



Economic & Revenue Forecast

June 2024



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

June 2024 | Economic & Revenue Forecast

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Contributors

Greg Sobetski, Chief Economist
Marc Carey
Louis Pino
Elizabeth Ramey
David Hansen
Emily Dohrman
Amanda Liddle
Thomas Rosa
Debbie Grunlien

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Executive Summary

This report presents the budget outlook based on current law and the June 2024 forecast for General Fund revenue, cash fund revenue, and the state TABOR outlook. It also includes summaries of expectations for the U.S. and Colorado economies and discussion of the economic situation for nine regions of the state.

General Fund Budget Outlook

FY 2023-24

The General Fund is expected to end FY 2023-24 with a 13.5 percent reserve, \$163.6 million below the statutory reserve requirement. General Fund revenue is expected to fall by about \$700 million, or 3.9 percent, mostly as a result of income tax credits enacted during the 2024 session. Despite the decrease in revenue and an 8.5 percent increase in the Referendum C cap, collections are expected to exceed the cap by \$1.41 billion. Additionally, the state is obligated to refund \$33.9 million to correct prior underrefunds related to insurance premium tax revenue credited to the Health Insurance Affordability Enterprise.

FY 2024-25

This forecast incorporates the 2024 Long Bill and other legislation affecting the FY 2024-25 budget overview. The General Fund is expected to end FY 2024-25 with a 14.5 percent reserve, \$86.0 million below the statutory reserve requirement. This amount may change based on ballot measures approved at the November 2024 election and legislation enacted during the 2025 legislative session. General Fund revenue is expected to decrease by 1.7 percent and total \$17.01 billion. After adjusting for tax credits enacted during the 2024 legislative session, state revenue subject to TABOR is expected to exceed the Referendum C cap by only about \$330 million. Given normal forecast error, it is possible that state revenue subject to TABOR may fall below the Referendum C cap, which would cause the FY 2024-25 budget to be constrained by available revenues, rather than the TABOR limit.

FY 2025-26 Unbudgeted

General Fund revenue is expected to grow 8.0 percent and total \$18.37 billion, with state revenue subject to TABOR exceeding the Referendum C cap by \$1.09 billion. The General Fund is projected to have \$1.26 billion, or 7.5 percent, more available to spend or save than what is budgeted to be spent in FY 2024-25, after current law transfers and the statutory reserve requirement. This amount does not incorporate caseload growth, inflation, or other budgetary pressures, such as the expiration of ARPA funds that were used to offset a portion of FY 2024-25 appropriations.

The General Fund Budget Overview section presents an alternative scenario that projects additional FY 2025-26 budget obligations based on current law. Under this scenario ("Scenario B"), the year-end General Fund reserve could fall short of the reserve requirement by \$575.7 million. Additional explanation can be found in the discussion of budget Scenario B (see Table 2 on page 10).

Risks to the budget outlook. Risk to the budget outlook has increased relative to earlier forecasts, as reduced revenue expectations raise the possibility that state revenue may fall short of the Referendum C cap in FY 2024-25 and/or FY 2025-26, even without an economic recession. Other usual risks likewise persist, including recession risk, volatile income tax revenue streams, and cash fund revenue subject to TABOR that may trade off with available General Fund budget space.

TABOR refund requirement for exceeding Proposition FF Blue Book estimate. Income tax revenue attributable to Proposition FF is now estimated to reach \$127.1 million in FY 2024-25 on an accrual basis, exceeding the estimate provided to voters in the 2022 Blue Book by \$26.4 million. If revenue does exceed the estimate, 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

FY 2023-24 cash fund revenue subject to TABOR is projected to end the year at a level close to that attained in FY 2022-23, with revenue increasing 0.5 percent to a total near \$2.77 billion. Increases in transportation-related revenue and other miscellaneous cash funds are expected to offset a significant decrease in severance tax revenue and gaming tax revenue subject to TABOR. In FY 2024-25, cash fund revenue subject to TABOR is projected to increase 4.8 percent and total just over \$2.90 billion, driven by moderate increases in transportation-related revenue and severance tax revenue. Finally, revenue for FY 2024-25 is expected to increase by 2.6 percent and total just below \$3.0 billion as growth in the largest revenue streams moderates.

Economic Outlook

The U.S. economy continues to emerge from a tense period where runaway inflation resulted in higher interest rates and borrowing costs, thereby slowing overall economic activity. Despite these headwinds, the U.S. and Colorado economies continued to expand through the first quarter of this year. U.S. inflation remains high, and yet consumer activity has been resilient. Employers continue to add jobs at a healthy rate. Households spending is buoying businesses even in the face of high interest rates. Taken together, current indicators suggest that the U.S. economy is maintaining an average or slightly below average pace of expansion, converging toward expectations for a slowdown in growth.

This forecast expects continued moderate expansion in the U.S. and Colorado economies at a slightly slower pace in 2024 than in 2023. Receding inflation and interest rate reductions, which are anticipated to begin late this year, will boost growth, while deteriorating household balance sheets will raise headwinds. Colorado's economy is expected to modestly outperform the nation's, with comparable employment growth in 2024, higher income growth, and lower inflation.

Tables 19 and 20 on pages 79 and 80 present the economic forecasts for the U.S. and Colorado, respectively. The tables in the Appendix, beginning on page 119, present historical data for the U.S. and Colorado economies.

General Fund Budget Overview

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

- a budget scenario for FY 2025-26 that incorporates General Fund obligations expected under current law (Table 2);
- a summary of changes in expectations relative to the March 2024 forecast (Table 3);
- transfers to the State Education Fund (Figure 1);
- transfers to transportation and capital construction funds (Table 4);
- the disposition of fiscal policies dependent on revenue conditions, including calculations for an affordable housing transfer required by statute to appear in this June forecast (Table 5);
- General Fund rebates and expenditures (Table 6); and
- cash fund transfers to and from the General Fund (Table 7).

Legislative Assumptions

This forecast is based on current law and incorporates all 2024 legislation that has become law or will become law if a referendum petition is not filed. Notably, the forecast incorporates the FY 2024-25 Long Bill and associated budget package. The forecast does not account for provisions that would only take effect if voters approve ballot measures at the November election.

Table 10 on page 28 summarizes legislation affecting the General Fund revenue forecast. Legislation affecting TABOR accounting and TABOR refund mechanisms is discussed in the TABOR Outlook section. Legislation affecting the cash fund revenue forecast is discussed in the Cash Fund Revenue section.

The budget outlook below also includes notable adjustments for:

- [**House Bill 24-1231**](#), which reduced the statutory reserve requirement by \$41.25 million for FY 2023-24 and is expected to reduce the FY 2024-25 and FY 2025-26 reserve requirements by the same amount;
- [**House Bill 24-1390**](#), which re-routes income tax revenue collected under Proposition FF to a new Healthy School Meals for All Cash Fund, rather than the General Fund, beginning in FY 2024-25; and
- [**House Bills 24-1465 and 24-1466**](#), which make budgetary adjustments concerning the expenditures of federal American Rescue Plan Act (ARPA) funds allocated to Colorado. Together, they reduce FY 2023-24 and FY 2024-25 General Fund appropriations and make \$1.395 billion in transfers out of the General Fund in FY 2023-24. HB 24-1466 applies a \$56.5 million increase to the FY 2024-25 statutory reserve requirement calculation and contemplates an increase in the reserve requirement for FY 2023-24; however, it is expected not to affect the FY 2023-24 requirement due to a technical issue with how the adjustment is written.

FY 2023-24

The General Fund is expected to end FY 2023-24 with a 13.5 percent reserve, \$163.6 million below the statutory reserve requirement, which is set at 15.0 percent of appropriations less \$41.25 million (Table 1, line 20). Expectations for the year-end excess reserve were revised down by \$128.3 million relative to the March forecast, mostly because increased General Fund obligations for transfers,

primarily under HB 24-1466, exceeded the amount saved by decreasing appropriations and reducing the reserve requirement. General Fund revenue collections are expected to fall by 3.9 percent relative to FY 2022-23, mostly as a result of income tax credits enacted during the 2024 legislative session. State revenue subject to TABOR is still expected to exceed the Referendum C cap by \$1.41 billion.

The General Fund obligation for TABOR refunds is estimated at \$1.45 billion (Table 1, line 8) and includes \$33.9 million in under-refunds of prior obligations identified in the [Single Statewide Audit for FY 2022-23](#). The State Auditor found that \$33.9 million in insurance premium tax revenue credited to the Health Insurance Affordability Enterprise between FY 2020-21 and FY 2022-23 had been accounted incorrectly as TABOR-exempt. This amount will be refunded with the state TABOR refund obligation for FY 2023-24, and [House Bill 24-1470](#) causes this revenue to be credited to the General Fund, rather than the enterprise, beginning in FY 2023-24.

FY 2024-25

Incorporating appropriations adopted in the Long Bill and other 2024 legislation, new transfers to and from the General Fund, as well as forecast expectations for revenue, preexisting transfers, rebates and expenditures, and the TABOR refund obligation, the General Fund is expected to end FY 2024-25 with a 14.5 percent reserve, \$86.0 million below the statutory reserve requirement, which is set at 15.0 percent of appropriations less \$41.25 million (Table 1, line 20). This amount may change due to normal revenue forecast revisions, ballot measures approved at the November 2024 election, supplemental appropriations adopted during the 2025 legislative session, and other legislative changes to appropriations and transfers.

General Fund revenue collections are expected to decrease by 1.7 percent, mostly due to expected declines in corporate income tax revenue collections. Following the incorporation of tax credits enacted during the 2024 legislative session in this revenue forecast, state revenue subject to TABOR is expected to exceed the Referendum C cap by only about \$330 million, much less than in recent fiscal years. This means that it is possible, given normal forecast error, that state revenue subject to TABOR will fall below the Referendum C cap in FY 2024-25, which would cause the FY 2024-25 budget to be constrained by available revenues, rather than the TABOR limit.

Refund obligation for exceeding Proposition FF Blue Book estimate. Under House Bill 24-1390, revenue from the income tax addition in Proposition FF will be credited to a new Healthy School Meals for All Cash Fund beginning in FY 2024-25. This forecast expects Proposition FF revenue to total \$127.1 million for FY 2023-24, exceeding the estimate of first full fiscal year revenue provided to voters in the 2022 Blue Book by \$26.4 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 these amounts are not included in the refund mechanisms presented in the TABOR Outlook section.

Table 1
General Fund Overview
Dollars in Millions

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Funds Available	Actual	Estimate	Estimate	Estimate
1 Beginning Reserve	\$3,203.2	\$2,427.4	\$1,867.9	\$2,228.8
2 General Fund Revenue (Table 11)	\$17,998.0	\$17,299.8	\$17,010.0	\$18,372.9
3 Transfers from Other Funds (Table 7)	\$53.5	\$93.2	\$177.5	\$63.2
4 Total Funds Available	\$21,254.8	\$19,820.4	\$19,055.4	\$20,665.0
5 Percent Change	1.5%	-6.7%	-3.9%	8.4%
Expenditures	Actual	Budgeted	Budgeted	Estimate
6 General Fund Appropriations Subject to the Limit ¹	\$13,308.1	\$13,818.6	\$15,330.2	*
7 Appropriations from Healthy School Meals Account ¹		\$115.3		
8 TABOR Refund Obligation Under Art. X, §20, (7)(d)	\$3,678.3	\$1,445.6	\$328.1	\$1,094.9
9 Rebates and Expenditures (Table 6)	\$168.7	\$231.4	\$172.6	\$180.2
10 Transfers to Other Funds (Table 7)	\$1,005.7	\$1,944.0	\$478.0	\$406.6
11 Transfers to the State Education Fund ²	\$290.0	\$0.0	\$146.0	\$0.0
12 Transfers to Transportation Funds (Table 4)	\$88.0	\$5.0	\$117.5	\$117.5
13 Transfers to Capital Construction Funds (Table 4)	\$488.3	\$392.6	\$254.1	\$20.0
14 Total Expenditures	\$19,027.2	\$17,952.4	\$16,826.5	*
15 Percent Change	6.7%	-5.7%	-6.3%	*
16 Accounting Adjustments ³	\$199.8	*	*	*
Reserve	Actual	Estimate	Estimate	Estimate
17 Year-End General Fund Reserve	\$2,427.4	\$1,867.9	\$2,228.8	*
18 Year-End Reserve as a Percent of Appropriations	18.2%	13.5%	14.5%	*
19 Statutorily Required Reserve ⁴	\$1,996.2	\$2,031.5	2,314.8	*
20 Amount in Excess or (Deficit) of Statutory Reserve	\$431.2	-\$163.6	-\$86.0	*
21 Excess Reserve as a Percent of Expenditures	2.3%	-0.9%	-0.5%	*
Perspectives on FY 2025-26 (Unbudgeted)		Estimate	Estimate	Estimate
Scenario A: Holds FY 2024-25 Appropriations Constant⁵				
22 Amount in Excess or (Deficit) of 15% Reserve Requirement				\$1,257.4
23 As a Percent of Prior-Year Expenditures				7.5%
Scenario B: Projected Obligations Based on Current Law⁶				
24 Amount in Excess or (Deficit) of 15% Reserve Requirement				-\$575.7
25 As a Percent of Prior-Year Expenditures				-3.4%
Addendum	Actual	Estimate	Estimate	Estimate
26 Percent Change in General Fund Appropriations	10.5%	3.8%	10.9%	*
27 5% of Colorado Personal Income Appropriations Limit	\$18,757.9	\$20,898.4	\$22,110.7	\$23,192.6
28 Transfers to State Education Fund per Amendment 23	\$1,066.4	\$1,209.0	\$1,082.5	\$1,185.0

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

¹ Line 6 shows appropriations subject to the statutory reserve requirement (line 19) and the appropriations limit (line 27). Line 7 shows appropriations from the Healthy School Meals Program Exempt Account, which are not subject to the reserve requirement and appropriations limit.

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

³ Reversions of appropriated amounts and other accounting adjustments to arrive at the year-end balance published in the Annual Comprehensive Financial Report. FY 2022-23 includes \$114.9 million underrefunded from the TABOR refund obligation, mostly due to Proposition 121.

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 (lines 6 and 7) to determine the total amount of money available relative to FY 2024-25 expenditures, net of the obligations in lines 8 through 13.

⁶ This scenario includes expected cost pressures from the rolloff of ARPA contributions to the operating budget after FY 2024-25, annualized costs for 2024 legislation, assumed increases for school finance, Medicaid, higher education, community provider rates, and state employee salaries; capital construction and IT capital projects approved to date; and State Architect recommendations for controlled maintenance. See Table 2.

FY 2025-26 (Unbudgeted)

General Fund revenue is expected to grow by 8.0 percent in FY 2025-26, above its historical trend growth rate, though the revenue forecast is less accurate when looking further into the future. Collections from individual and corporate income taxes are expected to rebound after a weak FY 2024-25, primarily as a result of income tax policy changes enacted during the 2024 legislative session becoming fully phased in. State revenue subject to TABOR is expected to exceed the Referendum C cap by \$1.09 billion. 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 from FY 2024-25. Scenario A, shown on lines 22 and 23 of Table 1, shows the amount of revenue available to be spent or saved in FY 2025-26 if FY 2025-26 appropriations were held constant from FY 2024-25 appropriations. This scenario does not include annualizations of 2024 legislation. Based on this forecast, the General Fund will have \$1.26 billion, or 7.5 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 9 through 13), as well as a reserve requirement equal to 15.0 percent of appropriations, minus \$41.25 million, and the projected TABOR refund obligation. The \$1.26 billion amount is a cumulative amount that reflects the FY 2024-25 enacted budget and projected year-end balance. Any changes in revenue or adjustments made to the budget for FY 2024-25, including the 2025 supplemental budget package, 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.

Scenario B: Projected Obligations Based on Current Law. Scenario B, shown on lines 24 and 25 of Table 1, presents the amount of revenue in excess or deficit of the statutory reserve requirement for FY 2025-26 based on a set of projected changes to appropriations and transfers to accommodate current law budget pressures. The inclusion of Scenario B is illustrative and should not be considered an endorsement of any of the listed actions by Legislative Council Staff. Under Scenario B, the General Fund would end FY 2025-26 with an 11.3 percent reserve, \$575.7 million below the statutory reserve requirement.

Table 2 details the assumptions used to calculate Scenario B. Some additional explanation is provided below.

Changes in General Fund appropriations. Scenario B incorporates adjustments to accommodate the end of ARPA-related cost savings in the General Fund budget. [House Bill 24-1466](#) transferred General Fund revenue to ARPA recipient cash funds in FY 2023-24 and decreased General Fund appropriations in FY 2023-24 and FY 2024-25; these adjustments are incorporated in the General Fund overview for these years presented in Table 1, above. The bill reduced General Fund appropriations for personal services by \$587.2 million in FY 2024-25. In order to show an ongoing personal services expense that incorporates both the amounts paid from the General Fund and federal ARPA funds in FY 2024-25 that would be paid from the General Fund only in FY 2025-26, Scenario B (Table 2, line 2) adjusts the Scenario A assumption to add back the \$587.2 million one-time cut when computing the FY 2025-26 budget.

Scenario B also includes out-year cost annualizations for 2024 legislation. Based on LCS final fiscal notes, FY 2025-26 General Fund expenditures for 2024 legislation are expected to be \$5.6 million more than FY 2024-25 expenditures (Table 2, line 3).

Finally, Scenario B shows how appropriations for the largest areas of General Fund expenditure may change in FY 2025-26. The growth rate assumptions provided below are based on JBC Staff analysis of prior year budget actions, and may overstate or understate needed cost increases for FY 2025-26 specifically:

- \$127.2 million in increased General Fund appropriations for school finance, representing 3.0 percent year-on-year growth (Table 2, line 4);
- \$367.3 million in forecast-driven increases in General Fund appropriations for the Department of Health Care Policy and Financing, mostly for medical services premiums (Table 2, line 5);
- \$82.7 million in increased General Fund appropriations for higher education institutions, representing 5.3 percent year-on-year growth, the 20-year compound average annual growth rate for this appropriation (Table 2, line 6);
- \$74.2 million in increased General Fund appropriations for community providers, representing 2.0 percent year-on-year growth with similar targeted rates to those for FY 2024-25 (Table 2, line 7); and
- \$117.3 million in increased General Fund appropriations for state employee salaries, representing similar increases to those for FY 2024-25 (Table 2, line 8).

In total, Scenario B shows the budget impact of \$1,361.4 million in additional appropriations in FY 2025-26 compared with the FY 2024-25 used for Scenario A (Table 2, line 9). With this increase, the scenario also estimates a \$204.2 million increase in the statutory reserve requirement (Table 2, line 14). Scenario B does not incorporate the costs for any new state programs receiving General Fund appropriations, which would further reduce the available amount.

Changes in General Fund transfers for capital projects. Scenario B shows a total of \$267.5 million in additional General Fund obligations for transfers to the Capital Construction Fund (Table 2, line 13). The amount includes out-year costs for capital construction (line 10) and IT capital (line 11) projects funded in FY 2024-25, alongside the State Architect’s recommended annual allocation for controlled maintenance spending (line 12), equal to 1 percent of the current replacement value of state buildings. The costs for new projects funded with General Fund transfers in FY 2025-26 would add to the total amount.

Table 2
FY 2025-26 Budget Scenario B
Projected Obligations Based on Current Law
Dollars in Millions

		FY 2025-26
1	Excess Reserve Under Scenario A	\$1,257.4
Change in Appropriations Under Scenario B		
2	Year-Over-Year Budget Impact of Rolloff of ARPA Funds	\$587.2
3	2024 Legislation Out-Year Cost Annualizations	\$5.6
4	School Finance (3% increase in General Fund appropriation)	\$127.2
5	HCPF (all decision items, primarily Medical Services Premiums)	\$367.3
6	Higher Ed. Institutions (5.3% GF increase based on 20-year CAAGR ¹)	\$82.7
7	Community Providers (2% increase with FY 2024-25 targeted rates)	\$74.2
8	Salary Survey (similar growth to FY 2024-25)	\$117.3
9	Total Change in Appropriations	\$1,361.4
Capital Construction Transfers Under Scenario B		
10	Out-Year Cost of FY 2024-25 Funded Capital Const. Projects	\$65.1
11	Out-Year Cost of FY 2024-25 IT Capital Projects	\$26.8
12	State Architect Recommendation for Controlled Maintenance	\$175.7
13	Total Change in Capital Transfers	\$267.5
14	Change in Required Reserve (15% of Line 9)	\$204.2
15	Total Change in General Fund Obligations (Line 9 plus Line 13 plus Line 14)	\$1,833.1
16	Excess Reserve Under Scenario B (Line 1 minus Line 15)	(\$575.7)

Source: June 2024 LCS Forecast and Joint Budget Committee Staff.

¹CAAGR = compound average annual growth rate.

Risks to the General Fund Budget Outlook

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

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 \$328.1 million, or 1.7 percent. Even without a recession, it is well 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 corporate income tax outlook is especially uncertain. Corporate income tax collections increased 50.9 percent in FY 2022-23, an unprecedented rise that followed another mammoth increase in FY 2021-22. Corporate collections are expected to rise 16.5 percent further in FY 2023-24,

then fall by 19.3 percent in FY 2024-25. Given recent volatility, there is significant bidirectional risk to the forecast. In the near term, forecast error would result in a higher or lower TABOR refund obligation with no downstream impact on the state budget. However, especially volatile corporate collections could exacerbate the budget consequences if revenue falls below the Referendum C cap.

Higher-than-expected cash fund revenue would increase General Fund budget pressures. Most sources of cash fund revenue—including severance tax revenue, which is the state’s most volatile revenue stream—are subject to the TABOR limit. Because TABOR surpluses are refunded using General Fund money, higher-than-expected cash fund revenue would create additional budgetary pressures for the General Fund.

Changes Between the March and June Forecasts

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

FY 2023-24. The March forecast anticipated that the General Fund would end FY 2023-24 with a reserve \$35.3 million below the statutory requirement. This June forecast downgrades that expectation by \$128.3 million, and anticipates a reserve \$163.6 million below the statutory requirement (Table 1, line 20). The lower expectation is a result of the transfers to ARPA recipient funds in HB 24-1466, which more than offset decreased appropriations and the decreased statutory reserve requirement. This was an intentional consequence of the legislation, which frontloaded the transfers to FY 2023-24 while accomplishing a reduction in General Fund appropriations for both FY 2023-24 and FY 2024-25, decreasing General Fund obligations on net over the two-year period.

Expected General Fund revenue and the expected TABOR refund obligation were both reduced. Downgrades in the forecast of cash fund revenue subject to TABOR more than offset the refund requirement attributable to the State Auditor’s finding regarding insurance premium taxes paid to the Health Insurance Affordability Enterprise, which was discussed in the March forecast but not included in the baseline expectation. On net, the TABOR limit is expected to apply \$63.0 million less in budget pressure than was forecast in March

FY 2024-25. The March forecast was prepared before the General Assembly had enacted a budget for FY 2024-25. Table 3 compares the June 2024 forecast for FY 2024-25, which includes the Long Bill and all other 2024 legislation, to the March forecast’s Scenario A in order to show how available funds were spent.

