Footage of Projects	24.7%	-21.7%	10.1%	-15.0%	-36.2%
Level (Thousands)	1,141	893	983	836	448
Number of Projects	76.1%	7.4%	14.9%	-32.0%	5.2%
Level	81	87	100	68	61
Housing Market[4]					
Average Sale Price - Single Family	34.0%	19.5%	4.0%	6.1%	9.5%
Level (Thousands)	$1,261	$1,507	$1,568	$1,662	$1,818
Inventory - Single Family	-30.7%	-43.2%	29.6%	23.6%	35.7%
Home Sales - Single Family	22.3%	1.3%	-27.0%	-15.6%	3.6%
Retail Sales Growth[5]	3.8%	21.0%	17.0%	4.0%	1.4%

[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through October 2024.
[2]U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q1.
[3]F.W. Dodge. Data through October 2024.
[4]Colorado Association of Realtors. Data through November 2024.
[5]Colorado Department of Revenue. Data through August 2024.

Western Region

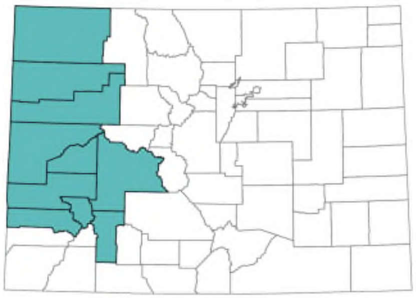


Table 35
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth					
Western Region[1]	-5.3%	1.2%	2.1%	1.0%	0.5%
Grand Junction MSA[2]	-5.3%	3.9%	2.5%	1.3%	0.5%
Unemployment Rate[1]	6.6%	5.5%	3.3%	3.3%	4.0%
Wages[3]					
Average Weekly Wages	5.7%	3.5%	7.4%	4.6%	2.9%
Level	$922	$954	$1,025	$1,072	$1,095
Natural Gas Production Growth[4]	-7.7%	-9.1%	-5.8%	-17.0%	-4.8%
Housing Permit Growth[5]	31.5%	20.8%	-10.8%	26.6%	-42.4%
Nonresidential Construction Growth[4]					
Value of Projects	-66.9%	244.5%	-12.4%	-23.4%	70.7%
Square Footage of Projects	-26.4%	61.6%	0.0%	-10.0%	58.8%
Level (Thousands)	479	774	773	696	733
Number of Projects	22.5%	34.5%	6.8%	-8.8%	20.4%
Level	87	117	125	114	124
Housing Market[6]					
Average Sale Price - Single Family	21.3%	23.3%	3.3%	11.3%	5.3%
Level (Thousands)	$421	$519	$536	$597	$629
Inventory - Single Family	-26.9%	-42.4%	25.2%	15.2%	12.2%
Home Sales - Single Family	12.4%	1.6%	-21.8%	-16.9%	0.4%
Retail Sales Growth[7]	1.7%	19.2%	11.4%	4.8%	2.4%
National Park Recreation Visits[8]	-0.1%	12.7%	-3.9%	0.1%	-5.9%

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through October 2024.
[2]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2024.
[3]U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q1.
[4]Colorado Oil and Gas Conservation Commission. Data through August 2024.
[5]F.W. Dodge. Data through October 2024.
[6]Colorado Association of Realtors. Data through November 2024.
[7]Colorado Department of Revenue. Data through August 2024.
[8]National Park Service. Recreation visits for Black Canyon of the Gunnison National Park, Colorado National Monument, Dinosaur National Monument, and Curecanti National Recreation Area. Data through October 2024.

Southwest Mountain Region

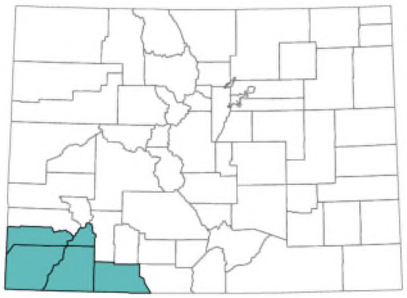


Table 36
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth[1]	-5.3%	-0.5%	2.4%	0.2%	0.0%
Unemployment Rate[1]	6.7%	5.6%	3.2%	3.2%	3.9%
Wages[2]					
Average Weekly Wages	6.9%	4.8%	4.5%	5.1%	4.1%
Level	$904	$948	$991	$1,042	$1,060
Housing Permit Growth[3]	12.4%	18.4%	-21.9%	21.0%	15.5%
Housing Market[4]					
Average Sale Price - Single Family	19.9%	21.2%	14.2%	7.4%	2.5%
Level (Thousands)	$541	$656	$750	$805	$824
Inventory - Single Family	-29.3%	-47.5%	12.4%	8.9%	23.8%
Home Sales - Single Family	31.3%	-1.2%	-23.3%	-18.9%	0.2%
Retail Sales Growth[5]	10.3%	20.1%	4.9%	1.4%	1.5%
National Park Recreation Visits[6]	-48.1%	87.2%	-8.2%	2.3%	-4.9%