Table 3
Changes in the General Fund Budget Relative to the March 2024 Forecast (Scenario A)

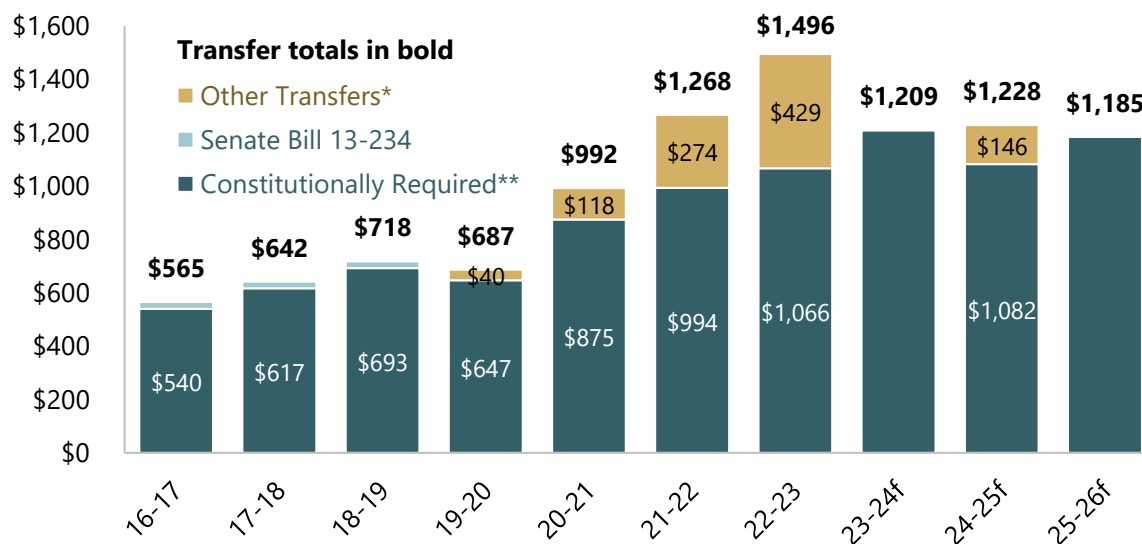
Dollars in Millions, Positive Amounts Reflect an Increase Relative to March

Components of Change	FY 2023-24	FY 2024-25	Description of Changes
Funds Available	-\$293.5	-\$1,870.5	
Beginning Balance	\$0.0	-\$323.0	Carries forward anticipated FY 2023-24 year-end balance to FY 2024-25.
General Fund Revenue	-\$315.8	-\$1,643.1	Reflects forecast changes, largely due to new income tax credits; see Table 10 (legislative impacts) and Table 11 (General Fund revenue). For FY 2024-25, also reflects the movement of Proposition FF revenue out of the General Fund under HB 24-1390 .
Transfers from Other Funds	\$22.3	\$95.6	Mostly legislative changes, including HB 24-1415 for FY 2023-24, and HB 24-1413 and HB 24-1426 for FY 2024-25. See Table 7.
Expenditures	\$29.5	-\$935.0	
Operating Appropriations	-\$1,023.4	\$372.9	Reflects the FY 2024-25 Long Bill , HB 24-1466 , and other legislation.
TABOR Refund Obligation	-\$378.9	-\$1,581.6	Changes to General Fund and cash fund revenue forecasts, as well as HB 24-1469 . See Table 9.
Rebates and Expenditures	-\$5.8	-\$14.1	Primarily reduced expected Old Age Pension payments. See Table 6.
SEF Transfers	\$0.0	\$0.0	
Transportation Transfers	\$0.0	\$0.0	
Capital Const. Transfers	\$41.3	\$234.1	HB 24-1231 , HB 24-1425 , and SB 24-222 . See Table 4.
Other Cash Fund Transfers	\$1,396.4	\$53.8	Reflects 2024 legislation, most notably HB 24-1466 for FY 2023-24, and HB 24-1313 for FY 2024-25. See Table 7.
Required Reserve	-\$194.8	\$88.5	15 percent of change to operating appropriations shown above, alongside reduced requirement for both years (HB 24-1231) and increase for FY 2024-25 only (HB 24-1466).
Surplus Relative to Required Reserve	-\$128.3	-\$1,024.0	Nets the above changes.

State Education Fund Transfers

The Colorado Constitution (Amendment 23) requires the State Education Fund (SEF) to receive one-third of 1 percent of taxable income. In FY 2023-24, the SEF will receive a total of \$1.21 billion as a result of this requirement, equal to \$1.07 billion in estimated transfers required for the current year, plus \$135.1 million in corrections for prior year under-transfers, discussed below. The SEF transfer is estimated at \$1.23 billion in FY 2024-25, including a transfer scheduled under [Senate Bill 23B-001](#), and \$1.18 billion in FY 2025-26, with increases attributable to growth in taxable income among Colorado taxpayers. Figure 1 shows revenue to the State Education Fund, which is required to be used to fund kindergarten through twelfth grade public education.

Figure 1
Revenue to the State Education Fund
Dollars in Millions



Source: Colorado State Controller's Office and Legislative Council Staff forecast. 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 (Amendment 23).

Correction of prior year under-transfers to the State Education Fund. LCS is required to calculate SEF transfer amounts with each quarterly forecast and notify the Department of Revenue of quarterly transfer requirements. State law requires LCS to correct for prior year errors in transfer amounts when these are identified. Every annual transfer contains error because data on taxable income amounts are unavailable at the time that transfers are performed. Since the September 2020 forecast, LCS has kept a rolling accounting of all prior year errors, dating back to FY 2019-20, and incorporated corrections for these errors in each quarterly forecast's SEF transfer amount. The June 2024 forecast corrects a relatively minor methodological error related to adjustments for the impact of refundable income tax credits on estimates of the transfer amount. This methodological improvement brought to light \$19.0 million in cumulative under-transfers between FY 2019-20 and FY 2022-23. More importantly, the new methodology allows for a complete review of all SEF transfer amounts dating back to the first SEF transfer in FY 2000-01. This review found that

LCS had corrected transfer errors between FY 2000-01 and FY 2003-04, but had usually under-transferred revenue, without correction, by amounts between \$5 million and \$15 million per year between FY 2004-05 and FY 2018-19. The cumulative under-transfer over the 19-year period between FY 2004-05 and FY 2022-23 totals \$135.1 million, equal to about 1.3 percent of the calculated transfer requirement over that period.

This forecast corrects the entire \$135.1 million under-transfer by making a positive adjustment to the FY 2023-24 transfer, and anticipates that no later corrections will be required for FY 2022-23 or any prior year. For a complete discussion of the corrections, see the June 20, 2024, LCS memorandum titled "Corrections of Prior-Year Transfers to the State Education Fund," available [here](#).

Revenue transferred to the SEF under Amendment 23 is exempt from TABOR. Transfer amounts reduce both General Fund revenue and the state TABOR refund obligation, with no net impact on the amount available for the General Fund budget.

General Fund Transfers for Transportation and Capital Construction

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

Table 4
Infrastructure Transfers from the General Fund

Dollars in Millions

Transportation Funds	2022-23	2023-24	2024-25	2025-26
SB 21-260	\$2.5		\$117.5	\$117.5
HB 22-1351	\$78.5			
SB 22-176	\$7.0			
SB 23-283		\$5.0		
Total	\$88.0	\$5.0	\$117.5	\$117.5
Capital Construction Funds	2022-23	2023-24	2024-25	2025-26
HB 15-1344*	\$20.0	\$20.0	\$20.0	\$20.0
HB 22-1340	\$462.2			
SB 23-141	\$6.1			
SB 23-243		\$294.2		
SB 23-294		\$18.2		
HB 24-1215		\$19.0		
HB 24-1231		\$41.3		
HB 24-1425			\$232.2	
SB 24-222			\$1.9	
Total	\$488.3	\$392.6	\$254.1	\$20.0

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

General Fund contributions to transportation. [Senate Bill 23-283](#) directs \$5.0 million to the State Highway Fund in FY 2023-24 only. [Senate Bill 21-260](#) will direct annual transfers from the General Fund to the State Highway Fund (\$107.0 million) and the Multimodal Transportation and Mitigation Options Fund (\$10.5 million) beginning in FY 2024-25. These transfers continue annually at the same amounts through FY 2028-29 and are then reduced to smaller amounts beginning in FY 2029-30.

General Fund transfers for capital projects. Legislation enacted in 2023 directed transfers of \$312.4 million in FY 2023-24 for capital construction and IT projects. In 2024, the General Assembly enacted four bills making transfers for capital construction and IT projects. **House Bills [24-1215](#) and [24-1231](#)** together transfer \$60.2 million in FY 2023-24, while **House Bill [24-1425](#)** and **Senate Bill [24-222](#)** together transfer \$234.1 million in FY 2024-25.

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 7.4 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 7.4 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. For example, because the JBC selected the March 2024 OSPB forecast to balance the FY 2024-25 budget, the amounts of the credits for tax year 2025 will depend on the December 2024 OSPB forecast for revenue subject to TABOR for FY 2025-26.

Under this forecast, FY 2025-26 revenue growth is expected to be sufficient to allow both credits in full for tax year 2025. A forecast of revenue growth for FY 2026-27 is not yet available, and the forecast assumes that both credits will be available in full for tax year 2026. Actual credit availability and amounts will depend on the December 2024 OSPB forecast, and 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 most years. In tax years when the state refunds a TABOR surplus, taxpayers may claim an amount up to \$50,000, less their income tax liability, as a refundable credit. The state collected a TABOR surplus in FY 2022-23, and this forecast expects a TABOR surplus in each of FY 2023-24, FY 2024-25, and FY 2025-26. Therefore, partial refundability of the credit is expected to be available for tax years 2023 through 2026. 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 LCS forecast, no transfer was made for FY 2022-23.

Statute requires that each June forecast report estimates of state revenue subject to TABOR and the cutoff amount, and the calculated transfer amount based on these estimates for the current fiscal year. Table 5 presents these amounts for FY 2023-24.

Table 5
FY 2023-24 Transfer from the Unclaimed Property Trust Fund
to the Housing Development Grant Fund
 Dollars in Millions

	FY 2023-24
Revenue Subject to TABOR	\$19,484.9
TABOR Limit (Referendum C Cap)	\$18,073.2
Transfer Cutoff Amount	\$18,043.2
Excess/(Deficit) of Cutoff Amount*	\$1,441.7
FY 2023-24 Transfer Amount	\$0.0

*This amount must be \$0 or less for a transfer to be made.

Because this forecast projects that revenue subject to TABOR will exceed the cutoff amount, **no transfer will be made for FY 2023-24**. Based on this forecast, no transfer is expected for FY 2024-25 or FY 2025-26, as revenue subject to TABOR is expected to come in above the cutoff amount in both years.

Table 6
General Fund Rebates and Expenditures
Dollars in Millions

Category	Actual FY 2022-23	Percent Change	Estimate FY 2023-24	Percent Change	Estimate FY 2024-25	Percent Change	Estimate FY 2025-26	Percent Change
Senior and Veterans Property Tax Exemptions	\$163.7	1.0%	\$161.2	-1.5%	\$166.2	3.1%	\$174.0	4.7%
TABOR Refund Mechanism ¹	-\$163.6		-\$161.2		-\$166.2		-\$174.0	
Property Tax Assessed Value Reductions			\$291.9		\$0.0		\$50.0	
TABOR Refund Mechanism ²			-\$238.6		NA		-\$50.0	
Cigarette Rebate	\$7.7	-7.0%	\$6.4	-16.7%	\$5.4	-15.2%	\$5.4	-0.6%
Old Age Pension Fund	\$84.9	10.4%	\$84.3	-0.7%	\$84.2	-0.1%	\$94.1	11.8%
Aged Property Tax and Heating Credit	\$12.0	105.2%	\$10.3	-14.6%	\$11.4	11.0%	\$8.5	-25.3%
Older Coloradans Fund	\$10.0	0.0%	\$10.0	0.0%	\$10.0	0.0%	\$10.0	0.0%
Interest Payments for School Loans	\$10.5	952.4%	\$26.2	149.0%	\$19.9	-24.1%	\$19.0	-4.8%
Firefighter Pensions	\$4.3	-5.0%	\$4.0	-5.5%	\$4.1	1.2%	\$4.5	9.8%
Amendment 35 Distributions	\$0.7	-6.9%	\$0.7	-3.9%	\$0.6	-8.5%	\$0.6	0.5%
Marijuana Sales Tax Transfer to Local Governments	\$21.9	-14.5%	\$19.7	-9.9%	\$18.7	-5.1%	\$19.5	3.9%
Business Personal Property Exemptions ³	\$16.6	-0.5%	\$16.4	-1.2%	\$18.3	11.0%	\$18.7	2.2%
Total Rebates and Expenditures	\$168.7	12.8%	\$231.4	37.1%	\$172.6	-25.4%	\$180.2	4.4%

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

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

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.

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

Table 7
Cash Fund Transfers
Dollars in Millions

Transfers to the General Fund		2022-23	2023-24	2024-25	2025-26
HB 92-1126	Land and Water Management Fund	\$0.1	\$0.0	\$0.0	\$0.0
HB 05-1262	Amendment 35 Tobacco Tax	\$0.7	\$0.7	\$0.6	\$0.6
SB 13-133 & HB 20-1400	Limited Gaming Fund	\$21.6	\$22.2	\$21.9	\$22.4
HB 17-1343	Repeal of Intellectual and Developmental Disabilities Services Cash Fund	\$16.9			
HB 20-1427	2020 Tax Holding Fund	\$4.1	\$4.1	\$4.1	\$4.1
SB 20B-002	Repeal of Emergency Direct Assistance Grant Fund	\$0.02			
SB 21-209	Repealed Cash Funds	\$0.1			
SB 21-213	Use of Increased Medicaid Match	\$10.0	\$9.2	\$7.4	\$1.1
SB 21-222	Repeal of Recovery Audit Cash Fund	\$0.03			
SB 21-251	Loan Family Medical Leave Program		\$1.5		
SB 21-260	Community Access Enterprise	\$0.1			
HB 23-1272	Decarbonization Tax Credits Administration		\$12.4	\$37.6	\$35.0
HB 23-1290 ¹	Proposition EE Revenue Retention		\$5.6		
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			\$33.2	
Total Transfers to the General Fund		\$53.5	\$93.2	\$177.5	\$63.2
Transfers from the General Fund		2022-23	2023-24	2024-25	2025-26
SB 11-047 & HB 13-1001 & SB 23-066 & HB 24-1396	Bioscience Income Tax Transfer to OEDIT	\$17.6	\$14.4	\$15.2	\$16.0
SB 14-215	Marijuana Tax Cash Fund	\$142.2	\$127.7	\$121.2	\$126.0
SB 15-244 & SB 17-267	State Public School Fund	\$24.9	\$22.4	\$21.2	\$22.1
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	\$235.0	\$215.5	\$237.3	\$238.2
HB 20-1427 ²	Preschool Programs Cash Fund	\$0.0			
SB 21-281	Severance Tax Trust Fund Allocation	\$9.5			
HB 22-1001	Reduce Fees For Business Filings	\$8.4			
HB 22-1004	Driver License Fee Reduction	\$3.9			
HB 22-1011	Wildfire Mitigation Incentives for Local Governments	\$10.0			
HB 22-1012	Wildfire Mitigation and Recovery	\$7.2			
HB 22-1115	Prescription Drug Monitoring Program	\$2.0			
HB 22-1132	Regulation and Services for Wildfire Mitigation	\$0.1			
HB 22-1151	Turf Replacement Program	\$2.0			

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

²HB 20-1427 requires the transfer of 73% of additional sales tax revenue due to the imposition of the minimum cigarette price to the Preschool Programs Cash Fund on June 30th in 2021, 2022, and 2023.

Table 7 (Cont.)
Cash Fund Transfers
Dollars in Millions

Transfers from the General Fund (Continued)		2022-23	2023-24	2024-25	2025-26
HB 22-1298	Fee Relief for Nurses, Nurse Aides, and Technicians	\$11.7			
HB 22-1299	Fee Relief for Mental Health Professionals	\$3.7			
HB 22-1381	CO Energy Office Geothermal Grant Program	\$12.0			
HB 22-1382	Support Dark Sky Designation and Promotion	\$0.04			
HB 22-1394	Fund Just Transition Community & Worker Supports	\$15.0			
HB 22-1408	Modify Incentives for Film Production	\$2.0			
SB 22-036	State Payment Old Hire Death and Disability Benefits	\$6.7			
SB 22-130	Authority For Public-Private Partnerships	\$15.0			
SB 22-151	Safe Crossings for Colorado Wildlife and Motorists	\$5.0			
SB 22-163	Establish State Procurement Equity Program	\$2.0			
SB 22-183	Crime Victims Services	\$1.0			
SB 22-191 ¹	Procurement of Information Technology Resources				
SB 22-193	Air Quality Improvement Investments	\$1.5			
SB 22-195	Conservation District Grant Fund	\$0.1	\$0.1	\$0.1	\$0.1
SB 22-202	State Match for Mill Levy Override Revenue	\$10.0			
SB 22-214	General Fund Transfer to PERA Payment Cash Fund	\$198.5			
SB 22-215 & SB 23-283	Infrastructure Investment and Jobs Act Cash Fund		\$84.0		
SB 22-238	State Public School Fund	\$200.0			
HB 23-1041	Prohibit Greyhound Wagering			\$0.03	\$0.05
HB 23-1107	Crime Victim Services		\$3.0		
HB 23-1269 ²	Extended Stay & Boarding Permits				
HB 23-1273	Wildfire Resilient Homes Grant Program		\$0.1		
HB 23-1290 ³	Proposition EE Revenue Retention		\$5.6		
HB 23-1305	Continue Health Benefits in Work-Related Death		\$0.2	\$0.2	\$0.2
SB 23-001	Public-Private Collaborations for Housing		\$5.0		
SB 23-005	Forestry and Wildfire Mitigation Workforce	\$1.0	\$1.0	\$1.0	\$1.0
SB 23-044	Veterinary Education Loan Repayment Program		\$0.5		
SB 23-056 ⁴	Compensatory Direct Distribution to PERA		\$10.0		
SB 23-137	Colorado Economic Development Fund	\$5.0			
SB 23-141	DMVA Real Estate Proceeds Cash Fund	\$4.9			
SB 23-161	Firefighting Aircraft	\$26.0			
SB 23-166	Wildfire Resiliency Code Board		\$0.3		
SB 23-199 ⁵	Marijuana Cash Fund				
SB 23-205	Universal High School Scholarship Program		\$25.0		
SB 23-246	State Emergency Reserve	\$20.0			
SB 23-255	Wolf Depredation Compensation Fund		\$0.2	\$0.4	\$0.4

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

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

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

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

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

Table 7 (Cont.)
Cash Fund Transfers
Dollars in Millions

Transfers from the General Fund (Continued)		2022-23	2023-24	2024-25	2025-26
SB 23-257	Auto Theft Prevention Cash Fund		\$5.0		
SB 23-275	Wild Horse Management Project	\$1.5			
HB 23B-1001	Housing Development Grant Fund		\$15.1		
HB 24-1043	Death and Disability Payment Cash Fund				\$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 24-1364	Longitudinal Data System Cash Fund			\$5.0	
HB 24-1365	Opportunity Now Grants			\$4.0	
HB 24-1386	Broadband Infrastructure Cash Fund			\$4.6	
HB 24-1390 ¹	Healthy School Meals for All Program Cash Fund			\$3.2	
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 ²	State Agency Sustainability Revolving Fund		\$0.1	\$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		\$1,005.7	\$1,944.0	\$478.0	\$406.6
Net General Fund Impact		-\$952.2	-\$1,850.8	-\$300.6	-\$343.4

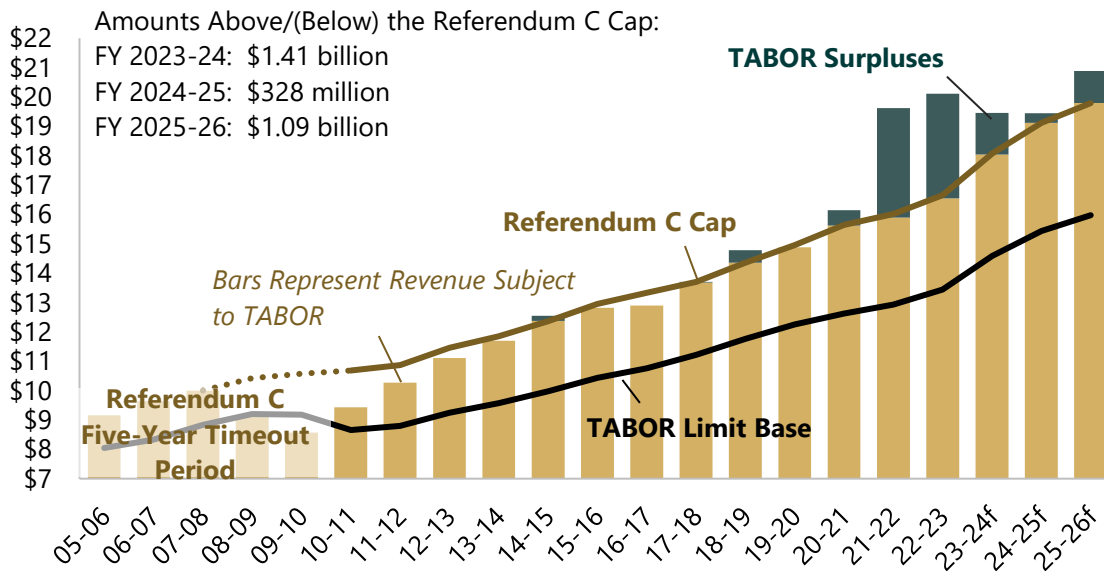
¹The balance of the Healthy School Meals for All General Fund Exempt Account is transferred to a new cash fund on July 1, 2024.

²This 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.

TABOR Outlook

The state TABOR outlook is presented in Table 9 and illustrated in Figure 2, which also provides a history of the TABOR limit base and the Referendum C cap. In FY 2022-23, state revenue subject to TABOR exceeded the Referendum C cap, creating a state obligation for TABOR refunds to taxpayers in FY 2023-24. State revenue subject to TABOR is projected to exceed the Referendum C cap in each of FY 2023-24, FY 2024-25, and FY 2025-26, creating a state obligation for TABOR refunds to be paid to taxpayers in each of FY 2024-25, FY 2025-26, and FY 2026-27.

Figure 2
TABOR Revenue, TABOR Limit Base, and the Referendum C Cap
 Dollars in Billions



Source: Office of the State Controller and Legislative Council Staff. f = Forecast.
 *The refund amount for FY 2023-24 differs from the surplus amounts because it includes \$33.9 million in under-refunds from prior TABOR surpluses.

Forecasts for FY 2023-24 through FY 2025-26. State revenue subject to TABOR is projected to exceed the Referendum C cap throughout the forecast period. Even with high 2022 inflation resulting in a doubling of the growth rate used to calculate the FY 2023-24 Referendum C cap, revenue in the current FY 2023-24 is expected to exceed the Referendum C cap by \$1.41 billion. Revenue is projected to exceed the cap by \$328 million in FY 2024-25 and by \$1.09 billion in FY 2025-26. Refunds of those amounts are expected to be returned to taxpayers in the fiscal year following each surplus. The actual refund obligation in any given year will incorporate any over- or under-refund of prior year surpluses.

Relative to the March forecast, expectations for revenue subject to TABOR were decreased by about \$413 million in FY 2023-24, by \$1.6 billion in FY 2024-25, and by \$1.2 billion in FY 2025-26, reflecting adjustments for 2024 legislation passed by the General Assembly, primarily reducing individual income tax revenue with expanded tax credits and deductions. This reduced expectations for General Fund revenue subject to TABOR. The FY 2024-25 TABOR limit growth rate is 5.8 percent, down from 8.5 percent in FY 2023-24, based on population growth and inflation for calendar year 2023.

The forecast does not include a potential TABOR (3)(c) refund obligation if **Proposition FF** revenue exceeds the 2022 Blue Book estimate in FY 2023-24, and if voters do not approve a later ballot measure permitting the state to retain this revenue. It is assumed that this refund obligation would 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.

Adjustments to revenue subject to TABOR and the TABOR refund obligation. This forecast includes partially offsetting adjustments to revenue subject to TABOR and the TABOR refund obligation stemming from the reclassification of portions of insurance premium tax revenue, gaming revenue, and cigarette tax revenue.

In the single statewide audit for FY 2022-23, the State Auditor concluded, and the Attorney General agreed, that insurance premium tax revenue that was credited to the Health Insurance Affordability (HIA) Enterprise between FY 2020-21 and FY 2022-23 and previously accounted as TABOR exempt, should be accounted as state revenue subject to TABOR. This forecast includes an upward adjustment of \$33.9 million to the TABOR refund obligation for FY 2023-24 to account for the under-refunds of insurance premium tax revenue collected in prior years. **House Bill 24-1470** ended the annual diversion of this revenue from the General Fund to the HIA Cash Fund starting in the current fiscal year.

This forecast also includes downward adjustments to General Fund and cash fund revenue subject to TABOR as well as the TABOR refund obligation of up to \$37.8 million starting in FY 2023-24, pursuant to **House Bill 24-1469**. The bill requires that a portion of limited gaming revenue as well as the portion of the statutory cigarette tax that is distributed to local governments be accounted as revenue collected for another government, and therefore TABOR exempt. The forecast likewise includes downward adjustments to cash fund revenue subject to TABOR and the TABOR refund obligation to account for **House Bill 24-1409**, which credited a portion of employer support surcharges to a new Workforce Development Enterprise, and to the existing Unemployment Insurance Enterprise. These impacts are \$49.5 million in FY 2023-24 and an estimated \$24.5 million annually thereafter.

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. Relative to the March 2024 forecast, the revisions to the TABOR surplus increase the budget risk from lower-than-expected General Fund revenue, particularly in FY 2024-25. 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 3. 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 2026.

The **sales tax refund mechanism** is expected to apply for tax years 2024 through 2026, as well, with refund amounts based on taxpayer incomes in tax years 2024 and 2026, and identical refund amounts in tax year 2025. The expected TABOR surplus collected in FY 2024-25 does not exceed the identical refund threshold per taxpayer required to trigger the tiered refunds under Senate Bill 24-228. Table 8 on page 25 presents estimated six-tier and identical sales tax refund amounts for tax years 2024, 2025, and 2026.

Senate Bill 24-228 adjusts the mechanisms used to refund the TABOR surplus collected for FY 2023-24 through FY 2033-34, and creates a new refund mechanism for any state TABOR surplus collected for FY 2024-25 through FY 2033-34.

The bill raises the identical refund threshold for the sales tax refund mechanism from \$15 to the lowest amount listed for a family size of two for Colorado in the most recent table published in the Internal Revenue Service instructions for Schedule A on itemized deductions. The most recent amount, for tax year 2023, is \$114.

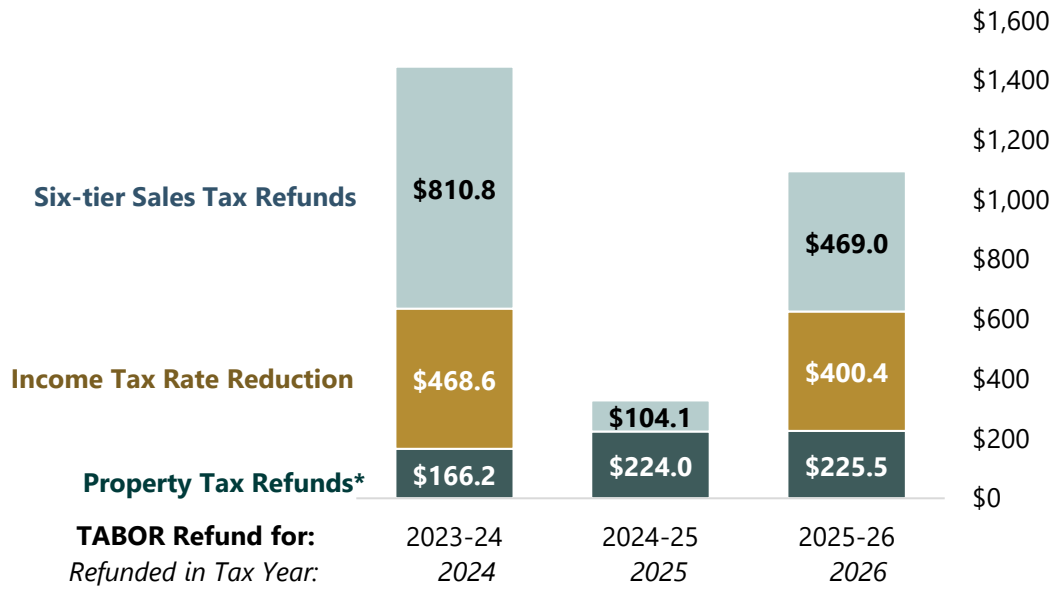
The bill reactivates the **temporary income tax rate reduction** as the third refund mechanism after property tax refund mechanisms. To refund a portion of the FY 2023-24 surplus, the income tax rate for tax year 2024 is temporarily reduced from 4.40 percent to 4.25 percent. In subsequent years, the 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.

The bill also creates a fourth refund mechanism, a **temporary sales and use tax rate cut**, which reduces the state sales and use tax rates by 0.13 percentage points, starting in FY 2025-26, provided the TABOR surplus collected in the prior year is at least \$1.5 billion.

This forecast anticipates that the income tax rate reduction mechanism will not be triggered in tax year 2025, and that the tax rate in tax year 2026 will be reduced from 4.40 percent to 4.28 percent, based on the expected amounts of the TABOR surpluses remaining after property tax refunds in FY 2024-25 and FY 2025-26. The temporary sales and use tax rate cut is not expected to be activated in the forecast period.

Senate Bill 24-111 establishes a new refund mechanism used to refund the TABOR surplus collected for FY 2024-25 and FY 2024-25 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 3 includes this mechanism with the "Property Tax Refunds" label. The mechanism is estimated to refund \$50 million in property tax year 2025 and \$43 million in property tax year 2026.

Figure 3
Expected TABOR Refunds and Refund Mechanisms
Dollars in Millions



Source: Legislative Council Staff June 2024 forecast.

*Includes \$50 million and \$43 million to be refunded from the FY 2024-25 and FY 2025-26 TABOR surpluses, respectively, under Senate Bill 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	\$52,000	\$142	\$284
\$52,001	to	\$107,000	\$190	\$380
\$107,001	to	\$171,000	\$219	\$438
\$171,001	to	\$242,000	\$260	\$520
\$242,001	to	\$319,000	\$279	\$558
\$319,001	and up		\$450	\$900

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

Taxpayer Distribution by AGI			Single Filers	Joint Filers
	up to	\$54,000	\$26	\$53
\$54,001	to	\$110,000	\$26	\$53
\$110,001	to	\$176,000	\$26	\$53
\$176,001	to	\$249,000	\$26	\$53
\$249,001	to	\$328,000	\$26	\$53
\$328,001	and up		\$26	\$53

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

Taxpayer Distribution by AGI			Single Filers	Joint Filers
	up to	\$55,000	\$80	\$160
\$55,001	to	\$113,000	\$107	\$214
\$113,001	to	\$180,000	\$123	\$246
\$180,001	to	\$255,000	\$147	\$294
\$255,001	to	\$336,000	\$158	\$316
\$336,001	and up		\$254	\$508

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

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
TABOR Revenue				
1 General Fund ¹	\$17,463.6	\$16,714.9	\$16,545.8	\$17,905.3
2 Cash Funds	\$2,757.1	\$2,770.0	\$2,903.7	\$2,978.5
3 Total TABOR Revenue	\$20,220.7	\$19,484.9	\$19,449.5	\$20,883.8
Revenue Limit				
4 Allowable TABOR Growth Rate	4.2%	8.5%	5.8%	3.5%
5 Inflation (<i>from Prior Calendar Year</i>)	3.5%	8.0%	5.2%	2.5%
6 Population Growth (<i>from Prior Calendar Year</i>) ²	0.7%	0.5%	0.6%	1.0%
7 TABOR Limit Base	\$13,445.2	\$14,588.1	\$15,434.2	\$15,972.6
8 Voter Approved Revenue Change (Referendum C)	\$3,212.1	\$3,485.1	\$3,687.2	\$3,816.3
9 Total TABOR Limit / Referendum C Cap ³	\$16,657.3	\$18,073.2	\$19,121.4	\$19,788.9
10 TABOR Revenue Above (Below) Referendum C Cap	\$3,563.4	\$1,411.7	\$328.1	\$1,094.9
Retained/Refunded Revenue				
11 Revenue Retained under Referendum C ⁴	\$3,212.1	\$3,485.1	\$3,687.2	\$3,816.3
12 Fiscal Year Spending (<i>revenue available to be spent or saved</i>)	\$16,657.3	\$18,073.2	\$19,121.4	\$19,788.9
13 Outstanding Underrefund Amount ⁵	\$114.9	\$33.9		
14 Revenue Refunded to Taxpayers	\$3,678.3	\$1,445.6	\$328.1	\$1,094.9
15 TABOR Reserve Requirement	\$499.7	\$542.2	\$573.6	\$593.7

Totals may not sum due to rounding.

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

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

³ 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.

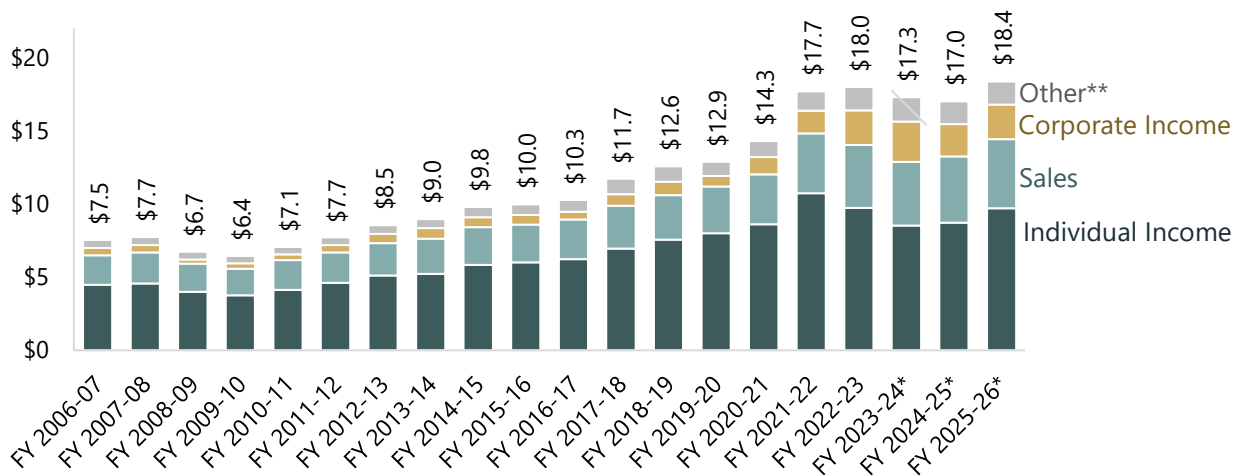
⁴ Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.

⁵ 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 35 summarizes final General Fund revenue collections for FY 2022-23 and projections for FY 2023-24 through FY 2025-26; these are also illustrated in Figure 4, below.

Figure 4
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 June 2024 forecast.

Revenue forecast. General Fund revenue is expected to fall by 3.9 percent in FY 2023-24. Individual income tax, the largest component of General Fund revenue, is expected to fall in the current year following the enactment of large income tax credits during the 2024 legislative session, but to bolster collections with strong growth through the rest of the forecast period. Corporate income taxes are expected to offset some of the decline in individual tax revenue this year, before falling in FY 2024-25. General Fund revenue is expected to reach \$18.37 billion in FY 2025-26.

Legislative adjustments. The forecast incorporates adjustments to the forecast for legislation enacted during the 2024 session. Table 10 presents the impacts of enacted legislation on General Fund revenue. Most of the bills in the table reflect individual and corporate income tax revenue. House Bill 24-1470 affects the amount of insurance premium tax revenue credited to the General Fund; House Bill 24-1036 affects numerous streams, primarily sales and use tax revenue; and House Bill 24-1356 affects nicotine tax revenue.

Table 10
2024 Legislation Affecting General Fund Revenue
Dollars in Millions

Bill Number	Bill Title	FY 2023-24	FY 2024-25	FY 2025-26
HB 24-1311	Family Affordability Tax Credit	(\$327.0)	(\$684.0)	(\$739.0)
HB 24-1134	Various, including Earned Income Tax Credit	(\$44.2)	(\$136.3)	(\$206.8)
HB 24-1052	Senior Housing Credit	(\$33.8)	(\$33.8)	
HB 24-1312	Care Workers Credit		(\$21.2)	(\$42.9)
HB 24-1340	Higher Education Expenses Credit		(\$18.1)	(\$36.7)
HB 24-1434	Affordable Housing Credit		(\$6.3)	(\$48.1)
HB 24-1439	Apprenticeships Credits		(\$7.5)	(\$15.0)
HB 24-1268	PTC Credit for Persons with Disabilities		(\$3.2)	(\$6.5)
HB 24-1358	Film Incentive Tax Credit		(\$2.5)	(\$5.0)
HB 24-1365	Opportunity Now Credit			(\$7.5)
HB 24-1295	Creative Industries Investment Credit			(\$5.0)
HB 24-1325	Quantum Industry Investment Credit			(\$3.9)
HB 24-1116	Contaminated Land Remediation Credit		(\$0.9)	(\$1.9)
HB 24-1001	Rural Jump-Start Credit		(\$0.5)	(\$1.1)
HB 24-1157	Employee-Owned Businesses Credit		(\$0.5)	(\$1.1)
HB 24-1249	Agricultural Stewardship Credit			(\$1.5)
SB 24-190	Freight Rail in Coal Transition Communities			(\$1.4)
SB 24-016	Tax Credits for Donations via Intermediaries	(\$0.2)	(\$0.5)	(\$0.5)
HB 24-1142	Social Security Income Deduction		(\$0.3)	(\$0.6)
HB 24-1316	Middle Income Housing Credit			(\$0.4)
SB 24-126	Conservation Easements Credit			(\$0.3)
SB 24-226	College Kickstarter Program	(\$0.0)	(\$0.1)	(\$0.1)
HB 24-1240	AmeriCorps Credit			(\$0.2)
HB 24-1314	Historic Structures Credit		(\$0.0)	(\$0.1)
HB 24-1235	Unleaded Aviation Gasoline Certification		(\$0.0)	(\$0.0)
HB 24-1470	Health Insurance Affordability Enterprise	\$15.7	\$17.3	\$17.3
HB 24-1036	Various, incl. Modular Home Exemption	(\$0.1)	(\$1.4)	(\$1.8)
HB 24-1356	Vaping Devices Trade Practices	*	*	*
Total		(\$389.7)	(\$899.8)	(\$1,110.0)

*Assessed as an indeterminate revenue decrease.

Source: Legislative Council Staff final fiscal notes. Most revenue impacts occur in individual and corporate income tax; however, HB 24-1470 increases the amount of insurance premium tax revenue credited to the General Fund, HB 24-1036 reduces income and sales and use tax revenue, and HB 24-1356 may decrease nicotine tax revenue collected under Proposition EE.

Risks to the forecast. Risks to the General Fund revenue forecast are elevated as economic conditions remain uncertain, particularly for corporate income. 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 being a drag on business activity and employment, which would result in lower General Fund collections.

Proposition 121 reduced the income tax rate from 4.55 percent to 4.40 percent beginning in tax year 2022. In years where revenue exceeds the TABOR cap, the income tax rate may be reduced as low as 4.25 percent, as a way to refund the excess revenue. However, this forecast calculates General Fund revenue at the 4.40 percent permanent rate, and accounts for any TABOR refund distributed via a temporary income tax rate reduction as refunding a prior year TABOR refund obligation, rather than reducing General Fund revenue.

Income tax revenue is credited to the General Fund and is subject to TABOR, except that:

- an amount equal to one third of one percent of taxable income is transferred to the State Education Fund (SEF) and exempt from TABOR under **Amendment 23**, approved by voters in 2000;
- beginning January 2023, an amount equal to one-tenth of one percent of taxable income is transferred to the State Affordable Housing Fund and exempt from TABOR under **Proposition 123**, approved by voters in 2022; and
- beginning January 2023, an amount raised by requiring non-corporate taxpayers with adjusted gross incomes over \$300,000 to add back a portion of their federal standard or itemized deductions when computing their Colorado taxable income is exempt from TABOR, and required to be spent for the healthy school meals program created in **Proposition FF**, approved by voters in November 2022. For FY 2023-24, this revenue is credited to the General Fund. Beginning in FY 2024-25, this revenue is diverted from the General Fund to a new cash fund created in **House Bill 24-1390**.

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 57 percent of revenue to the General Fund in FY 2022-23, before accounting for the SEF and affordable housing transfers.

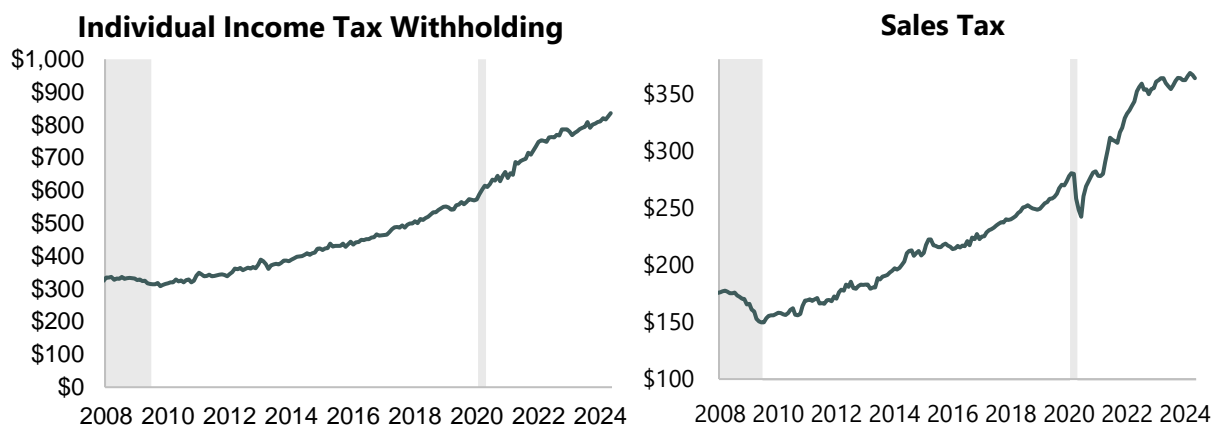
Forecast for FY 2023-24. Individual income tax collections are expected to decline by 8.2 percent in FY 2023-24 to total \$10.06 billion before the SEF and affordable housing transfers. Expectations for revenue were decreased by \$461 million relative to the March 2024 forecast. The downward revision primarily reflects the expected impacts of newly enacted income tax credits starting with tax year 2024, as well as increased refunds. For tax returns filed from March through May 2024, refunds due to taxpayers from prior year returns were up by 28 percent compared to the same period in 2023, which more than offset a 17 percent increase in cash with returns. Both cash with returns and refunds are likely impacted by higher than usual TABOR refunds influencing taxpayer filing behavior, as indicated by the higher volume of tax year 2023 individual income tax returns (5 percent higher than tax year 2022 returns), and the higher proportion with refunds (92 percent versus 89 percent).

Forecast for FY 2024-25 and FY 2025-26. Individual income tax revenue is expected to grow 0.8 percent and total \$10.14 billion in FY 2024-25, before accelerating to 10.9 percent growth and a total of \$11.2 billion in FY 2025-26, before the SEF and affordable housing transfers. Revenue growth reflects expectations for a healthier economy in 2025 as inflationary pressure

wanes and interest rate cuts begin to allow for some economic reacceleration. As shown in the left panel of Figure 5, wage withholding slowed considerably in 2023, the first year when the income tax rate cut in Proposition 121 applied to withheld taxes. Wage withholding is expected to resume growth consistent with a moderate expansion in 2025, and estimated tax payments are likewise expected to reaccelerate.

Relative to the March forecast, expectations were decreased by \$1.5 billion in FY 2024-25 and \$1.2 billion in FY 2025-26, mostly due to newly enacted legislation taking effect with the 2024 tax year. Economic expectations were also downgraded slightly, with less likelihood of interest rate cuts boosting economic activity in 2024.

Figure 5
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. May 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 (See Table 10). Starting in 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-five 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 between \$405 million and \$1.08 billion annually during the forecast period, on an accrual accounting basis. The availability and amount of some income tax credits are dependent on state revenue forecasts. This forecast assumes that all credits are triggered for full amounts.

Healthy School Meals Program. Revenue attributable to the income tax addition in Proposition FF is exempt from TABOR, and required to be spent for the Healthy School Meals Program. For FY 2023-24, this revenue is credited to a specific account in the General Fund; beginning in FY 2024-25, it is diverted to a new cash fund created in **House Bill 24-1390**

instead. As a new measure, the first deposits into the account are based on 2023 tax returns, which taxpayers began filing this spring. As a result, this forecast incorporates the first available data regarding actual Proposition FF revenue collections. Through June 3, 2024, an estimated 54 percent of tax year 2023 returns have been filed, generating \$65.5 million in revenue.

Given healthier than previously anticipated collections in 2023, the forecast for amounts credited to the account during the forecast period has been upgraded, by between \$6 and \$28 million, with the following amounts anticipated:

- \$127.1 million for FY 2023-24;
- \$131.9 million for FY 2024-25; and
- \$113.7 million for FY 2025-26.

The December 2024 forecast will update estimates to reflect extension filings for the 2023 tax year, which are due in October 2024.

TABOR refund requirement for exceeding Proposition FF Blue Book estimate. Revenue for FY 2023-24 is now estimated to exceed 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). This forecast estimates the excess amount at **\$26.4 million**, though the actual amount will not be known until after accounting is completed for the current fiscal year.

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

Corporate income tax collections include income taxes paid by 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 for the last two fiscal years, posting record highs in both years. Prior forecasts had expected that corporate income taxes would decline from those peaks in FY 2023-24. However, this forecast includes upward revisions based on strong incoming data, and anticipates that corporate collections will continue to increase this year. Recent volatility illustrates how sensitive corporate income tax collections are to policy changes and economic conditions, and points to elevated, bidirectional risk to the corporate income tax forecast.

Forecast for FY 2023-24. Through May 2024, corporate income tax collections continue to come in strong in the current fiscal year, up almost \$220.0 million, or 11.0 percent, compared to the same period in FY 2022-23. Growth in collections was exceptionally strong in the first half of

the fiscal year, while recent months were slightly down compared to the record highs in the previous year. Both estimated payments and cash with returns came in strong while corporate income tax refunds were slightly up, but on par with recent years. Relative to the March forecast, the forecast was revised up by \$290.4 million.

Forecast for FY 2024-25. Corporate income tax collections are expected to total \$2.23 billion in FY 2024-25, down 19.3 percent from FY 2023-24. The forecast anticipates that estimated payments will continue to slow over the remainder of 2024, consistent with the decline observed in recent quarters. However, the forecast is highly uncertain and contains significant bidirectional risk in light of the recent volatility in corporate income tax collections. Relative to the March forecast, expectations were downgraded by \$67.3 million.

Forecast for FY 2025-26. Corporate income tax collections are expected to pick up slightly in FY 2025-26 from the prior fiscal year coming in around \$2.36 billion as the economic expansion matures and the taxation environment stabilizes. Changes to economic conditions or tax policy could affect this trajectory significantly.

Why does corporate revenue continue to exceed expectations? Corporate income tax revenue has been surprisingly high in many states across the country. 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. Additionally, some states report that corporations overpaid taxes for the 2022 tax year to reduce their future tax liability.

Sales Tax

The 2.9 percent state sales tax is assessed on the purchase of goods, except those specifically exempted, and a small collection of services. Prolonged high interest rates and weakened household balance sheets have impacted taxable consumer spending throughout FY 2023-24. Sales tax revenue is expected to end the year with only a 1.2 percent growth rate from FY 2022-23 levels; an amount that is below the Denver-Aurora-Lakewood inflation rate, though inflation rates for taxable goods have been lower. Growth has likely been tempered by receding inflation, accompanied by high interest rates which contribute to tighter lending standards. In particular, Colorado has seen a decline in sales tax revenue from the automotive, clothing, and food store industries.

Sales tax revenue growth is expected to reach 3.5 percent in FY 2024-25, a bit slower than its historical average. Growth will be tempered in the near term as labor market conditions soften, inflation cools, and household finances are constrained by persistently high prices and tighter lending standards. As restrictive monetary policy eases, sales tax revenue is expected to accelerate in FY 2025-26, posting over 5 percent annual growth, exceeding projected inflation and population growth.

Relative to the March forecast, expectations for sales tax revenue were revised down by \$41 million in FY 2023-24 and \$40 million in FY 2024-25. Downward revisions reflect real declines in consumer spending that has slowly decelerated throughout the year, with collections

falling short of prior forecast expectations in most months. The forecast has been downgraded even more considerably when comparing to the December forecast, which projected \$54 million more in FY 2023-24 collections and \$82 million more in FY 2024-25 collections than the current projections. This trend is not limited to Colorado; many other states have seen underperforming sales tax receipts in FY 2023-24 compared to their forecasts.

Use Tax

The 2.9 percent state use tax is due when sales tax is owed, but is not collected at the point of sale. Use tax revenue is largely driven by capital investment among manufacturing, energy, and mining firms. Use tax revenues recorded a weak start to the fiscal year, with year-over-year declines for 11 months out of the past year. Use tax revenues are expected to continue to decrease through FY 2023-24, ending the year down 7.9 percent, a reversal from the 8.0 percent growth rate posted in FY 2022-23. Use tax revenue is likely impacted by high interest rates weighing on investment in the industries driving use tax revenues, such as oil and gas, construction, and manufacturing. Similar to sales tax revenue, use tax revenue is expected to accelerate in the second half of FY 2024-25 and all of FY 2025-26 as monetary policy eases and construction activity picks up. Use tax is forecasted to grow at by 4.0 percent in FY 2024-25 and 8.5 percent in FY 2025-26.

The use tax forecast for FY 2024-25 was revised down relative to the March forecast due to prolonged high interest rates taking a longer toll on the construction and manufacturing industries. Use tax receipts fell short of the March forecast expectations, with high interest rates taking a more severe toll on collections than previously expected. The forecast was downgraded by \$2.8 million in FY 2024-25, but upgraded by \$0.5 million in FY 2025-26 with the expectation that rate cuts will begin fueling activity in industries that contribute to use tax collections.