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through October 2024.
[2]U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q1.
[3]F.W. Dodge. Permits for residential units. Data through October 2024.
[4]Colorado Association of Realtors. Seasonally adjusted. Data through November 2024.
[5]Colorado Department of Revenue. Seasonally adjusted. Data through August 2024.
[6]National Park Service. Recreation visits for Mesa Verde National Park and Hovenweep National Monument. Data through October 2024.

San Luis Valley Region

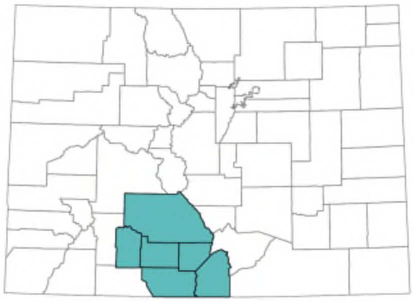


Table 37
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth[1]	-4.4%	-1.9%	2.2%	-0.8%	-1.0%
Unemployment Rate[1]	6.2%	6.1%	3.7%	3.7%	4.6%
Wages[2]					
Average Weekly Wages	7.0%	4.6%	6.3%	5.2%	0.1%
Level	$770	$805	$856	$901	$898
Crop Production and Values[3]					
Barley					
Acres Harvested	47,000	47,000	40,000	52,000	39,000
Crop Value ($/Acre)	$709	$548	$628	$1,000	NA
Potatoes					
Acres Harvested	53,800	52,400	52,900	54,800	53,800
Crop Value ($/Acre)	$4,494	$4,674	$7,169	$3,557	NA
Housing Permit Growth[4]	13.9%	28.6%	-21.6%	-6.3%	34.4%
Housing Market[5]					
Average Sale Price – Single Family	19.6%	27.2%	2.5%	3.7%	0.4%
Level (Thousands)	$270	$343	$352	$365	$375
Inventory – Single Family	-25.3%	-44.0%	18.6%	32.9%	26.2%
Home Sales – Single Family	27.8%	7.1%	-25.4%	-14.8%	13.9%
Retail Sales Growth[6]	8.8%	17.1%	9.0%	2.3%	-1.3%
National Park Recreation Visits[7]	-12.5%	30.6%	-18.1%	3.8%	-15.1%

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through October 2024.
[2]U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q1.
[3]National Agricultural Statistics Service, statewide data. Data through October 2024.
[4]F.W. Dodge. Data through October 2024.
[5]Colorado Association of Realtors. Data through November 2024.
[6]Colorado Department of Revenue. Data through August 2024.
[7]National Park Service. Recreation visits for Great Sand Dunes National Park and Preserve. Data through October 2024.

Appendix: Historical Data

National Economic Indicators

Calendar Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GDP ($ Billions) [1]	$15,049.0	$15,599.7	$16,254.0	$16,880.7	$17,608.1	$18,295.0	$18,804.9	$19,612.1	$20,656.5	$21,540.0	$21,354.1	$23,681.2	$26,006.9	$27,720.7
Percent Change	3.9%	3.7%	4.2%	3.9%	4.3%	3.9%	2.8%	4.3%	5.3%	4.3%	-0.9%	10.9%	9.8%	6.6%
Real GDP ($ Billions, 2017 dollars) [1]	$16,789.8	$17,052.4	$17,442.8	$17,812.2	$18,261.7	$18,799.6	$19,141.7	$19,612.1	$20,193.9	$20,715.7	$20,267.6	$21,494.8	$22,034.8	$22,671.1
Percent Change	2.7%	1.6%	2.3%	2.1%	2.5%	2.9%	1.8%	2.5%	3.0%	2.6%	-2.2%	6.1%	2.5%	2.9%
Unemployment Rate [2]	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.6%	3.6%
Inflation [2]	1.6%	3.1%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%
10-Year Treasury Note [3]	3.2%	2.8%	1.8%	2.4%	2.5%	2.1%	1.8%	2.3%	2.9%	2.1%	0.9%	1.4%	3.0%	4.0%
Personal Income ($ Billions) [1]	$12,556.6	$13,309.6	$13,917.8	$14,068.8	$14,784.1	$15,473.7	$15,887.7	$16,662.8	$17,528.2	$18,363.2	$19,620.1	$21,419.5	$22,088.9	$23,402.5
Percent Change	4.1%	6.0%	4.6%	1.1%	5.1%	4.7%	2.7%	4.9%	5.2%	4.8%	6.8%	9.2%	3.1%	5.9%
Wage & Salary Income ($ Billions) [1]	$6,372.5	$6,626.2	$6,928.1	$7,114.0	$7,476.3	$7,859.5	$8,091.3	$8,474.4	$8,899.8	$9,325.1	$9,465.7	$10,315.6	$11,123.1	$11,725.2
Percent Change	2.0%	4.0%	4.6%	2.7%	5.1%	5.1%	2.9%	4.7%	5.0%	4.8%	1.5%	9.0%	7.8%	5.4%
Nonfarm Employment (Millions) [2]	130.3	131.9	134.2	136.4	138.9	141.8	144.3	146.6	148.9	150.9	142.2	146.3	152.5	156.1
Percent Change	-0.7%	1.2%	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%