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 are deposited in the General Fund, transferred to the 2020 Tax Holding Fund, and distributed to fund tobacco education programs, the General Fund, and preschool programs. Tax rates are set to increase on all three types of products beginning on July 1, 2024.

Revenue from Proposition EE taxes is expected to decrease to \$197.5 million in the current fiscal year, primarily due to a smaller accounting adjustment compared to the previous year as well as weak cigarette consumption. Collections are expected to increase in the last month of the current fiscal year as retailers stock up on these products before taxes increase on July 1, 2024. Table 11 shows expected revenue collections, while equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 7 on page 18.

Cigarette revenue is the largest portion of Proposition EE, making up 66 percent of total revenue in FY 2022-23. Cigarette use tends to decline over time, but consumption has fallen more steeply than normal in FY 2023-24, down 10.5 percent this year compared to the same period in FY 2022-23, consistent with a nationwide trend. The decline in consumption may be due to consumers having less disposable income for nonessential products. However,

collections are expected to pick up in the final months of the fiscal year as retailers increase their stock ahead of the tax increase that takes effect in July.

Nicotine is the next largest revenue stream, with revenue increasing due to an increased tax rate. Nicotine revenue is expected to continue to increase over the forecast period, as the tax rate increases from 50 percent to 56 percent in July. **Tobacco** makes up the rest of the Proposition EE revenue, bringing in \$12.1 million in FY 2022-23. Tobacco revenue is down 2.7 percent so far in the current fiscal year compared to the year prior, despite retail tobacco prices increasing nationally.

Table 11
General Fund Revenue Estimates
Dollars in Millions

Category	Actual FY 2022-23	Percent Change	Estimate FY 2023-24	Percent Change	Estimate FY 2024-25	Percent Change	Estimate FY 2025-26	Percent Change
Excise Taxes								
1 Sales	\$4,301.6	5.2	\$4,353.8	1.2	\$4,508.1	3.5	\$4,738.8	5.1
2 Use	\$251.2	8.0	\$231.4	-7.9	\$240.7	4.0	\$261.3	8.5
3 Retail Marijuana Sales	\$219.9	-15.0	\$197.5	-10.2	\$187.5	-5.1	\$194.8	3.9
4 Cigarette	\$23.9	-7.9	\$22.7	-5.3	\$19.2	-15.2	\$19.1	-0.6
5 Tobacco Products	\$23.7	-11.0	\$21.6	-8.9	\$24.3	12.7	\$25.4	4.2
6 Liquor	\$56.3	-0.1	\$55.8	-1.0	\$57.1	2.3	\$58.8	3.0
7 Proposition EE Tobacco Taxes	\$235.0	13.0	\$215.5	-8.3	\$237.3	10.1	\$238.2	0.4
8 Total Excise	\$5,111.7	4.4	\$5,098.2	-0.3	\$5,274.2	3.5	\$5,536.3	5.0
Income Taxes								
9 Net Individual Income	\$10,952.7	-6.5	\$10,056.9	-8.2	\$10,138.9	0.8	\$11,239.0	10.9
10 Net Corporate Income	\$2,366.7	50.9	\$2,757.4	16.5	\$2,226.1	-19.3	\$2,361.6	6.1
11 Total Income Taxes	\$13,319.5	0.2	\$12,814.3	-3.8	\$12,365.0	-3.5	\$13,600.6	10.0
12 Less: Portion diverted to the SEF	-\$1,066.4	7.3	-\$1,209.0	13.4	-\$1,082.5	-10.5	-\$1,185.0	9.5
13 Less: Portion diverted for Affordable Housing	-\$160.0	NA	-\$327.0	104.4	-\$324.7	-0.7	-\$355.5	9.5
14 Less: Portion diverted for Healthy School Meals ¹					-\$131.9		-\$113.7	-13.8
15 Income Taxes to the General Fund	\$12,093.1	-1.6	\$11,278.2	-6.7	\$10,825.9	-4.0	\$11,946.5	10.4
Other Sources								
16 Estate	\$0.0	NA	\$0.0	NA	\$0.0	NA	\$0.0	NA
17 Insurance	\$516.7	32.4	\$583.1	12.9	\$619.5	6.2	\$652.5	5.3
18 Pari-Mutuel	\$0.3	-20.4	\$0.3	-2.9	\$0.3	-0.6	\$0.3	0.5
19 Investment Income	\$188.4	172.2	\$275.3	46.1	\$231.2	-16.0	\$184.2	-20.3
20 Court Receipts	\$3.1	30.6	\$3.0	-3.9	\$3.0	-0.4	\$2.9	-3.4
21 Other Income	\$84.8	85.9	\$61.6	-27.3	\$55.9	-9.3	\$50.2	-10.1
22 Total Other	\$793.3	56.2	\$923.4	16.4	\$909.9	-1.5	\$890.2	-2.2
23 Gross General Fund Revenue	\$17,998.0	1.7	\$17,299.8	-3.9	\$17,010.0	-1.7	\$18,372.9	8.0

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

¹Accounted as General Fund revenue in FY 2022-23 and FY 2023-24; diverted to the Healthy School Meals for All Cash Fund beginning in FY 2024-25 under HB 24-1390.

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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 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

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Transportation-Related	\$1,266.8	\$1,435.7	\$1,519.6	\$1,565.0	
Percent Change	2.2%	13.3%	5.8%	3.0%	7.3%
Severance Tax	\$374.7	\$216.9	\$235.3	\$238.4	
Percent Change	15.3%	-42.1%	8.5%	1.3%	-14.0%
Gaming Revenue ¹	\$121.3	\$93.2	\$93.8	\$94.3	
Percent Change	5.2%	-23.2%	0.7%	0.5%	-8.1%
Insurance-Related	\$26.5	\$26.6	\$25.9	\$25.8	
Percent Change	9.3%	0.4%	-2.8%	-0.4%	-0.9%
Regulatory Agencies	\$89.4	\$89.4	\$94.5	\$93.5	
Percent Change	-3.1%	0.0%	5.7%	-1.1%	1.5%
2.9% Sales Tax on Marijuana ²	\$7.2	\$5.5	\$5.0	\$5.0	
Percent Change	-39.0%	-22.9%	-8.8%	-0.2%	-11.1%
Housing Development Grant Fund	\$71.7	\$71.4	\$73.5	\$77.6	
Percent Change	7.9%	-0.4%	2.9%	5.6%	2.7%
Other Cash Funds	\$799.5	\$831.2	\$856.0	\$878.9	
Percent Change	1.1%	4.0%	3.0%	2.7%	3.2%
Total Cash Fund Revenue	\$2,757.1	\$2,770.0	\$2,903.7	\$2,978.5	
Subject to the TABOR Limit	3.4%	0.5%	4.8%	2.6%	2.6%

Totals may not sum due to rounding.

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

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. Cash fund revenue subject to TABOR in the current budget year is projected to remain relatively flat compared to the prior fiscal year, increasing 0.5 percent to a total of near \$2.77 billion. Increases in transportation-related revenue and other miscellaneous cash funds are expected to offset a significant decrease in severance tax revenue and gaming tax revenue subject to TABOR.

Relative to the March forecast, current year expectations were revised down about \$81.2 million, mainly because of the passage of HB 24-1469, which affects the amount of gaming tax revenue accounted as subject to TABOR, and HB 24-1409, which affects the amount of unemployment insurance surcharge revenue accounted as subject to TABOR, alongside downward revisions to expected transportation, severance, and other miscellaneous cash fund revenue. These components tend to be slightly more volatile during this period as revenue from these sources, especially severance and gaming tax collection, can change significantly in the last few months of the year. Severance taxes usually peak in April and gaming tax collections tend to accelerate over the course of the fiscal year due to the graduated tax structure.

FY 2024-25. In the upcoming budget year, cash fund revenue subject to TABOR is projected to increase 4.8 percent and total just over \$2.90 billion, driven by moderate increases in transportation-related revenue and severance tax revenue.

Revenue expectations were decreased by \$77.7 million relative to the March forecast. All major cash fund revenue components were moderately revised downward from the prior forecast.

FY 2025-26. Revenue is expected to increase by 2.6 percent and total just below \$3.0 billion in FY 2025-26 as growth in the largest revenue streams moderates. Relative to March, the forecast was decreased by \$79.0 million on downward expectations for transportation related and gaming revenue.

Transportation-related revenue subject to TABOR is expected to end FY 2023-24 up by 13.3 percent. The anticipated increase is driven primarily by legislative changes including the implementation of road usage fees, retail delivery fees, and the end of a temporary reduction in the road safety surcharge. Revenue is expected to increase by 5.8 percent in FY 2024-25 and 3.0 percent in FY 2025-26. The forecast for transportation-related revenue is presented in Table 13.

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 have weakened throughout the year, mirroring a nationwide trend. Alongside fuel tax collections, road usage fees were introduced in April 2023 at 2 cents per gallon, increased to 3 cents per gallon in July 2023, and will increase to 4 cents in July 2024. These fees will increase by an additional 1 cent per gallon in each fiscal year through the forecast period. Road usage fees are expected to bring in \$92.0 million in the current FY 2023-24, the first full year of implementation. While fuel consumption is expected to grow through the forecast period, improving vehicle fuel efficiency and permanent shifts to remote or hybrid work for some dampen expectations for growth.

Growing revenue from motor fuel and road usage fees was partially offset by reduced revenue from the safety surcharge in 2022 and 2023. Senate Bill 21-260 and House Bill 22-1351 temporarily reduced the road safety surcharge by \$11.10 in calendar years 2022 and 2023, and it

returned to its original rate on January 1, 2024. Due to the end of the rate reduction, revenue from the road safety surcharge is expected to increase by 41.8 percent in FY 2023-24 and another 36.9 percent in FY 2024-25.

Table 13
Transportation Revenue by Source

Dollars in Millions

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	\$652.3	\$658.7	\$665.3	\$670.7	0.7%
Percent change	3.0%	1.0%	1.0%	0.8%	
Road Usage Fees	\$12.7	\$92.0	\$121.1	\$153.0	86.3%
Percent change	NA	624.0%	31.6%	26.4%	
Total Registrations	\$328.6	\$392.1	\$433.6	\$439.8	7.6%
Percent change	-15.3%	19.3%	10.6%	1.5%	
<i>Registrations</i>	\$219.9	\$247.3	\$250.2	\$253.6	3.6%
<i>Road Safety Surcharge</i>	\$72.4	\$102.6	\$140.6	\$143.1	18.6%
<i>Late Registration Fees</i>	\$36.3	\$42.1	\$42.7	\$43.2	4.4%
Retail Delivery Fees ¹	\$18.6	\$22.3	\$24.6	\$26.7	9.5%
Percent change	NA	20.3%	10.4%	8.4%	
Other HUTF Receipts ²	\$53.9	\$60.7	\$61.6	\$62.7	3.9%
Percent change	4.3%	12.6%	1.6%	1.8%	
Total HUTF	\$1,066.0	\$1,225.8	\$1,306.2	\$1,353.0	6.1%
Percent change	-0.6%	15.0%	6.6%	3.6%	
State Highway Fund (SHF) ³	\$27.5	\$29.5	\$29.3	\$25.2	-2.2%
Percent change	29.4%	7.2%	-0.8%	-14.0%	
Other Transportation Funds	\$173.3	\$180.4	\$184.2	\$186.9	1.9%
Percent change	19.1%	4.1%	2.1%	1.5%	
<i>Aviation Fund</i> ⁴	\$60.8	\$54.1	\$51.3	\$48.5	-5.49%
<i>Multimodal Transportation Options Fund</i> ¹	\$12.3	\$14.8	\$16.3	\$17.7	9.53%
<i>Law Enforcement-Related</i> ⁵	\$7.3	\$6.4	\$6.1	\$5.9	-5.38%
<i>Registration-Related</i> ⁶	\$92.9	\$105.1	\$110.5	\$114.8	5.44%
Total Transportation Funds	\$1,266.8	\$1,435.7	\$1,519.6	\$1,565.0	5.4%
Percent change	2.2%	13.3%	5.8%	3.0%	

Totals may not sum due to rounding.

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

¹Retail delivery fee revenue credited to the fund under SB 21-260.

²Includes 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.

⁴Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.

⁵Includes 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.

Lastly, **retail delivery fees** created by Senate Bill 21-260 went into effect on July 1, 2022. The retail delivery fees totaled 27 cents per delivery in FY 2022-23, increased to 28 cents in FY 2023-24, and will be 29 cents in FY 2024-25. This forecast includes only the portion of the retail delivery fee that is subject to TABOR. Of this amount, \$18.5 million was distributed to the HUTF and \$12.3 million to the Multimodal Transportation Mitigation Options Fund in FY 2022-23. Revenue from retail delivery fees is expected to grow by 20.3 percent in FY 2023-24.

Most fuel taxes and vehicle registration fees are credited to the **Highway Users Tax Fund** (HUTF). From the HUTF, funds are disbursed to the Department of Transportation, State Patrol within the Department of Public Safety, the Division of Motor Vehicles within the Department of Revenue, the Department of Natural Resources, and to county and municipal governments. The State Patrol, Department of Revenue, and Department of Natural Resources receive HUTF funds through 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.

Table 14
Highway Users Tax Fund Distributions
Dollars in Millions

HUTF Distribution Forecast	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
Department of Public Safety ¹	\$181.9	\$196.4	\$208.3	\$208.3
Department of Revenue ²	\$4.7	\$2.9	\$2.0	\$2.0
Department of Natural Resources ³	\$0.3	\$0.3	\$0.3	\$0.3
State Highway Fund	\$539.7	\$629.2	\$668.6	\$697.0
Counties	\$218.5	\$234.9	\$249.6	\$260.4
Municipalities	\$153.6	\$165.7	\$178.9	\$187.2
Total HUTF Distributions	\$1,098.7	\$1,229.3	\$1,307.6	\$1,355.2
Total Nonexempt Revenue	\$1,066.0	\$1,225.8	\$1,306.2	\$1,353.0
Assumed Exempt Revenue	\$1.3	\$3.5	\$1.5	\$2.3
Transfers to HUTF	\$31.4	\$0.0	\$0.0	\$0.0

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

² Revenue is appropriated to the Department of Revenue in the Long Bill. The actual amount distributed to the department is often different from the amount appropriated due to differences in revenue collections. The 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 revenue is expected to decline by 42.1 percent in FY 2023-24 as the value of oil and gas production falls and the ad valorem tax credit utilization increases. Severance tax revenue is more volatile than other revenue sources due to the boom-bust nature of the oil and gas sector and Colorado's tax structure. The forecast for the major components of severance tax revenue is shown in Table 15.

Severance tax collections from **oil and natural gas** are expected to decline in FY 2023-24 to \$184.1 million due to several factors. The forecast was revised down from March 2024 due to weaker-than-expected collections that also resulted in downward adjustments to FY 2024-25 and FY 2025-26, despite an improved price outlook, notably for natural gas. Consistent with prior expectations, higher natural gas prices in the outlook are expected to contribute to growing collections in FY 2024-25 and FY 2025-26.

Table 15
Severance Tax Revenue Forecast by Source

Dollars in Millions

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Oil and Gas	\$347.1	\$184.1	\$205.0	\$212.4	-15.1%
Percent Change	12.5%	-47.0%	11.3%	3.6%	
Coal	\$4.4	\$6.8	\$5.9	\$5.3	6.4%
Percent Change	38.6%	52.6%	-13.0%	-10.0%	
Molybdenum and Metallics	\$0.6	\$1.8	\$1.9	\$1.9	46.7%
Percent Change	-77.5%	196.3%	5.1%	1.4%	
Total Severance Tax Revenue	\$352.2	\$192.7	\$212.8	\$219.7	-14.6%
Percent Change	11.9%	-45.3%	10.4%	3.2%	
Interest Earnings	\$23.0	\$24.1	\$22.5	\$18.8	-6.6%
Percent Change	117.7%	7.4%	-6.8%	-16.6%	
Total Severance Tax Fund Revenue	\$375.2	\$216.9	\$235.3	\$238.4	-14.0%
Percent Change	15.3%	-42.1%	8.5%	1.3%	

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

Coal severance tax revenue is expected to increase in FY 2023-24 by about 52.6 percent, to \$6.8 million. Tax revenues over the first ten months of the fiscal year have come in stronger than expected. 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. In Colorado and nationally, coal production rose rapidly in 2022 on favorable prices emerging from the pandemic, increased electricity usage due to weather, and global disruptions such as reduced European imports from Russia. The forecast has also been revised upward on better-than-expected production for the state in 2024, now projected to increase rather than contract as anticipated in the March forecast. Longer-term, production in Colorado is being shaped by the shift away from coal-fired electricity generation in the state. In FY 2024-25 and FY 2025-26, ongoing reductions in demand from the electricity sector are expected to contribute to declines, consistent with the longer-term trend.

Metal and molybdenum mines are expected to pay \$1.8 million in severance tax in FY 2023-24, somewhat of a rebound after a large decline last year. The market for metals and molybdenum is expected to contribute to further gains in FY 2024-25 and FY 2025-26, bringing tax collections closer to a long-term average.

Finally, interest earnings on severance tax revenue are forecast to increase to \$24.1 million in FY 2023-24. Interest earnings have been stronger than anticipated through the first ten months of the fiscal year, partly due to higher interest rates. Interest earnings are forecast to decline 6.8

percent in FY 2024-25 and another 16.6 percent in FY 2025-26 as interest rates moderate from recent highs.

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

Gaming revenue is subject to TABOR except for revenue attributable to gaming expansions enacted under Amendment 50 and Amendment 77 (extended 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. Consequently, HB 24-1469 decreases the TABOR refund obligation from limited gaming revenue by \$31.4 million in FY 2023-24, \$31.2 million in FY 2024-25, and \$31.6 million in FY 2025-26 with comparable amounts in future years.

In years of fast growth in gaming taxes, the portion of gaming tax revenue that is subject to TABOR grows more slowly than overall tax revenue. In this case, a greater share of revenue is directed to the state and local government programs that receive revenue through Amendment 50 and Amendment 77.

Gaming revenue growth has slowed significantly since the double-digit growth posted in the two years immediately following the COVID-19 recession, likely due to weakening household balance sheets and naturally dissipating pent-up demand. Growth in gaming revenue is expected to slow to 3.2 percent in FY 2023-24 as below-average household savings weighs on consumer activity. This is a downward revision from the March 2024 forecast, which projected a 4.4 percent increase. Revenue is projected to increase by an additional 0.4 percent in FY 2024-25, and a further 0.7 percent in FY 2025-26. Positive, yet slower growth projections are consistent with lower household savings and the end of a rapid growth period immediately following the COVID-19 recession that was strengthened by pent-up demand.

The **other cash funds** line in Table 13 shows revenue subject to TABOR that is collected in cash funds other than those for which a specific forecast is prepared. There are about 400 cash funds represented on this line, with the number varying across fiscal years. Other cash fund revenue is a significant portion of the overall forecast for cash fund revenue subject to TABOR, and year-to-year fluctuations in this revenue can be an important determinant of the TABOR refund obligation and the General Fund budget.

For the first ten months of FY 2023-24 (July 2023 through April 2024), other cash funds revenue subject to TABOR totaled \$666.7 million, 8.2 percent more than was collected in the same period in FY 2022-23. The largest changes in funds categorized under other cash funds through April compared to the same period in FY 2022-23 are the following:

- **Adult Dental Fund** revenue increased by \$16.6 million due to receipts from the Unclaimed Property Trust Fund across TABOR district boundaries. Annual transfers from the Unclaimed Property Trust Fund to the Adult Dental Fund are required each year to fund optional 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 purposes. However, the revenue increase through April of this fiscal year mostly reflects a shifting of receipts within the fiscal year and is expected to overstate the actual year-over-year increase in revenue;

- the new **Benefit Recovery Fund** has received about \$10.1 million through April. Beginning in FY 2022-23, SB 22-234 increased the amount of funds diverted from the Unemployment Compensation Fund to the Employment Support Fund by an additional 0.035 percent of employer premiums, up to \$15.0 million each year. This funding is then diverted from the Employment Support Fund to the Benefit Recovery Fund;
- **Department of State Cash Fund** revenue increased \$6.6 million due to increased business registration fee revenue following the expiration of fee reductions in HB 22-1001;
- **Disability Support Fund** revenue increased by \$6.0 million as a result of more personalized license plate issuances; and
- **Information Technology Revolving Fund** revenue increased by \$5.4 million due primarily to service charges paid from Colorado Parks and Wildlife, a state enterprise.

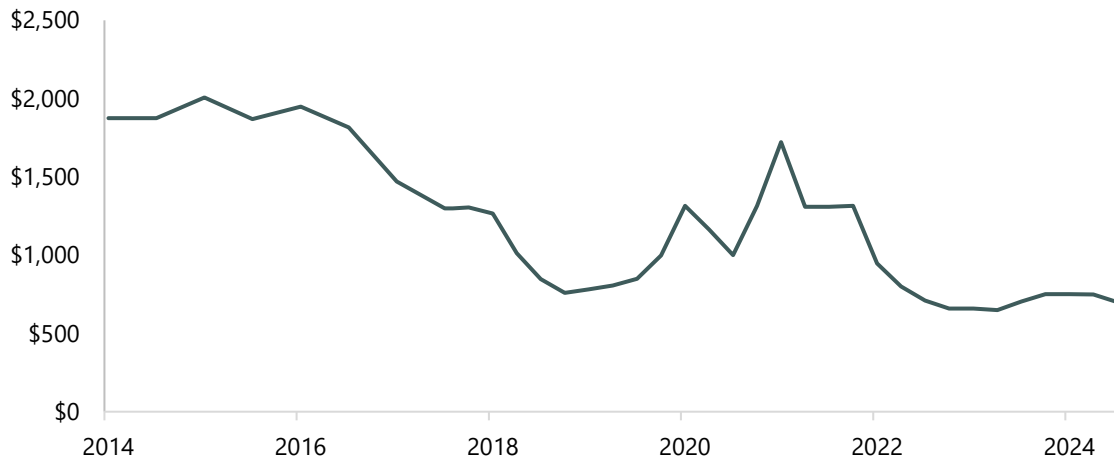
Most of these revenue changes are expected to be sustained in future fiscal years, while others, such as the increase in Information Technology Revolving Fund revenue, are expected to revert. Other cash funds revenue is projected to come in at \$831.2 million in FY 2023-24, an increase of 4.0 percent or \$31.7 million. Revenue is expected to rise again in FY 2024-25, increasing 3.0 percent and modestly slow down to 2.7 percent growth in FY 2025-26. In addition, to other legislation passed in the 2024 session that impacts the other cash funds line, these forecast periods were adjusted for House Bill 24-1409. This bill makes adjustments to the employer support surcharge deposits; and modifies caps for unemployment administration funds, which is expected to reduced revenue to other cash funds category by approximately \$26.7 million in FY 2023-24, \$24.5 million in FY 2024-25 and FY 2025-26.

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 continues to decline, but at a slowing rate. The decline in marijuana tax revenue is largely due to falling consumption after the surge during the COVID pandemic and falling demand as states across the country legalize marijuana. 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 as prices and consumption rebound.

Figure 6
Wholesale Price of Bud
 Dollars per Pound



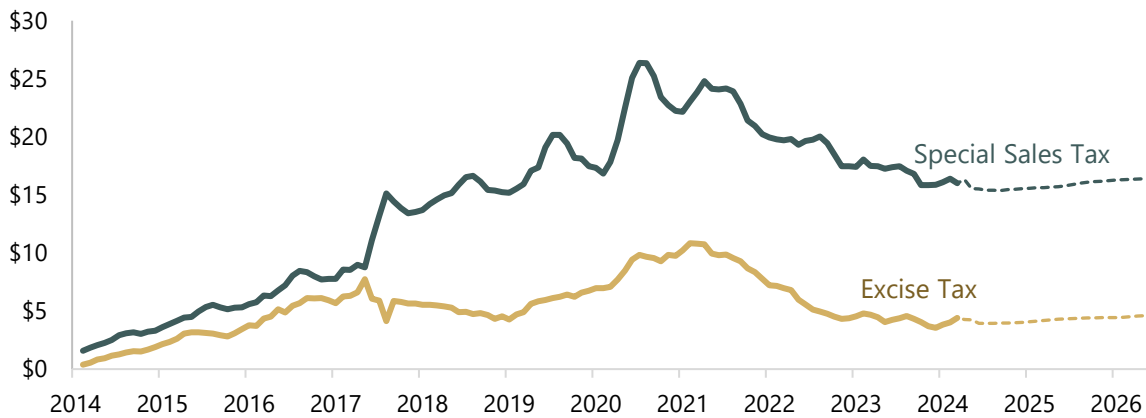
Source: Colorado Department of Revenue.

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

At the start of the pandemic, wholesale prices increased by over 30 percent between January 2020 and January 2021 as pandemic-induced restrictions resulted in surging demand for marijuana products. Prices then fell by 63 percent in the two years following, reaching a low point in April of 2023. Prices started to rebound since April, but ticked down in the most recent quarter.

Marijuana tax revenue is expected to rebound in FY 2024-25, albeit with slower growth rates than seen historically. The state’s 15 percent excise tax and 15 percent sales tax, which make up the majority of the revenue from the marijuana industry, are voter-approved revenue exempt from TABOR. The 2.9 percent general state sales tax is assessed on medical marijuana and non-marijuana products sold at marijuana retailers, and is subject to the state’s revenue limit. The marijuana tax revenue forecast is shown in Table 16.

Figure 7
Adult-Use Marijuana Revenue Forecast
 Millions of Dollars, 3-Month Moving Average



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

The **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, the State Public School Fund, the General Fund, and local governments. Special sales tax revenue continues to decline, but at a slower rate than in 2022 and 2023. Weak demand for marijuana due to legalization in other states and market maturation has led to low prices and reduced tax revenue. However, the special tax can be quite volatile on a monthly basis, making it difficult to predict.

Despite modest increases in the coming months, special sales tax revenue is expected to be 5.5 percent lower in FY 2024-25 compared to the prior year, before increasing by 4.2 percent in the following fiscal year. This forecast estimates that the long run average growth will be near 5 percent, much slower than pre-pandemic as the market will be more mature, but faster than general sales tax growth.

The **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 to the BEST Fund for school construction. The excise tax is based on the calculated or actual wholesale price of marijuana when it is transferred from the cultivator or manufacturer to the retailer. Therefore, the wholesale price is a significant determinant of excise tax revenue. Falling prices have contributed to falling excise tax revenue per unit, as well as falling sale volume as cultivators exit the market because prices are too low to support their businesses. The number of licensed cultivators has fallen by 17 percent compared to the year prior.

Wholesale prices increased in 2023, but stalled recently and ticked down in the most recent quarter, 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 1.7 percent lower in FY 2024-25 than the prior year and then increase by 4.2 percent in FY 2025-26 as consumption rebounds.

The **2.9 percent state sales tax** rate applies to medical marijuana and marijuana accessories purchased at a retail marijuana store. Revenue from the 2.9 percent sales tax is deposited in the

Marijuana Tax Cash Fund and is subject to TABOR. The medical marijuana sales tax brought in \$5.6 million in FY 2022-23, a 38.8 percent decline compared to the year prior. The number of medical marijuana card holders has declined significantly in recent months, and is expected to result in continued falling medical marijuana tax revenue. General sales tax collections from retail marijuana dispensaries are expected to increase slightly in FY 2023-24 to \$1.3 million and increase modestly throughout the rest of the forecast period.

Table 16
Tax Revenue from the Marijuana Industry

Dollars in Millions

	Actual FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	CAAGR*
Exempt Tax Revenue					
15% Special Sales Tax	\$219.9	\$197.5	\$187.5	\$194.8	-4.0%
State Share of Sales Tax	\$197.2	\$177.4	\$167.7	\$174.7	
Local Share of Sales Tax	\$21.9	\$19.7	\$18.6	\$19.4	
15% Excise Tax	\$57.8	\$50.9	\$50.3	\$55.0	-1.6%
Total Exempt Revenue	\$277.7	\$248.3	\$237.8	\$249.8	-3.5%
Percent Change	-22.5%	-10.6%	-4.2%	5.0%	
Nonexempt Revenue					
2.9% Sales Tax on Medical Marijuana	\$5.6	\$4.0	\$3.5	\$3.4	-15.5%
2.9% Sales Tax on Retail Marijuana	\$1.1	\$1.3	\$1.4	\$1.5	8.7%
TABOR Interest	\$0.1	\$0.2	\$0.2	\$0.2	
Total Nonexempt Revenue	\$6.9	\$5.5	\$5.0	\$5.0	-10.1%
Percent Change	-41.1%	-20.1%	-8.8%	-0.2%	
Total Taxes on Marijuana	\$284.6	\$253.9	\$242.9	\$254.8	-3.6%
Percent Change	-23.1%	-10.8%	-4.3%	4.9%	

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

Based on the above forecasts, revenue to **the Marijuana Tax Cash Fund (MTCF)** is expected to fall by 10.5 percent in FY 2023-24 to \$133.0 million, and fall by another 5.2 percent in FY 2024-25 to \$126.1 million. MTCF revenue is expected to increase in FY 2025-26 to \$130.8 million.

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.

As shown in Table 17, FML revenue is forecast to decrease about 44 percent to \$97.2 million in FY 2023-24. The rapid increase in natural gas prices that started in 2021 led to elevated FML revenues, though lower prices are driving down expected revenue in the forecast. Natural gas prices in FY 2023-24 were revised down from the March forecast, and collections year-to-date are lower than previously forecast. As of May 2024, prices were down significantly from the peak of \$8.81 per million BTU in August 2022. Price expectations in FY 2024-25 have been revised down along with the revenue forecast. However, expected revenues are expected to grow faster in FY 2025-26.

Table 17
Federal Mineral Lease Revenue Distribution
Dollars in Millions

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
Total FML Revenue	\$173.6	\$97.2	\$110.9	\$133.2
Bonus Payments (portion of total revenue)	\$1.3	\$1.0	\$3.3	\$4.0
Local Government Permanent Fund	\$0.6	\$0.5	\$1.7	\$2.0
Higher Education FML Revenue Fund	\$0.6	\$0.5	\$1.7	\$2.0
Other (non-bonus) FML Revenue	\$172.4	\$96.3	\$107.5	\$129.2
State Public School Fund	\$83.3	\$46.5	\$51.9	\$62.4
Colorado Water Conservation Board	\$17.2	\$9.6	\$10.8	\$12.9
DOLA Grants	\$34.5	\$19.3	\$21.5	\$25.8
DOLA Direct Distribution	\$34.5	\$19.3	\$21.5	\$25.8
School Districts	\$2.9	\$1.6	\$1.8	\$2.2
Higher Education FML Revenue Fund	\$0.6	\$0.5	\$1.7	\$2.0

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 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, and the Proposition DD ballot question limited sports betting tax revenue to \$29 million per year. However, fee revenues are subject to TABOR.

Through the first ten months of FY 2023-24, sports betting tax revenue grew 10.7 percent compared to the same time period in FY 2022-23, a significant decrease from last year's growth rate. It is likely that the initial ramp-up period as a result of new implementation is largely over; consequently, growth in tax revenue is expected to slow to a 7.0 percent growth rate in FY 2024-25, and a 4.1 percent growth rate in FY 2025-26. Sports betting tax revenue is projected to reach \$28.2 million in FY 2023-24, \$30.2 million in FY 2024-25, and \$31.5 million in FY 2025-26. Due to the expectation that sports betting tax revenue will exceed the \$29 million cap during the forecast period, the legislature passed **House Bill 24-1436**, which refers a measure to the ballot that asks voters to allow the state to retain and spend all additional sports betting tax revenue in excess of \$29 million. If the ballot measure fails, the excess sports betting tax revenue will be refunded to casinos and licensed sports betting operators.

The composition of sports betting tax revenue fluctuates with the season of different sports leagues and their popularity. For example, in January 2024 when American pro football was in the heat of playoffs, over 20 percent of all sports betting tax revenue came from wagers on the National Football League (NFL). In contrast, less than a half percent of all wagers were made on football in April 2024; rather, the start of the Major League Baseball (MLB) season triggered wagers on baseball to increase from nearly 0 percent to almost 17 percent in April.

Sports betting fee revenue subject to TABOR is expected to grow to \$2.4 million in FY 2023-24 with smaller increases in future forecast years and is included in the Other Cash Funds forecast in Table 13.

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 13. 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 13.

The UI Trust Fund began FY 2023-24 with a balance of \$286.6 million, the first time the fund has begun the year with a positive balance since FY 2020-21. Expected benefits paid from the fund in FY 2023-24 are expected to total \$717.0 million, compared to \$693.2 million projected in the March 2024 forecast. Benefit payments through the first four months of 2024 outperformed expectations given the current unemployment rate, potentially due to another surge in back payments paired with rising average weekly wages alongside continued growth in insured employment. Benefit payments are expected to return to a more sustainable level in the last quarter of FY 2023-24, but will still remain elevated due to a slight uptick in the unemployment rate and expected continued wage growth.

Similarly, revenues to the fund are expected to increase through FY 2023-24 and total \$1,066.3 million, compared to \$1,035.9 million projected in the March 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**, and revenue from the solvency surcharge 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 created new caps on the amount of money in the ESF and other unemployment administration funds at the end of any fiscal year. The solvency surcharge was applied and employers shifted down from the highest premium rate schedule in January 2024. The solvency surcharge is expected to be applied throughout the forecast period, as fund balances are expected to fall short of the 0.7 percent of annual private wages threshold required to turn it off until FY 2025-26. The FY 2025-26 threshold determines the solvency surcharge status for 2027, which is not forecasted.

The UI Trust Fund is expected to end FY 2023-24 with a balance of \$635.9 million. The fund balance is expected to improve throughout the forecast period, meeting the thresholds to shift to a lower premium rate schedule in calendar year 2026 and to turn the solvency surcharge off in calendar year 2027. The forecast anticipates an uptick 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.

The modernization of the Colorado unemployment insurance premiums systems led to compromised employment and wage data for the third and fourth quarters 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

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Beginning Balance	(\$133.1)	\$286.6	\$635.9	\$1,133.3	
Plus Income Received					
UI Premium	\$807.2	\$878.6	\$963.7	\$934.8	2.1%
Solvency Surcharge	\$0.0	\$104.0	\$196.3	\$207.0	
Interest	\$1.1	\$7.2	\$21.2	\$22.7	
Other**	\$113.7	\$76.5	\$66.5	\$66.5	
Total Revenues	\$922.0	\$1,066.3	\$1,247.7	\$1,231.0	10.1%
Percent Change	-32.4%	15.6%	17.0%	-1.3%	
Less Benefits Paid	(\$502.3)	(\$717.0)	(\$750.3)	(\$826.5)	18.1%
Percent Change	3.8%	42.7%	4.6%	10.1%	
Private Loan Repayment	(\$110.1)	\$0.0	\$0.0	\$0.0	
Ending Balance	\$286.6	\$635.9	\$1,133.3	\$1,537.8	
Solvency Ratio					
Fund Balance as a Percent of Total Annual Private Wages	0.17%	0.35%	0.59%	0.76%	

Totals may not sum due to rounding.

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

**Other income includes private loans applied to federal loans outstanding, and estimated diversions from the Employment Support Fund; the Employment, Training and Technology Fund; and the Benefit Recovery Fund pursuant to SB 23-232 and HB 24-1409.

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Economic Outlook

The U.S. economy continues to emerge from a tense period where runaway inflation resulted in aggressive action from the Federal Reserve, directly impacting consumers and businesses with higher interest rates and borrowing costs and slowing overall economic activity. Despite these headwinds, the U.S. and Colorado economies continued to expand through the first quarter of this year. U.S. inflation is cooling but prices remain stubbornly elevated – yet, consumer activity has been resilient.

Employers continue to add jobs at a healthy rate. Households spending is buoying businesses, even in the face of high interest rates. Taken together, current indicators suggest that the U.S. economy is maintaining an average or slightly below average pace of expansion, converging toward expectations for a slowdown in growth.

This forecast expects continued moderate expansion in the U.S. and Colorado economies at a slightly slower pace in 2024 than in 2023. Receding inflation, alongside interest rate reductions anticipated to begin late this year, will boost growth, while deteriorating household balance sheets will raise headwinds. Colorado's economy is expected to modestly outperform the nation's, with comparable employment growth in 2024, higher income growth, and lower inflation.

Tables 19 and 20 on pages 79 and 80 present the June 2024 Legislative Council Staff forecasts for the U.S. and Colorado economies, respectively. The tables in the Appendix, beginning on page 119, present historical data for the U.S. and Colorado economies.

Gross Domestic Product

Despite stubbornly high inflation and contractionary monetary policy, U.S. real gross domestic product (GDP), the broadest measure of economic output, surpassed most economists' expectations in 2023, increasing by 2.5 percent from the prior year. The rate of increase was consistent with an economy in a moderate expansion cycle.

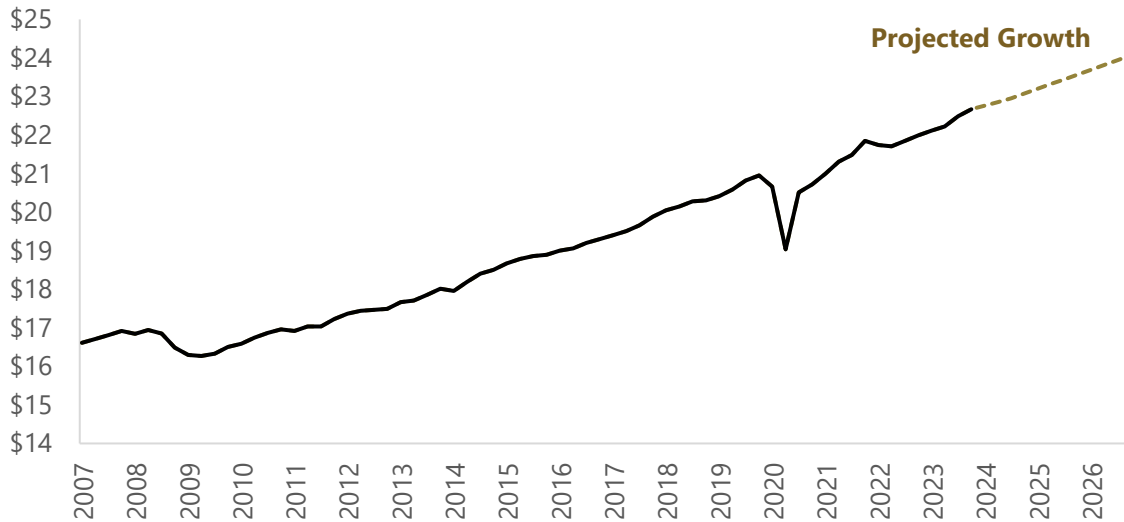
In the first quarter of 2024, real U.S. GDP increased at an annual rate of 1.3 percent, marking the seventh consecutive quarter of economic expansion. The U.S. economy continued to expand in the first quarter despite a meaningful increase in imports, which the GDP calculation subtracts from U.S. economic activity, and a pullback from spending on consumer goods, specifically on durable items such as motor vehicles and large household items. Economic growth was advanced by increased spending on consumer services, such as personal health care, and investments in residential real estate improvements and properties.

This forecast anticipates a slower, steadier pace of expansion over 2024, 2025, and 2026. High interest rates, low available labor, and tighter household budgets will result in slightly less growth this year than last year. However, the economy is expected to remain on a growth trajectory so long as household incomes increase at a sufficient level to grow consumer spending. Risks to the GDP forecast are balanced, with both upside and downside risks present.

- Real U.S. GDP growth is expected to increase by 2.3 percent in 2024, led by consumer spending as inflation wanes and interest rates begin to fall. Economic output is projected to

increase more modestly at a rate of 1.8 percent in 2025 and slightly pick up to 2.0 percent in 2026.

Figure 8
U.S. Real Gross Domestic Product
2017 Dollars in Trillions



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

Personal consumption slowed in first quarter of 2024. After increasing by 2.2 percent in 2023, consumer spending, the largest contributor to GDP, grew by 2.0 percent in first quarter of 2024. The slowdown in the value of personal consumption in the first quarter of the year relative to 2023 was primarily from falling prices for new vehicles. After a few years of supply shortages and high borrowing costs, the average price for a new car has been steadily falling. In March 2024, the average transaction price of a new vehicle in the U.S. was \$47,218, down from the same month one year prior and 5.4 percent from the market peak in December 2022, according to Kelley Blue Book.

Household consumption expenditures for services remained strong in the first quarter of 2024, growing at an annual rate of 3.9 percent. Spending on health care services and financial services and insurance were the main drivers for the first quarter of the year. However, food services and accommodation services spending were down.

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 consumer contributions through 2026, but tighter household budgets will slow the pace of expansion.

Business investment remains positive. Investment activity slowed by an annual rate of 0.7 percent in the final quarter of 2023 after posting strong gains through most of the year. In the first quarter of 2024, total U.S. investment in nonresidential and residential projects increased at an annual rate of 3.2 percent. After struggling through all of 2022 and the first half of 2023 because of higher interest rates, investment in residential projects continues to pick up

momentum, increasing at an annual rate of 15.4 percent in the first quarter of the year, the largest since the second half of 2020. Nonresidential investment continued to contribute to economic growth, increasing at an annual rate of 3.3 percent in first quarter of the year. Investments in nonresidential projects have been steadily contributing to U.S. economic growth since late 2021. Spending on intellectual properties, such as software development, research and development, and entertainment, continue to be major contributors for nonresidential investment growth.

Business investment is expected to again contribute modestly to growth in 2024, and to strengthen in 2025 and 2026 when monetary policy is expected to ease.

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

International trade is a net-zero contributor. The U.S. economy has recovered much more strongly from the pandemic recession than other leading national economies around the world. The net impact on U.S. GDP, calculated as total exports minus total imports, has been net neutral, as American firms are generally better positioned to sell goods and services in foreign markets, and American consumers are better positioned to purchase foreign products. Weighted according to U.S. trading partners, the U.S. dollar is considerably stronger than it was before the pandemic, which boosts U.S. purchasing power for foreign imports and weakens foreign purchasing power for U.S. exports. However, appreciation of the dollar has slowed slightly over the last six months and may be somewhat less of a drag on net trade in 2024 than in 2023.

Colorado's economy also continued to expand. In 2023, the latest data available, Colorado's GDP was approximately \$520.4 billion in nominal dollars (or \$428.0 billion in chained 2017 dollars), representing a 2.9 percent increase in inflation-adjusted GDP from the prior year and making it the 15th largest state economy in the U.S and accounting for about 2.0 percent of the national total. 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 and rendered 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 modestly outperform the U.S. economy through 2026, with faster income growth, lower inflation, lower unemployment rates, and comparable employment growth in 2024 that outpaces the U.S. in 2025 and 2026.

Labor Markets

The U.S and Colorado labor markets continue to show signs of cooling consistent with an economy in moderate expansion. Employers continue to add new employees to their payroll but at a slower rate than previous years as the number of available workers dwindle. Though U.S and Colorado unemployment rates remain low, they have begun slowly, steadily increasing. A slowing labor market is consistent with a soft landing as the effects of tight monetary policy slow economic activity. Near-term employment growth is expected to continue to slow for both

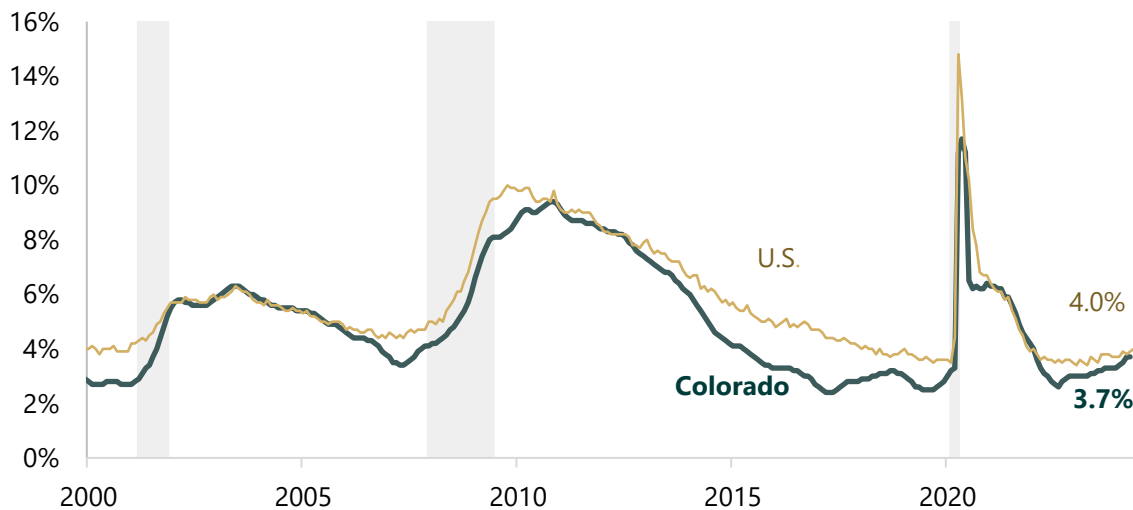
the U.S. and Colorado. The impacts of the slowdown are expected to continue to be uneven, with unemployment rates, wage growth, and job growth varying significantly across workers and industries.

- U.S. nonfarm employment ended 2023 up 2.3 percent year over year. Employment growth is expected to slow to 1.7 percent in 2024, and then slow further to 1.0 percent in 2025 and 1.1 percent in 2026. The U.S. unemployment rate averaged 3.6 percent in 2023. The unemployment rate is expected to increase to 4.0 percent in 2024 before falling to 3.9 percent in 2025 and 3.7 percent in 2026.
- In Colorado, employment grew 2.5 percent in 2023. Employment growth is expected to decelerate throughout the forecast period, falling to 1.6 percent in 2024 before slowing further to 1.2 percent in 2025 and 2026. The Colorado unemployment rate is expected to increase, from an average of 3.2 percent in 2023, to 3.8 percent in 2024 before falling to 3.7 percent in 2025 and 3.4 percent in 2026.

Colorado’s unemployment rate holds steady in April. After ticking up to 3.7 percent in March 2024, Colorado’s unemployment rate held steady in April, with an increase in the number of unemployed Coloradans, offset by an increase in the labor force. Consistent with a cooling labor market, Colorado’s unemployment rate has climbed from a post-pandemic low of 2.6 percent in August 2022.

Colorado’s unemployment rate was the 32nd lowest among the states in April 2024, similar to that of Indiana, Arizona, and New Mexico. North Dakota and South Dakota had the lowest unemployment rate (2.0 percent), while the highest rate belonged to California (5.3 percent). Over the year, thirty states posted a statistically significant increase in their unemployment rate since April 2023 and only one state posted a decrease.

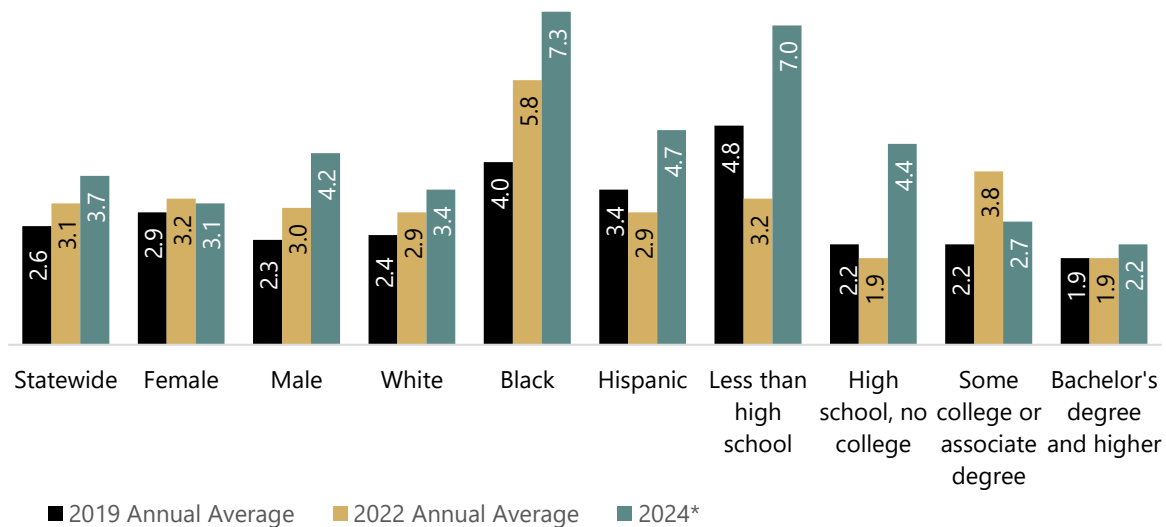
**Figure 9
Unemployment Rates**



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

Colorado unemployment rates vary by demographic group. The impact of a slowing labor market is uneven across demographic groups, with wider disparities by race, ethnicity, and educational attainment for the 12 months ending in March 2024 compared to pre-pandemic, as people of color and those without a high school diploma continue to experience higher unemployment rates (Figure 10). The gender unemployment gap, however, has reversed, with men now experiencing higher unemployment rates than women. Small sample sizes may reduce the statistical significance of these patterns in some cases.