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

Colorado Economic Indicators

Calendar Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Nonfarm Employment (Thousands) [1]	2,221	2,257	2,312	2,381	2,463	2,541	2,602	2,660	2,727	2,790	2,653	2,751	2,870	2,942
Percent Change	-1.0%	1.6%	2.4%	3.0%	3.5%	3.2%	2.4%	2.3%	2.5%	2.3%	-4.9%	3.7%	4.3%	2.5%
Unemployment Rate [1]	9.2%	8.7%	8.0%	6.8%	5.0%	3.8%	3.1%	2.6%	3.0%	2.7%	6.8%	5.5%	3.1%	3.2%
Personal Income ($ Millions) [2]	$206,053	$223,874	$236,033	$247,817	$268,453	$279,696	$283,679	$303,367	$328,113	$351,476	$374,262	$416,727	$447,854	$470,606
Percent Change	2.9%	8.6%	5.4%	5.0%	8.3%	4.2%	1.4%	6.9%	8.2%	7.1%	6.5%	11.3%	7.5%	5.1%
Per Capita Income ($) [2]	$40,827	$43,732	$45,490	$47,082	$50,244	$51,394	$51,306	$54,171	$57,794	$61,276	$64,693	$71,706	$76,674	$80,068
Percent Change	1.4%	7.1%	4.0%	3.5%	6.7%	2.3%	-0.2%	5.6%	6.7%	6.0%	5.6%	10.8%	6.9%	4.4%
Wage & Salary Income ($ Millions) [2]	$113,670	$118,415	$124,947	$129,521	$138,626	$146,578	$151,168	$160,940	$170,790	$182,963	$187,826	$205,637	$224,794	$238,724
Percent Change	1.3%	4.2%	5.5%	3.7%	7.0%	5.7%	3.1%	6.5%	6.1%	7.1%	2.7%	9.5%	9.3%	6.2%
Retail Trade Sales ($ Millions) [3]	$65,151	$69,874	$74,100	$77,639	$83,395	$87,379	$90,627	$95,890	$100,503	$105,547	$112,431	$131,528	$144,145	$145,707
Percent Change	6.8%	7.2%	6.0%	4.8%	7.4%	4.8%	3.7%	5.8%	4.8%	5.0%	6.5%	17.0%	9.6%	1.1%
Housing Permits [4]	11,591	13,502	23,301	27,517	28,698	31,871	38,974	40,673	42,627	38,633	40,469	56,524	48,341	39,404
Percent Change	23.9%	16.5%	72.6%	18.1%	4.3%	11.1%	22.3%	4.4%	4.8%	-9.4%	4.8%	39.7%	-14.5%	-18.5%
Nonresidential Construction ($ Millions) [5]	$3,147	$3,923	$3,695	$3,624	$4,351	$4,991	$5,988	$6,151	$8,132	$5,161	$5,608	$5,681	$6,662	$6,640
Percent Change	-6.2%	24.7%	-5.8%	-1.9%	20.1%	14.7%	20.0%	2.7%	32.2%	-36.5%	8.6%	1.3%	17.3%	-0.3%
Denver-Aurora-Lakewood Inflation [1]	1.9%	3.7%	1.9%	2.8%	2.8%	1.2%	2.8%	3.4%	2.7%	1.9%	2.0%	3.5%	8.0%	5.2%
Population (Thousands, July 1) [4]	5,050.3	5,123.6	5,194.7	5,270.9	5,347.7	5,446.6	5,529.6	5,599.6	5,676.9	5,734.9	5,785.0	5,811.1	5,840.2	5,876.3
Percent Change	1.5%	1.4%	1.4%	1.5%	1.5%	1.9%	1.5%	1.3%	1.4%	1.0%	0.9%	0.5%	0.5%	0.6%

Sources:

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

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

[3] Colorado Department of Revenue.

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

[5] F.W. Dodge.