Figure 10
Colorado Unemployment Rates by Demographic Group



*2024 is a twelve-month average, April 2023 to March 2024.

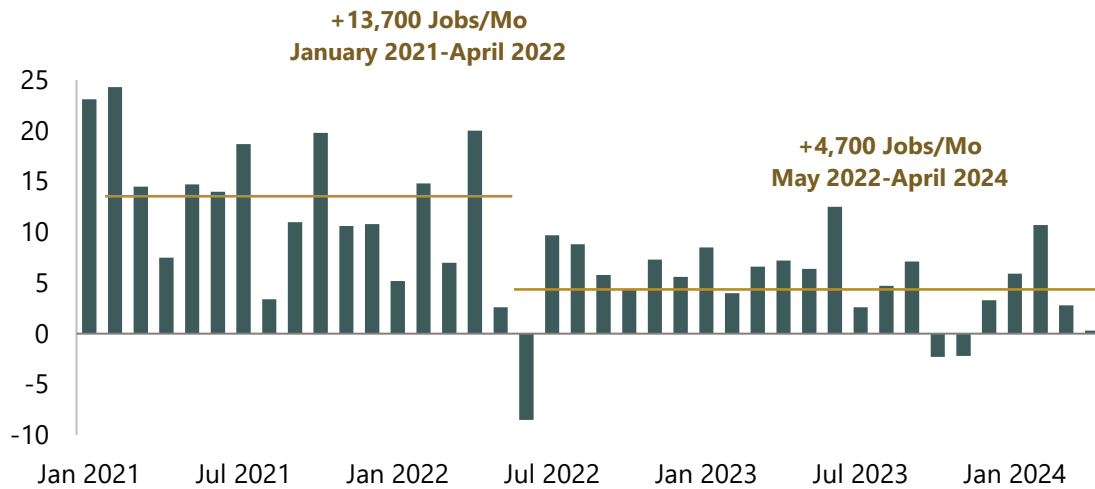
Source: U.S. Bureau of Labor Statistics, Current Population Survey, retrieved from the Colorado Department of Labor and Employment. Data are not seasonally adjusted. Unemployment rates by educational attainment include individuals 25 and over; all other unemployment rates include individuals 16 and over.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

Colorado continues to have one of the nation’s highest labor force participation rates.

Colorado’s labor force participation rate held steady in April, at 68.0 percent, down from the post-pandemic high of 68.6 percent, but still well above the national rate of 62.7 percent in the same month. Among the 50 states, Colorado has the fourth highest labor force participation rate, behind North Dakota (69.0 percent), Utah (68.9 percent), and Nebraska (68.6 percent). Mississippi has the lowest labor force participation rate at 53.7 percent.

Nonfarm payroll job gains continue decelerating. Nonfarm employment in Colorado and the nation was up 1.8 percent year-over-year in April 2024, an average of 6,500 jobs per month during the first quarter of 2024. Colorado employers added just 300 nonfarm jobs in April, for an average monthly gain over the past two years of 4,700 jobs. Colorado’s average monthly job gains slowed significantly from the pace of 13,700 average job gains posted from January 2021 to April 2022. Job gains have noticeably slowed since May 2022, which roughly coincides with the start of the Federal Reserve’s interest rate hikes. In 2023, the state posted two consecutive months of declining jobs from October to November (Figure 11).

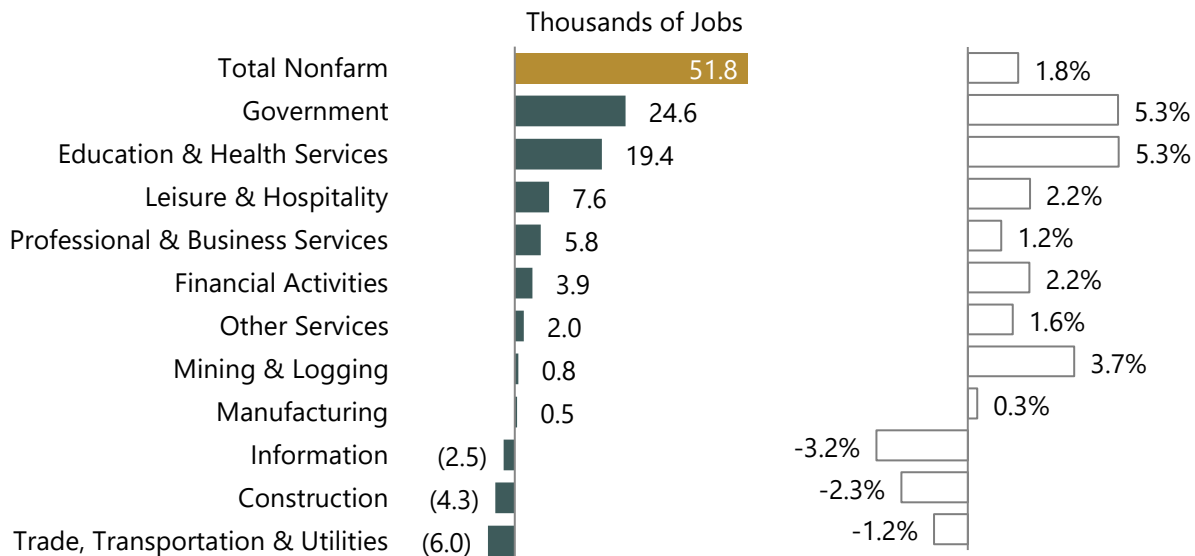
Figure 11
Monthly Change in Colorado Nonfarm Employment
 Thousands of Jobs



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted and through April 2024.

Industry employment challenged for several sectors. Several Colorado industry supersectors have shed jobs or struggled to add them in the past year through April, including trade, transportation, and utilities, down 6,000 jobs (1.2 percent); construction, down 4,300 jobs (2.3 percent); information, down 2,500 jobs (3.2 percent), and manufacturing, up 500 jobs (0.3 percent). Employment in these industries reflects ongoing challenges from higher interest rates, slower retail sales activity, sluggish manufacturing post-pandemic, and turmoil in the information and technology sector. Challenges for these industries are expected to persist into the forecast period.

Figure 12
Colorado Job Gains and Losses by Industry
 Year-over-Year Change, April 2024

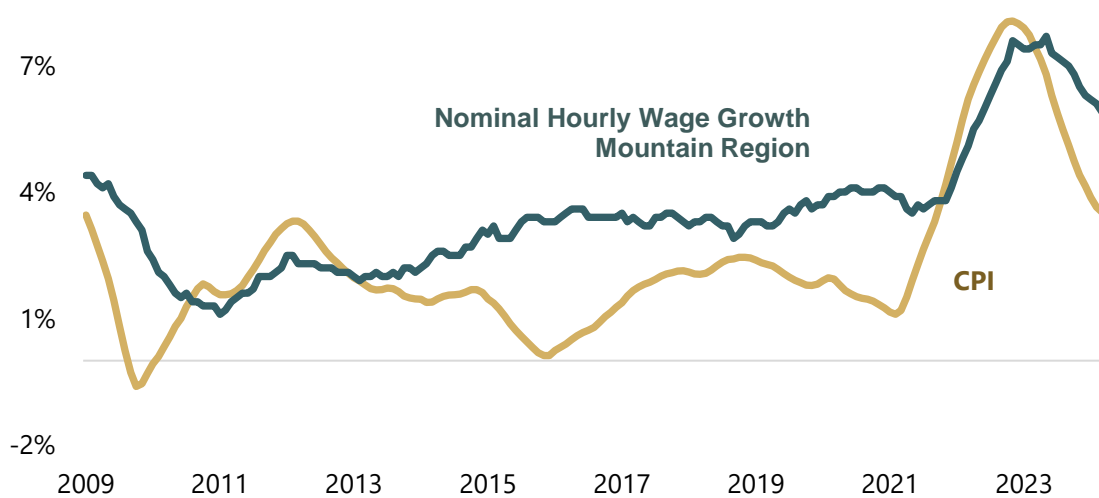


Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

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

According to the Atlanta Federal Reserve Wage Growth Tracker, the 12-month moving average of median nominal wage growth (not adjusted for inflation) for the mountain region, which includes Colorado, fell to 5.9 percent year-over-year in March 2024, compared to 5.2 percent nationwide, and down from a peak of 7.7 percent in May 2023. Average inflation was 3.5 percent, down from a peak of 8.1 percent in November 2022. Average inflation exceeded average nominal wage growth from November 2021 to March 2023, resulting in a declining real wage and the erosion of purchasing power for more than 50 percent of workers during that period (Figure 13). Nominal wage growth has exceeded inflation on average over the past year, although national data on earnings shows significant variations across demographic groups, as discussed below.

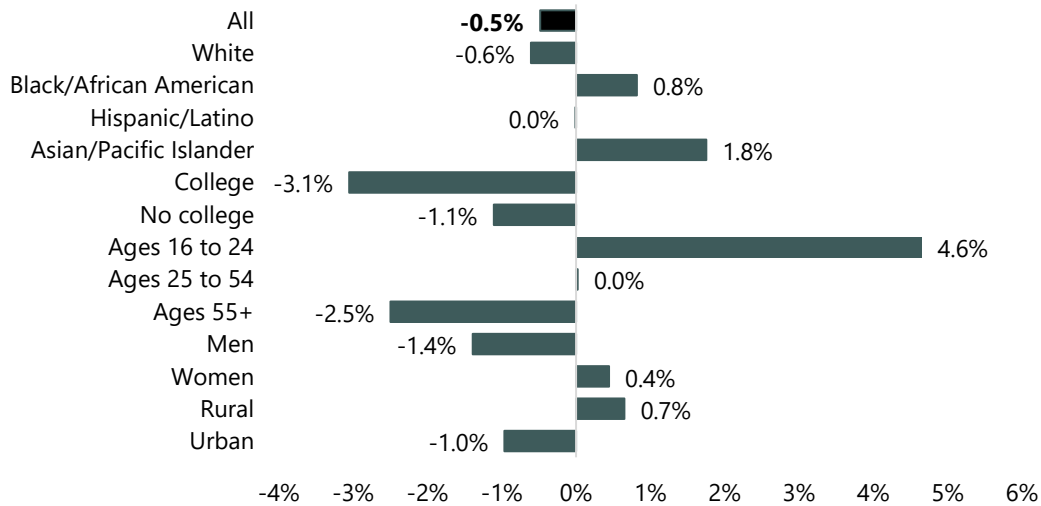
Figure 13
Median Nominal Hourly Wage Growth and CPI Inflation
Twelve-Month Moving Average



Source: Atlanta Fed Wage Growth Tracker. Data are through March 2024.

Growth in U.S. real average weekly earnings varies by demographic group. Just as the impact of a cooling labor market is uneven across demographic groups, so is the change in real weekly earnings, according to the Federal Reserve Bank of New York Equitable Growth Indicators. Between January 2020 and February 2024, average weekly real earnings declined by 0.5 percent across all demographic groups, but with large variations across demographic groups. Those experiencing growth during this period include blacks, Asian/Pacific Islanders, younger workers, women, and rural households. While real earnings gains overall were meager in the post-pandemic period, earnings gaps by race, gender, education, and rural/urban geography have declined.

Figure 14
Change in Average Weekly Real Earnings, January 2020 to February 2024
 Percent

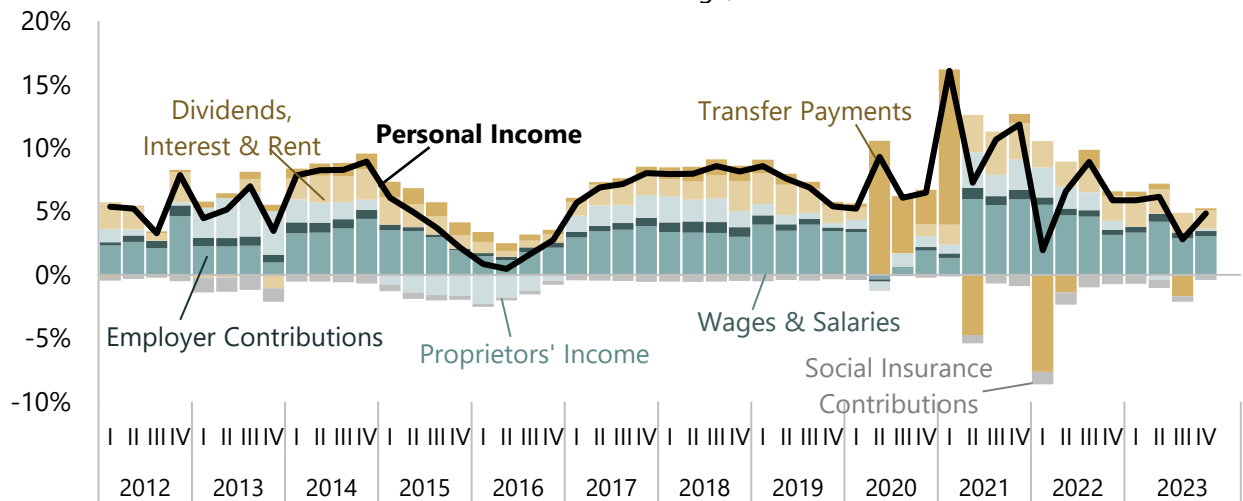


Source: Federal Reserve Bank of New York, Equitable Growth Indicators. Data are through February 2024.

Personal Income

Personal income growth has remained steady, continuing to grow at a healthy pace in both the U.S and Colorado. Personal income measures the aggregate amount of income received by individuals and households from wages and salaries, business ownership, investments, and other sources. Personal income influences state revenue streams such as household contributions to individual and corporate income tax revenue, and foreshadows consumer spending and contributions to sales tax receipts. A history of year-over-year growth in Colorado nominal personal income by its contributions is shown in Figure 15.

Figure 15
Colorado Nominal Personal Income and Its Contributions
 Contributions to Percent Change, Year-over-Year



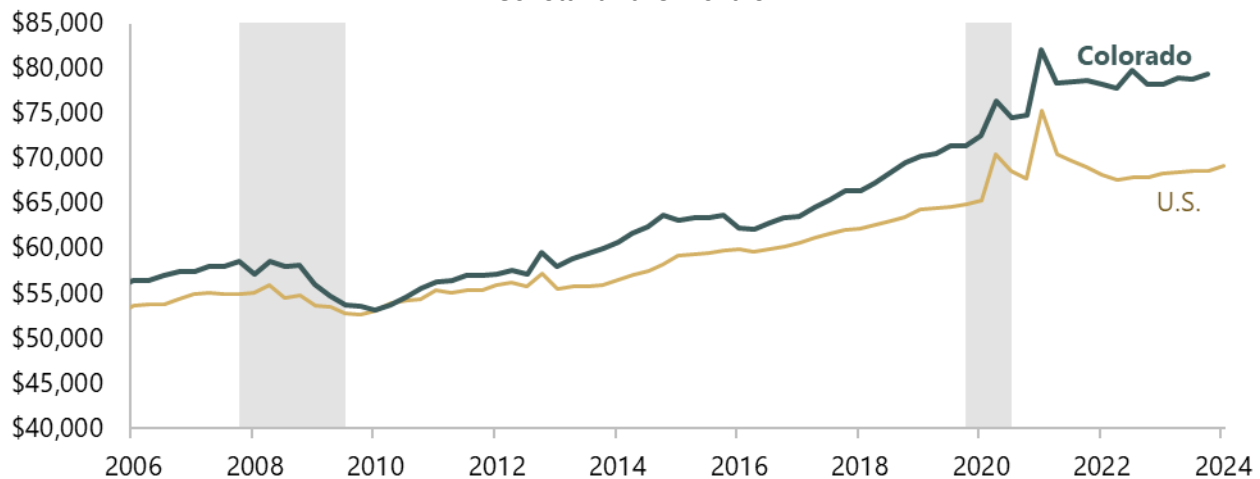
Source: U.S. Bureau of Economic Analysis with Legislative Council Staff calculations. Data are seasonally adjusted through the fourth quarter of 2023.

Total Colorado personal income was 4.8 percent higher in the fourth quarter of 2023 compared to the same quarter last year. Wages and salaries are the largest source of personal income, and were up 6.0 percent, a bit slower than the average rate of growth before the pandemic. Dividends, interest, and rent were up 6.5 percent as rents and interest rates rose.

- Personal income increased by 5.1 percent nationally in 2023, compared to 4.9 percent in Colorado. In 2024, growth is expected to remain moderate, at 4.8 percent nationally and 5.1 percent in Colorado.
- Wages and salaries have outpaced other sources of personal income, with 6.3 percent growth nationally in 2023, and a 6.6 percent increase in Colorado. These are expected to moderate to 5.6 percent nationally and 5.3 percent in Colorado in 2024, as employment and inflation slow.

Although nominal personal income continues to grow, households have also had to contend with high inflation. After adjusting for population and inflation, personal incomes in both Colorado and the U.S. increased slightly throughout 2023 (Figure 16). The rate of increase is much slower than in the years prior to the pandemic. With inflation expected to slow through the forecast period, real per-capita personal income is expected to accelerate modestly for both the U.S. and Colorado in 2024.

Figure 16
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.

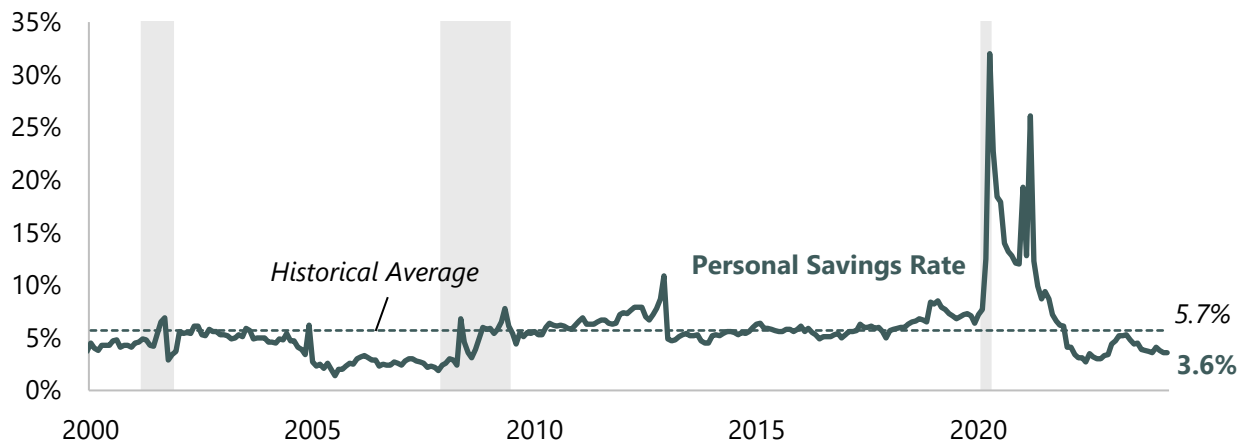
Household Finances

A falling personal savings rate and rising delinquencies in consumer debt indicate that the health of household finances is deteriorating. However, the total amount of borrowing remains similar to the pre-pandemic economy and mortgage debt remains healthy.

Personal savings rates are low by historical standards. The personal savings rate is below the historical average and has fallen steadily since May 2023, a concerning sign for household finances. The personal savings rate was below the historical average for all of 2022 and 2023, after spiking in the two years prior. During the pandemic, household balance sheets were

bolstered by government transfer payments, strong nominal wage and salary growth, and reduced spending due to COVID-19 restrictions, resulting in exceptionally high personal savings. Some of these excess savings may still be bolstering household finances, although savings for many households has been spent down.

Figure 17
U.S. Personal Savings Rate*



Source: U.S. Bureau of Economic Analysis. Data are shown as seasonally adjusted annual rates. Data are through April 2024.

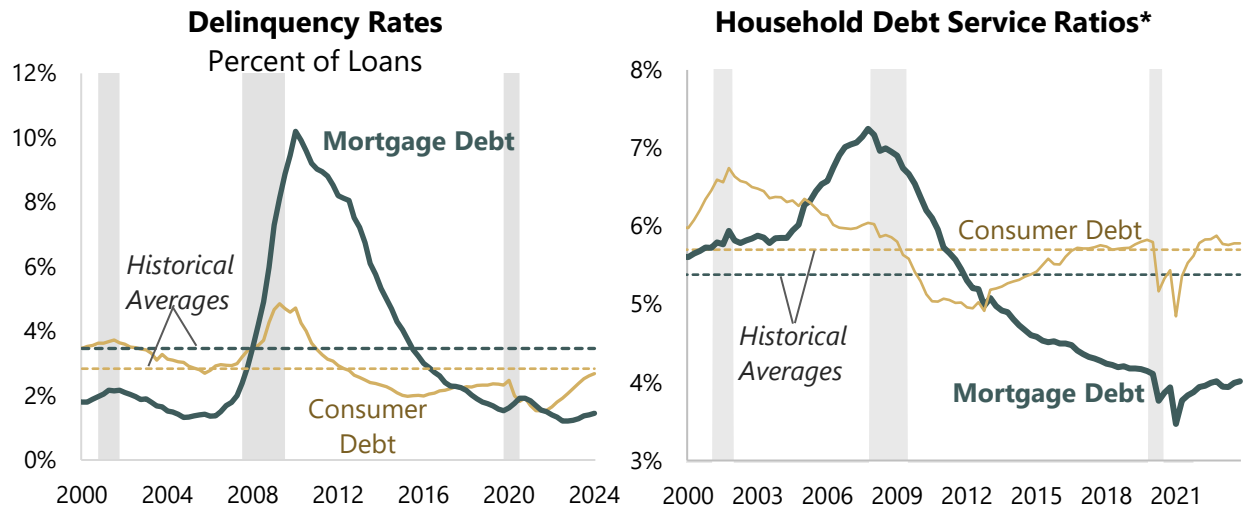
*The personal savings rate is calculated as the ratio of personal saving as a percentage of disposable personal income. The historical average is the average from 2000 to present.

The savings rate reached a trough of 2.7 percent in June 2022, its lowest level since 2005. Personal savings rebounded through May 2023, reaching 5.3 percent, but began falling again, down to 3.6 percent in April 2024. A low savings rate signals that residual inflation continues to impact the purchasing power of household incomes, causing households to spend a higher percentage of their incomes for comparable levels of real consumption. This is one sign that household finances may be strained.

The level of household debt is consistent with a healthy economy, but delinquency rates are rising. Delinquency rates show the percentage of outstanding loans that are 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 first quarter of 2024, the delinquency rate on consumer loans, which includes credit card debt, was 2.6 percent, compared to about 2.3 percent before the pandemic, but still rising. Rising delinquencies for consumer debt shows that households may be financially strained. On the other hand, debt from real estate appears healthy.

Debt service ratios (Figure 18, 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.

Figure 18
Household Debt



Source: Federal Reserve Board of Governors. Data are through 2024Q1 (left) and 2023Q4 (right).

*Debt service ratios are calculated as the ratio of household mortgage and consumer credit (e.g., credit card) debt payments to disposable personal income. Historical averages are calculated from 1980 to the most recent quarter of data. Data are seasonally adjusted.

After peaking in late 2022, consumer debt as a percentage of disposable income stalled in 2023 and stands at a level similar to the historical average and pre-pandemic levels. Mortgage debt fell steadily between the 2008 financial crisis and the 2020 pandemic-induced recession. Similar to consumer debt, the mortgage debt ratio reached a peak in 2022 and held steady in 2023. Unlike consumer debt, the mortgage debt ratio remains well below the historical average. Overall, this signals that households have more financial obligations than during the early days of the pandemic, but that borrowing remains similar to pre-pandemic levels.

Consumer Activity

Consumer spending is the main driver of the U.S. economy. In 2023, consumer spending performed better than expected in the face of lower household savings, higher interest rates, tightening credit conditions, inflationary pressures, a softening labor market, and weakened household balance sheets. In the first quarter of 2024, the growth rate in personal consumption expenditures mirrored those posted in 2023 (slightly above 2.0 percent), indicating ongoing resiliency among consumers in the face of economic uncertainty. Despite facing higher-for-longer interest rates head on, stubbornly high prices and persistently restrictive monetary policy pose risks to future consumer sentiment and behavior.

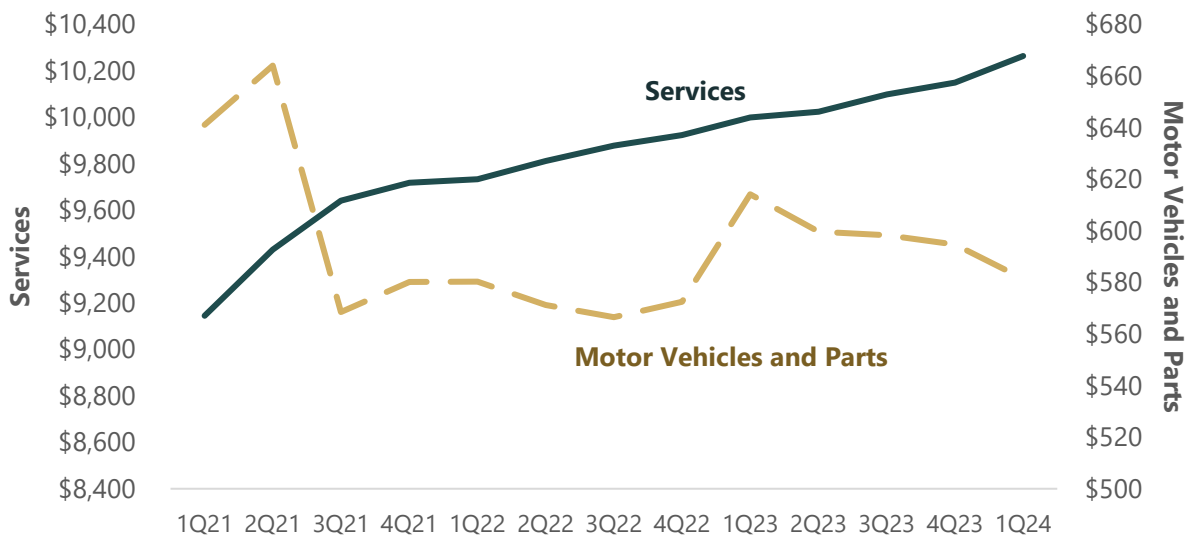
While consumer confidence has generally trended upwards since mid-2022 with consumers recognizing positives in the present state of the economy, surveys indicate a resurgence in concerns over a recession in the future according to both the Conference Board's Consumer Confidence Survey and the University of Michigan's Consumer Sentiment Survey as of May 2024. Although consumers have continued to contribute to the purchasing of both goods and services, prolonged high interest rates may have consumers worried about the long-term

sustainability of their current consumption habits and the resiliency of the labor market, especially as household balance sheets remain below historical levels.

Economic theory suggests that aggregate consumer demand should diminish in the current economic climate. High prices paired with tight credit market conditions contribute to less purchasing power and impose on the consumer’s ability to spend. The current economic situation is unique in the sense that consumer spending has been stable amidst a collection of economic factors that should—in theory—weigh on the purchasing powers and desires of consumers.

Industry-level data suggest that consumer contributions are slowing. While consumers are supporting the current expansion, there are signs of weakness within industries more directly impacted by higher interest rates. In the first quarter of 2024, real personal consumption expenditures on motor vehicles and parts declined by over 5 percent year-over-year, marking the fourth consecutive period of quarter-over-quarter declines. Similarly, home sales in Colorado have declined by 2.5 percent year-over-year as of April 2024. The automotive and housing industries are two of the consumer-facing industries most directly impacted by monetary policy decisions, so it is not surprising that sales in those markets have declined as high interest rates persist. In contrast, services—which were extremely limited during the COVID-19 recession in 2020 and are less directly-impacted by higher interest rates—have since posted quarter-over-quarter and year-over-year growth for every quarter since the recession, as depicted in Figure 19 below.

Figure 19
U.S. Sales of Motor Vehicles and Parts Compared to Services
 Billions of Dollars



Source: Bureau of Economic Analysis (BEA) Real Gross Domestic Product, Personal Consumption Expenditures. Data through March 2024.

Consumer resilience versus interest rates—which will fall first? Without knowing why consumers are spending down household balance sheets by more than historical levels, it is difficult to predict what will make them stop. It is possible that consumers are more comfortable with a lower savings rate in the post-pandemic era. In that case, consumers would be expected to continue to spend, buoying the labor market and precluding a recession, even if elevated demand leads to a longer fight against inflation.

Another possibility is that the perpetually high consumer demand leads to resurgent inflation, causing even lower savings for consumers. As a result, consumers may reach unsustainably low balance sheets, defaults on debt may increase, banks may face financial crisis, ultimately contributing to a recession.

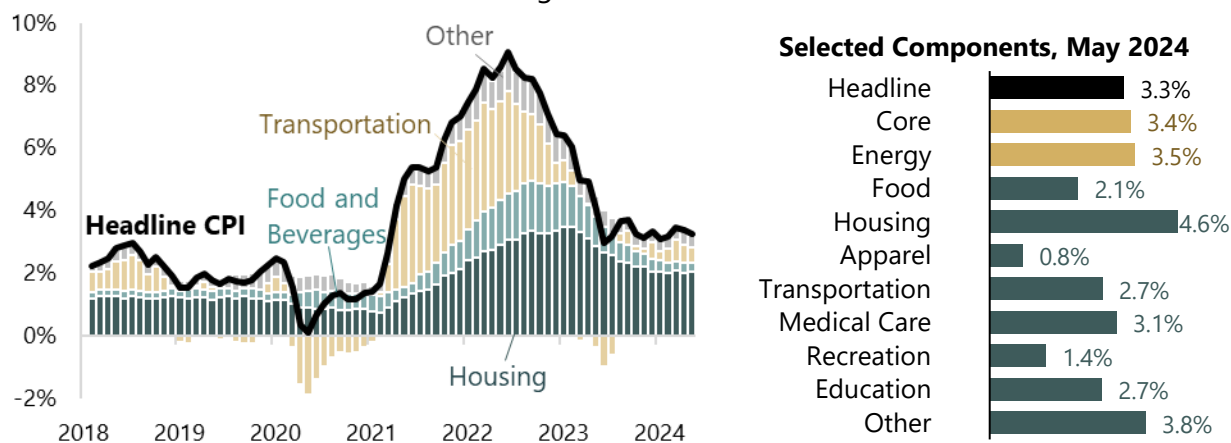
Arguably the most likely scenario, and the one predicted in this forecast, is that the higher-for-longer interest rates begin to weigh on household balance sheets. Consequently, consumers will start responding to tighter credit market conditions as economic theory suggests they would, slowing spending through the latter half of 2024 and into early 2025 before inflation falls to target levels and monetary policy relaxes. In this scenario, lower-income households are expected to be more heavily impacted by tight credit market conditions, with higher-income households buoying consumer spending above recessionary levels. Colorado sales in the retail trade and accommodation industries suggest that consumption growth has already started to slow in the state. From 2022 to 2023, nominal retail sales grew by just over 1.5 percent and 2024 retail sales through February have declined by nearly three percent compared to the same months in 2023. At this rate, it is projected that inflation will fall to target levels by the end of 2025 and interest rate cuts will begin in late 2024 or early 2025, limiting the decline in consumer activity to healthy levels.

Inflation

Inflation remains elevated nationwide. U.S. inflation remains well above its historical average and has plateaued in recent months. As measured by the U.S. city average consumer price index (CPI-U), inflation cooled considerably between mid-2022 and mid-2023, but the recovery has stalled over the past 8 months. As of May, CPI inflation stood at 3.3 percent, while core inflation, not including food and energy was 3.4 percent. As Figure 20 shows, U.S. inflation has been primarily driven by housing, transportation, and medical care costs. Other costs, which include many personal services, such as haircuts and funeral expenses, have also contributed to higher prices.

- Headline inflation for U.S. urban consumers is expected to slow throughout the forecast period to 2.9 percent in 2024, 2.5 percent in 2025, and 2.3 percent in 2026.

Figure 20
Contributions to U.S. Consumer Price Index (CPI-U) Inflation
 Percent Change in Prices, Year-over-Year



Source: U.S. Bureau of Labor Statistics.

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

High year-over-year inflation is still driven primarily by rising housing costs, which are up 4.6 percent year-over-year as of May down from its peak of 8.2 percent in February 2023. 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 in aggregate, as most renters' payments are not subject to change on a monthly basis. A cooling labor market is also expected to contribute to slowing housing inflation in 2024.

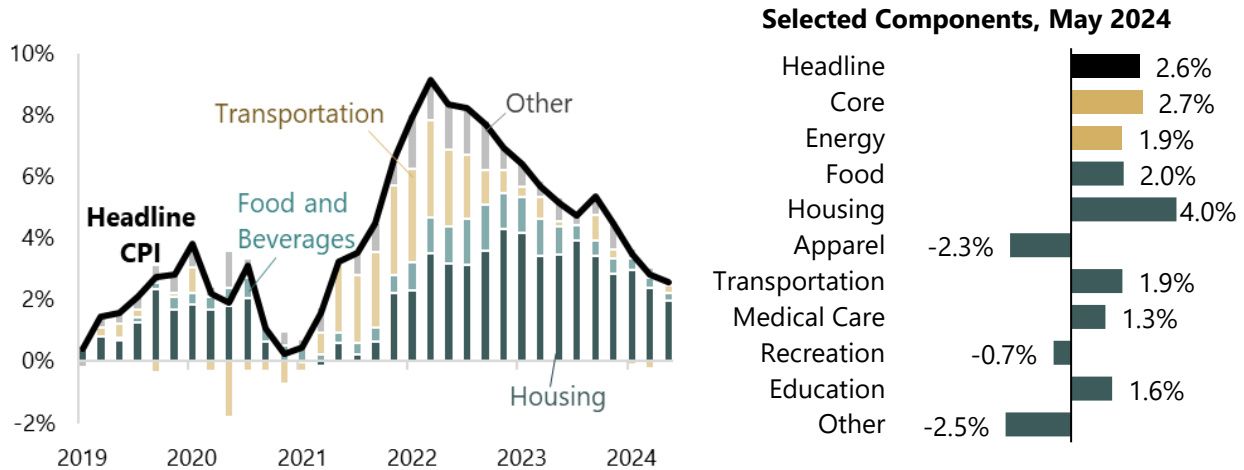
As housing inflation slowly recedes, rising car insurance prices have increased inflation in the transportation component, despite falling prices for new and used vehicles. As of May the cost of car insurance was up 20.3 percent compared to the year prior. Additionally, gas prices fell between February 2023 and February 2024, but have recently started to rebound.

Inflation in Denver-Aurora-Lakewood has fallen sharply. Inflation in the Denver-Aurora-Lakewood area (DAL) fell to 2.6 percent in May, its lowest value in three years. Figure 21 (left) shows the recent path of headline inflation and inflation among select components, as measured by the Denver-Aurora-Lakewood consumer price index. Housing inflation continues to moderate but remains high, while falling vehicle and gas prices bring down headline inflation.

Transportation prices have fallen compared to a year ago, but are expected to pick up later this year. In particular, motor fuel prices are down by 3.4 percent in May compared to the year prior; however, they have been steadily increasing each month since January, and are expected to increase slightly in the coming months. Used vehicle prices have also fallen over the past year, contributing to the downward price pressure in transportation. Inflation for car insurance is not available for the DAL region.

- Headline inflation in the Denver-Aurora-Lakewood combined statistical area is expected to fall below that of the U.S. over the next year, falling to 2.5 percent in 2024 and increasing to 2.9 percent in 2025.

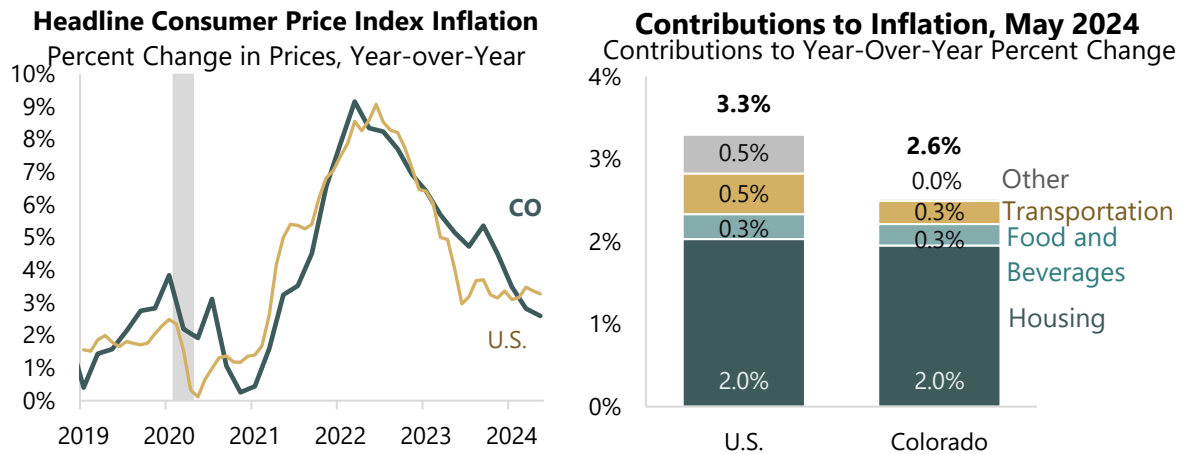
Figure 21
Denver-Aurora-Lakewood Consumer Price Index (CPI-U) Inflation
 Percent Change in Prices, Year-over-Year



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 and transportation inflation differs between the U.S. and Colorado. In May, headline inflation in Colorado was lower than the nation, but the drivers of inflation were relatively the same. Figure 22 (right) presents contributors to the current rates of inflation for the nation compared to the Denver-Aurora-Lakewood area.

Figure 22
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. inflation and Denver-Aurora-Lakewood inflation for May, reflecting the most recent data available.

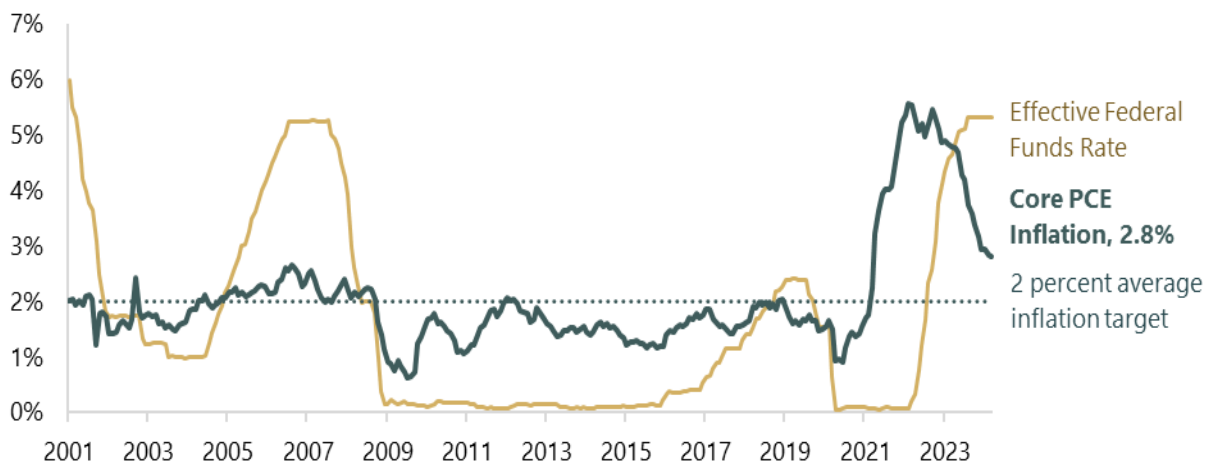
Transportation prices were the primary cause of the recent uptick in U.S. and Colorado inflation, contributing 2.0 percentage points to the total. Transportation costs are expected to pick up in DAL in the coming months.

Monetary Policy

The Federal Reserve may cut interest rates. In order to support maximum employment and stable prices, the Federal Reserve conducts policy by making changes to its balance sheet and its benchmark interest rate, the federal funds rate. To combat high inflation, the Federal Reserve raised the federal funds rate by a combined 5.25 percentage points across 11 rate hikes in 2022 and 2023. The rate hikes have slowed inflation, which may signal that the Federal Reserve will start to cut interest rates soon. This forecast assumes if there are any interest rate cuts this year, they will occur late in year (December).

The federal reserve measures inflation by using the personal consumption expenditures price index measure, excluding food and energy (core PCE). In general, the federal reserve targets for an average PCE reading of about two percent over the long run. The effective federal funds rate, the interest rate lending institutions charge each other for overnight loans of funds, is used to stabilize prices. Following the interest rate hikes in 2022 and 2023, the federal funds rate remains at its highest level since 2007. Rising interest rates tend to impact the economy with a lag, such that impacts of interest rate hikes in the past year may further slow inflation moving forward, even in the absence of more rate hikes, as shown in Figure 23.

Figure 23
Personal Consumption Expenditures Inflation and the Federal Funds Rate
Percent / Year-Over-Year Percent Change



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

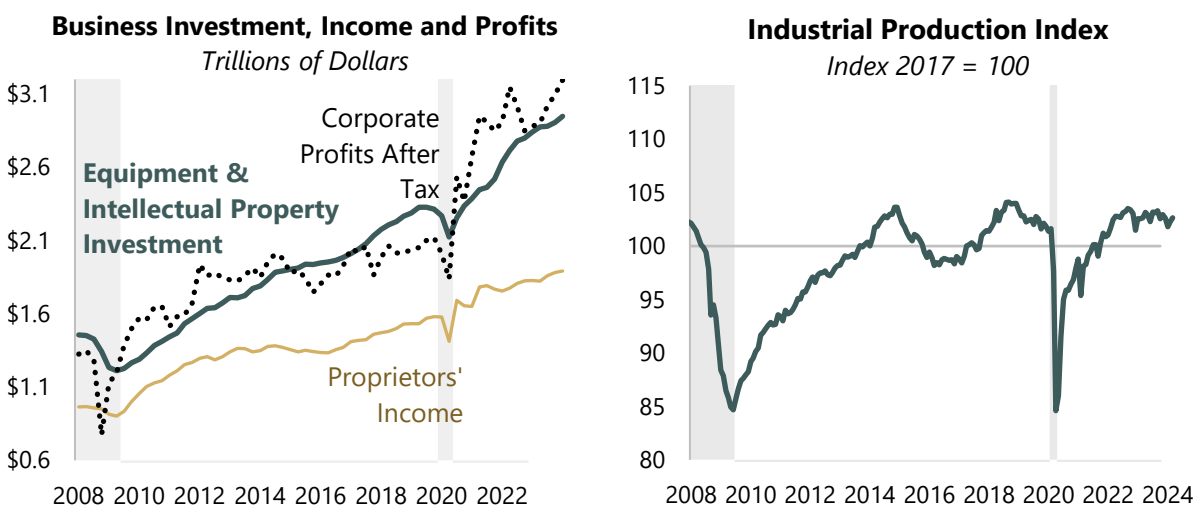
In conjunction with rate hikes, the Fed also began reducing its balance sheet, first by tapering asset purchases and then by allowing a portion of its traditional portfolio of U.S. treasuries to mature without replacement. While increasing the federal funds rate increases other short- and medium-term interest rates and asset prices, reducing the balance sheet is more likely to impact long-term interest rates and assets. The Fed continues to reduce its balance sheet, but has slowed the pace of the decline in securities.

There is still uncertainty regarding the effect of these changes on prices, and whether the Federal Reserve can engineer a soft landing. Tight monetary policy raises new demand-side risks as access to credit for would-be borrowers, including homebuyers, becomes scarce. Inflation is expected to remain above the Federal Reserve’s target through 2024.

Business Activity

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

Figure 24
Selected U.S. Indicators of Business Activity



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

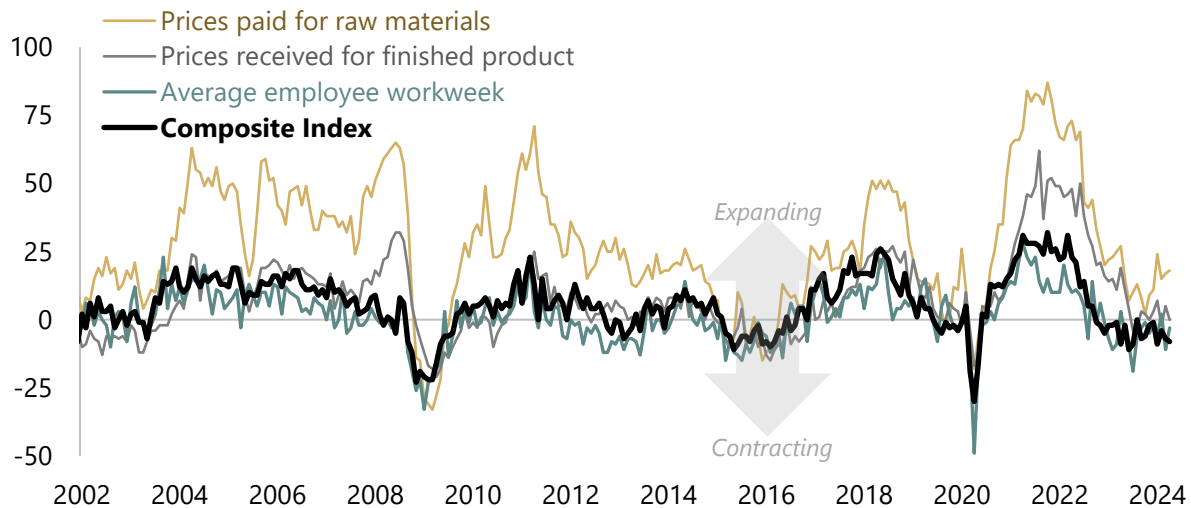
Corporate profits and industrial production slowed in 2023. Business incomes, including corporate profits and nonfarm proprietors’ incomes, have flattened after reaching record highs in 2022 (Figure 24, left). In the first quarter of 2023, corporate profits rose nearly 17 percent from the second quarter on a seasonally adjusted annual basis, but were up just 0.1 percent year-over-year. After-tax corporate profits through the third quarter were down 3 percent year-to-date.

Industrial production. The industrial production index, which measures real output from manufacturing, mining, and utilities compared to output in 2017, also flattened in 2023. The index ended 2023 up just 1.2 percent year-over-year (Figure 24, right). The shift in industrial production follows the post-pandemic surge in manufacturing and rebound in other sectors. Encouragingly, new manufacturing orders have trended up after dipping at the beginning of 2023.

Supply chain disruptions have dissipated. Supply chain disruptions stalled deliveries and increased prices across the globe as a result of labor shortages and restrictions from the COVID-19 pandemic, but dissipated in 2023. The Federal Reserve Bank of New York’s index of global supply chain pressures measures the impact of global transportation costs, delivery times, and backlogs. The index reached a record high in December 2021, but fell to its lowest reading on record in May 2023. At the start of 2024, pressures are hovering near their long-term average.

Manufacturing still struggling but signs of improvement. Following the post-pandemic surge, the manufacturing sector struggled in 2023. 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 25). In April 2024, the composite index remained mildly negative, consistent with the past year and indicating contracting manufacturing activity. Respondents were more likely to report decreases than increases in production, volume of shipments, and volume of new orders. However, researchers note the production and new orders indexes improved considerably. Although expectations for profit margins in the year ahead remain mixed, expectations for the next six months remain generally positive.

Figure 25
Tenth District Manufacturing Index
 Diffusion Index



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

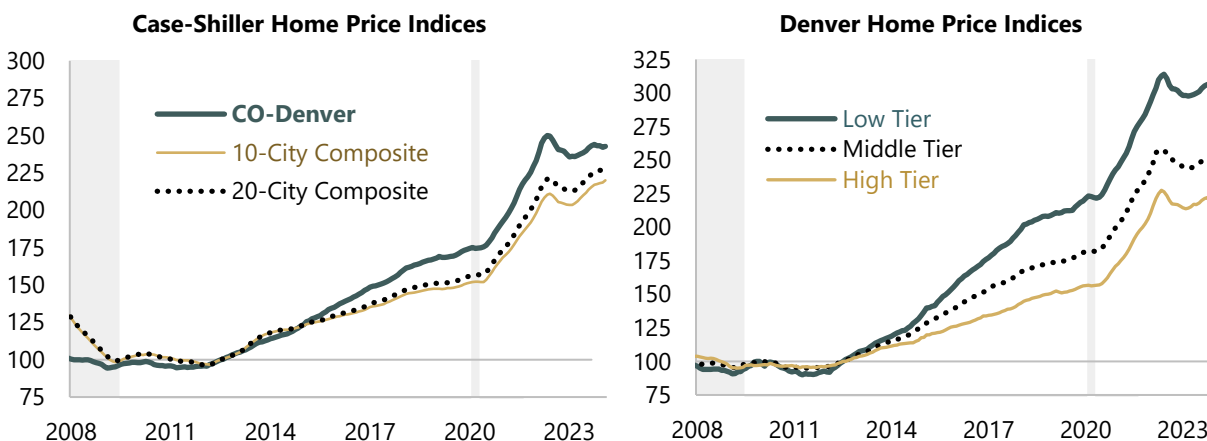
Real Estate and Construction Activity

Colorado home prices recovering and slow growth expected in 2024, U.S. pace is faster. 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 26, left). Peak to trough, home prices across the cities included in the Case-Shiller 20-city composite index fell 4 percent.

Prices fell further in Denver, dropping by 5.9 percent from June 2022 to January 2023. Home prices improved over the latter half of 2023, but Denver’s recovery has proceeded more slowly, and regressed slightly in the first two months of 2024. Over the past year, Denver prices have increased 2.8 percent compared to 7.3 percent for the 20-city composite, and remain below peak levels.

Interest rates will continue to weigh on home sales and home values over the next year. In May, the 30-year fixed rate mortgage averaged about 7.1 percent. Although the rate remains lower than the high of 7.6 percent in October 2023, the forecast anticipates that interest rates will remain high. Home sales in both the U.S. and Colorado remain well below peak levels in 2021, but low home inventory across the country and Colorado are expected to support some price growth, and affordability concerns for potential buyers will remain present.

Figure 26
Selected Home Price Indicators
 Index 100 = July 2012



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

Market conditions lead to slower homebuilding activity. National housing starts stabilized in the final quarter of 2023, but remain about 18 percent below peak levels posted in the first quarter of 2022. Notably, homebuilding among single-family and multifamily has trended oppositely since interest rates began climbing. Up until early 2023, the steep decline in single-family units was partially offset by continued growth in multifamily. Through the end of 2023, multifamily starts declined significantly while the single-family market started to rebound. In Colorado, builders continue to face considerable headwinds in responding to low inventory, including costs and a shortage of skilled labor. The outlook for 2024 has been revised down with recent data, reflecting fewer expected starts for both single family and multifamily.

- The number of residential construction permits issued in Colorado is expected to fall 2.7 percent in 2024, before rebounding and growing by 8.8 percent in 2025 and 7.3 percent in 2026. Construction is expected to remain below peak levels through the forecast period.

Nonresidential construction slowing in the U.S., continues to slow in Colorado. After struggling in the two years following the pandemic recession, U.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. However, the annualized rate of investment fell 0.1 percent quarter-over-quarter in the first quarter of 2024. Over the past year, the value of U.S. nonresidential construction as tracked by the Census Bureau, including both public and private spending not adjusted for inflation, was up 9.6 percent year-over-year in March. However, gains decelerated significantly over the first three months of the year and were up just 0.3 percent from the fourth quarter. Private-sector investment in manufacturing continues to lead gains, with construction up about 26 percent year-over-year, in addition to large public-sector infrastructure projects including investment on highways and streets, up 20 percent year-over-year, and power, up 12.8 percent year-over-year. Nonresidential construction in these sectors has been boosted in part by accommodative fiscal policy including the Infrastructure Investment and Jobs Act and Inflation Reduction Act. Looking ahead, nonresidential construction in the U.S. is expected to increase at a decelerating pace in 2024, before posting slow to no growth in 2025 and 2026.

In contrast to the nation, Colorado's nonresidential construction rose just 0.1 percent in 2023 based on the most recent data. Nonresidential construction was largely impacted by steep declines in warehousing, office buildings, and other commercial buildings. However, similar to the nation, a surge in manufacturing, investment in renewable energy, and street and highway projects offset many sectors that contracted. Manufacturing has been bolstered by large announced projects including a large-scale semiconductor manufacturing facility near Colorado Springs, a CS Wind expansion in Pueblo, an expansion of Vestas in Northern Colorado, and a large manufacturing expansion for Agilent Technologies near Frederick. New nonresidential construction also reflects the state's largest utilities pushing into renewable energy generation and transmission projects. Many of these large construction projects will be built in multiple phases and are expected to support construction through the forecast period.

Overall, the outlook for the state's nonresidential construction was revised down and is expected to contract in 2024, and the sector will continue to struggle with persistent challenges with financing due to high interest rates and a skilled labor shortage.

- The value of nonresidential construction starts in Colorado is expected to fall 5.6 percent in 2024 and grow just 1.7 percent in 2025, before picking up by 7.9 percent in 2026.

Energy Markets

Oil price outlook rises while gas prices are revised down in 2024, markets remain balanced. Oil and gas prices have decreased significantly since peaking in mid-2022. In April 2024, the price of West Texas Intermediate crude averaged \$85.35 per barrel, about 25.7 percent below the June 2022 peak (Figure 27, left). Crude oil is expected to average \$83.22 per barrel in 2024, up from about \$77.42 in the March 2024 forecast. In its latest outlook, the U.S. Energy Information Administration (EIA) noted that OPEC producers have largely participated in voluntary oil production cuts, and global oil inventories have decreased modestly, putting upward pressure on prices in the near term. Production cuts among OPEC countries has outpaced increased production among other producers in contrast to

expectations from prior forecasts. However, the EIA also notes that current global inventories have mitigated price volatility. Despite upward price pressures and decelerating global production, the EIA views the oil market outlook as balanced in 2024. In 2025, stronger supply and inventory buildup are expected to depress prices somewhat. Through the forecast period, a major risk to the outlook continues to be tension in the Middle East.

- In 2024, the price of West Texas Intermediate crude oil is expected to average \$83.22 per barrel, falling to about \$81 per barrel in 2025 and \$76 per barrel in 2026.

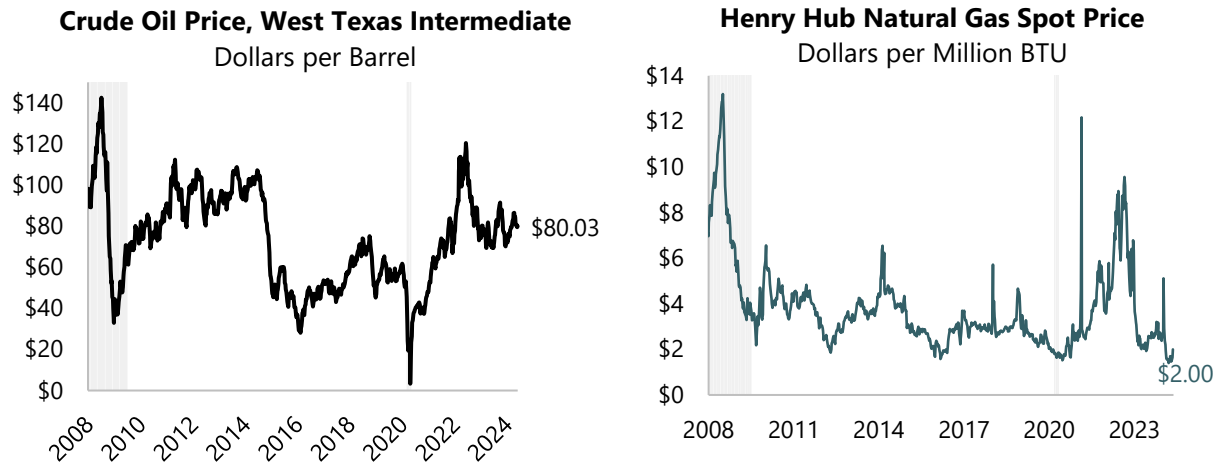
The outlook for natural gas prices is revised down since the March 2024 forecast. The Henry Hub spot price fell to \$1.60 per million BTU in April 2024, the lowest monthly price posted since June 2020. Despite weak prices, U.S. production remains near all-time highs. Prices are encouraging some producers to stop production, and a modest dip is expected in 2024. However, natural gas produced with oil wells is expected to increase in 2025, and combined with new gas wells, production is once again expected to reach a historic high in the U.S. Demand for natural gas in the electricity sector has also been weaker than anticipated, driven by cooler temperatures heading into the summer and renewable energy investments. Overall, the EIA expects natural gas consumption will be unchanged in 2024 from 2023.

- In 2024, the Henry Hub spot price is expected to average \$2.21 per million BTU, rising to \$3.09 in 2025 and \$3.48 in 2026.

Summer retail gasoline prices expected to average levels similar to summer 2023. In April, the average price of a gallon of regular gasoline in the U.S. was \$3.61, down about 0.2 percent year-over-year and well below the peak in June 2022. In 2024, U.S. prices are expected to average \$3.54, reflecting an upward revision from \$3.31. In 2025, the EIA anticipates the price of gasoline will remain flat. However, the EIA also notes that in the past few years, increased production costs, particularly for summer gasoline, and refinery closures have increased gasoline prices and are a source of uncertainty and volatility in the outlook. Refinery outages in the past also influenced the price of gas in Colorado and contributed to prices temporarily higher than the national average last year. Since then, the price of gasoline in Colorado has trended below the national average, consistent with historic trends.

This summer, gasoline stations along the Front Range will be required to sell reformulated gasoline in line with an Environmental Protection Agency mandate due to air quality. In addition to a higher cost for the gasoline blend, the refineries and other petroleum companies have invested in processes to manufacture and distribute reformulated gasoline that may also be reflected in gasoline prices. The mandate may push Colorado's prices back above the national average.

Figure 27
Select Energy Price Indicators



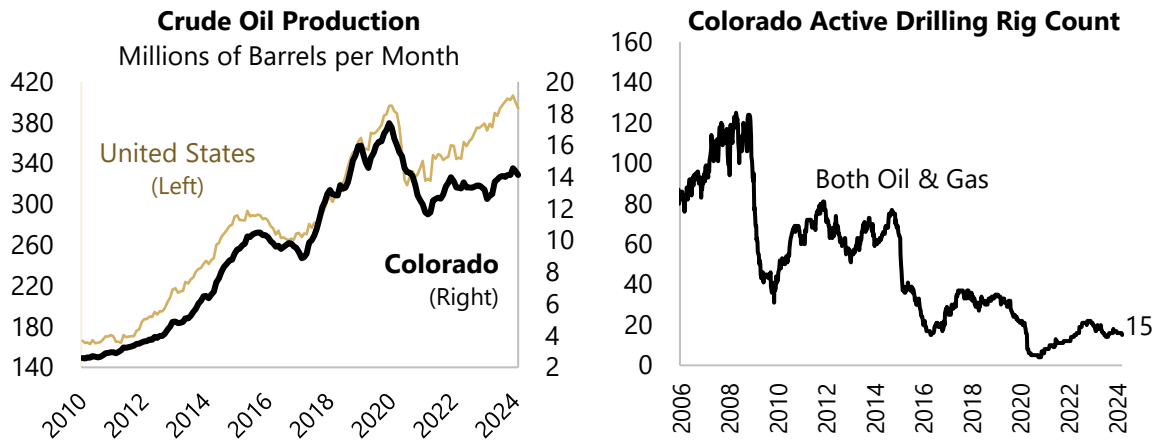
Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted and are through the week of May 31, 2024.

Recovery of oil and gas production in Colorado lags behind the nation post-pandemic.

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 28, left). Production in the state improved modestly in 2023 and ended the year up 3.5 percent over 2022 levels. In contrast, U.S. production was up 8.5 percent over the same period. As of March 2024, Colorado had 15 active drilling rigs, down from 22 in December 2022, and from a monthly average of 30 active rigs in 2019 (Figure 28, right).

The improved price outlook discussed above resulted in an upward revision in expected state production in 2024 compared with the March 2024 forecast. Colorado’s production is expected to grow by 6.3 percent in 2024. Growth in the state’s production is expected to outpace the U.S. is partly due to the slower post-pandemic growth in the state. Colorado’s production is expected to remain flat in 2025, then decrease by 0.5 percent in 2026. Colorado’s natural gas production is expected to rise by 2.8 percent in 2024, slightly lower expected in the March 2024 forecast on weaker production data. The state’s natural gas production is expected to remain nearly flat in 2025 before declining by 0.6 percent in 2026.

Figure 28
Select Energy Production Indicators



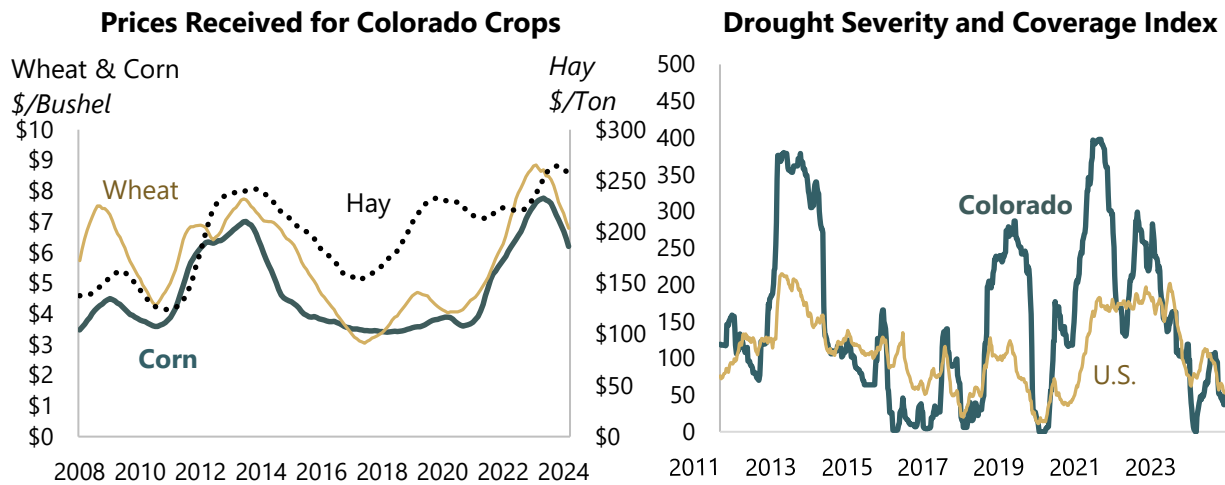
Sources: U.S. Energy Information data (left) shown as a three-month moving average, not seasonally adjusted, through February 2024. Baker Hughes data (right) not seasonally adjusted, through March 2024.

Agriculture

Conditions in the U.S. agriculture industry have softened from a year ago, with higher input costs and expensive financing options alongside still-elevated commodity prices and favorable growing conditions. While profit margins will likely be thinner in 2024, strength in recent years will continue to bolster the sector’s financial health. The U.S. Department of Agriculture (USDA) forecasts net farm income, a broad measure of profits, to fall again in 2024 after enduring a 16.0 percent decrease in 2023. 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 still below recent peaks, but remain elevated as poultry and egg prices rise sharply. After declining by 17 percent from its peak in June 2022 to January 2024, the USDA’s nationwide index of prices received by all farms has seen renewed pressure in recent months, with avian flu contributing to a sharp rise in poultry and egg prices. Prices received remain well below recent peaks, but higher than the average of the past decade. As shown in the left panel of Figure 29, prices for Colorado’s key crops have followed a similar pattern, with wheat, corn, and hay prices well above pre-pandemic levels. Cattle prices have also remained strong, with the nationwide cattle inventory at its lowest level since 1951. With the statewide cattle inventory little changed over the year, Colorado producers are well-positioned to benefit from higher cattle prices in the year ahead.

Figure 29
Selected Agricultural Indicators



Source: National Agricultural Statistics Service (left); data shown as twelve-month moving averages through March 2024. U.S. Drought Monitor (right); data through May 21, 2024.

Profit opportunities vary by farm type as credit conditions tighten. After multiple years of strong growth, U.S. farm income moderated in 2023, and production costs remained elevated. While strong cattle prices have boosted margins for many ranches and feedlots, crop producers face weakening profit opportunities. The USDA forecasts another drop in incomes in 2024, citing year-over-year commodity price decreases alongside still-high costs for labor and input goods, and historically high interest rates for agricultural loans. Even as interest costs remain elevated, banks in the Federal Reserve’s Tenth District¹ report an increase in demand for agricultural loans alongside a decline in loan repayment rates in the first quarter of 2024. Growth in farmland values slowed, but remained strong. Farm incomes in the mountain states proved resilient, despite sharp declines elsewhere in the district.

Late-season precipitation improves water outlook for 2024. For the first time since 2019, Colorado was drought free in July 2023 according to the U.S. Drought Monitor. The Drought Severity and Coverage Index showed worsening drought conditions over the latter half of 2023, but shows improvement in 2024 (Figure 29, right). As of late May 2024, 63 percent of the state is drought free, with areas of dryness in the southwest mountains and eastern plains regions. With late-season snowstorms and consistent precipitation, statewide snowpack and precipitation are at or above median levels statewide, boosting stream flow forecasts and reservoir stocks above year-ago levels across all of Colorado’s major river basins. Reservoir levels range from 78 percent of median in the Lower Arkansas to 124 percent of median in the Colorado Headwaters at the end of April 2024.

¹ The Tenth District includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. Data for Colorado are generally combined along with that of Wyoming and northern New Mexico into the category “mountain states” due to limited survey responses.

Global Economy and International Trade

The global economy avoided a worldwide recession during 2023 despite an array of calamities including persistent inflation, monetary policy tightening by central banks, the Russia-Ukraine war, China's slow economic recovery, and Middle Eastern conflicts. A global downturn appears less likely as inflation falls slowly. However, higher-for-longer interest rates paired with ongoing global conflict pose a range of economic risks that are unique to each country.

The International Monetary Fund projections remains little changed, but economies diverge. In 2023, global economic output performed slightly better than expected, posting a 3.2 percent growth rate compared to the International Monetary Fund's (IMF) projected 3.0 percent rate. Global growth in economic output is expected to continue at the same 3.2 percent rate in 2024 and 2025, with accelerating growth in some economies offsetting deceleration in others. Going into 2024, national economies are diverging in their responses to monetary policy and the fight against inflation.

Among advanced economies, Europe struggled the most, with Germany experiencing a recession and the United Kingdom barely realizing any growth at a 0.1 percent rate. Similarly, Italy and France posted less than 1 percent growth in 2023. Growth in the Euro Area is expected to remain below 1 percent through 2024 before returning to more normal rates in 2025, when falling inflation will promote real income growth and consumer activity. On the other hand, economic growth in the United States is stronger than in other advanced economies around the world. The IMF projects even faster growth in 2024 compared to 2023 with the assumption that the labor market and consumer activity remain resilient against constrictive monetary policy.

Among developing economies, India benefitted from shifts by importers away from China. This trend is expected to continue through 2025 as India's participation in the trade market increases alongside a growing working-age population. Despite the shift away from importers, the Chinese economy saw easing inflation and more than 5 percent growth in economic output in 2023. However, growth is slowing in China and is expected to continue to slow through the forecast period as government spending recedes and its housing market outlook remains uncertain. Despite the U.S. and its allies' significant sanctions on the Russian economy, the Russian economy has remained largely undeterred, performing above expectations and is projected to continue grow at a modest pace.

The receding of global inflation is slow, but not stagnant. Global core inflation fell by only 0.2 percentage points in 2023, but the rate of inflation differs greatly by country. Within developing economies, China is expected to reach an inflation rate of under 2.5 percent by the end of 2024; in contrast, emerging and developing economies in Europe are expected to remain in double-digit inflation figures through 2024 before realizing a steeper decline in inflation through 2025. Advanced economies are largely expected to return to target levels of inflation by the end of 2024 as monetary policy remains constrictive and the lagged effects of high interest rates weigh on labor markets and household finances. Across the globe, IMF projects core inflation to fall by 1.2 percentage points in 2024, with further declines in the inflation rate through 2025.

The impact of conflict abroad on the U.S. and global economy. Despite ongoing conflict in the Middle East paired with the Russian-Ukraine war, global trade has remained stable, as countries relying on exports from areas in conflict have largely been able to shift trading behaviors. The attacks in the Red Sea—through which nearly 15 percent of seaborne trade goes—have only minimally impacted U.S. and global trade. While there is always risk for global

conflict to escalate, trade is expected to remain resilient against current global conflict, keeping the risk of resurgent inflation stemming from supply shocks to a minimum barring any escalations.

U.S. trade volume is up after a slower 2023. The dollar value of U.S. trade in the first quarter of 2024 is up 0.5 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; however, trade with China has significantly decreased since 2022 as the U.S. aims to decouple its economy from China.

Despite an overall increase in U.S. trade through March 2024, total U.S. exports have been declining since 2022 and continue to decline slightly through the first quarter of 2024. The declines follow two years of double-digit growth in exports and imports following the COVID-19 recession and are partly attributable to easing energy prices and slowing economic growth in the face of high interest rates. Export volumes are expected to continue to decline slightly as restrictive monetary policy battles inflation.

Figure 30
U.S. Monthly Exports
Billions of Dollars



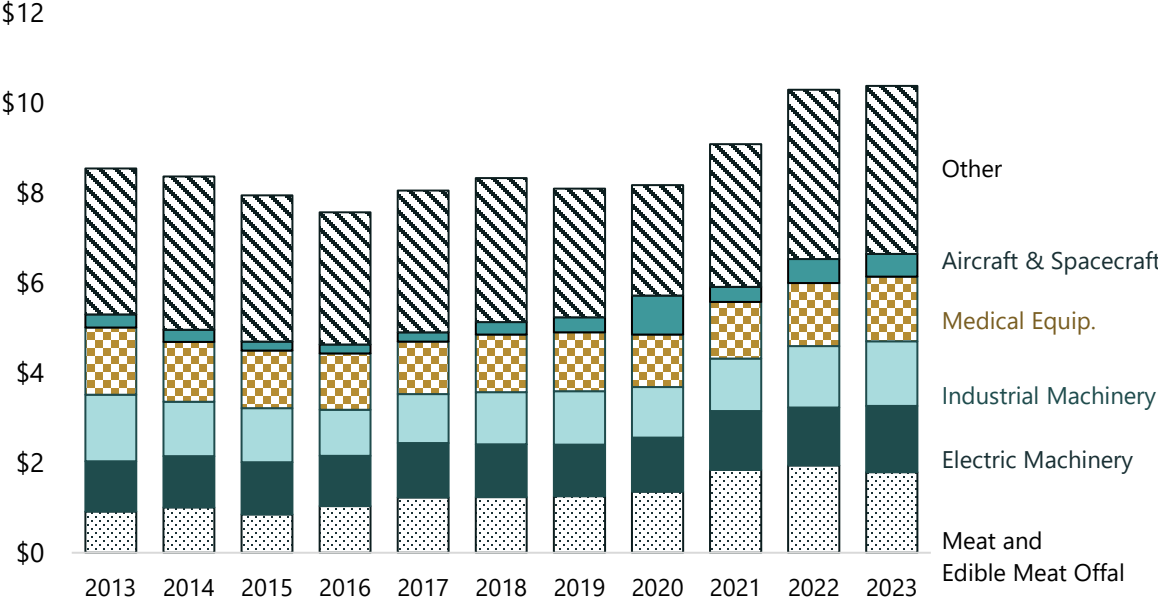
Source: U.S. Bureau of Economic Analysis (balance of payments basis). Data are seasonally adjusted but not adjusted for inflation. Data are through March 2024.

Colorado total trade is on the decline. The dollar value of Colorado's exports and imports declined by 7.4 percent in 2023 compared to 2022, a reversal of double-digit growth trends seen in the prior two years. Through March 2024, Colorado is on track to realize another year of year-over-year declines in total trade value, facing sharp decreases in exports to Canada and imports from Mexico, Colorado's two largest trade partner besides China.

While Colorado exports increased by just under 1 percent in 2023, data through March 2024 suggest that Colorado is on track to realize a decrease in exports in 2024. Most notably, Colorado saw double-digit declines in year-to-date growth for electric machinery, medical

devices, and aircraft, each of which are in the top five Colorado exports. Surprisingly, the United States as a whole is realizing positive growth in exports for each of those commodities, suggesting a shift in the states that produce and export these goods. On the other hand, beef continues to be Colorado’s most-exported commodity, accounting for over 17 percent of Colorado’s total exports in 2023. Colorado’s exports by commodity can be found in Figure 31 below.

Figure 31
Colorado Exports by Commodity Over Time
 Nominal Dollars in Billions



Source: Wiser Trade data through December 2023.

Risks to the Forecast

This forecast identifies several downside and upside economic risks that could cause economic and revenue performance to deviate from the expectations presented in this document:

Downside risks are led by weak household finances. Household balance sheets continue to deteriorate, with already-low and falling savings rates the most concerning indicator presented in the outlook above. Savings rates are an important determinant of consumer confidence, and poor finances could portend softening consumer activity. This forecast anticipates slower consumer contributions to GDP, but a more severe pullback could cause real consumer spending to decline, which would likely signal a recession. Business finances are relatively healthy, but high borrowing costs could discourage investment. While the U.S. unemployment rate remains below long-run historical averages, accelerating unemployment over the next few months would strongly suggest a recession. Finally, the U.S. economy is the strongest in the world at present. While many national economies in Europe, Asia, and elsewhere have passed low points in their business cycles, a poor global economy and strained international relationships pose contagion risks for the U.S.

A faster drop in the inflation rate than expected will provide some upside risks. While this forecast anticipates that high interest rates will continue to weigh on growth, some sectors have demonstrated their ability to accelerate even in this contractionary monetary policy environment. This forecast expects at least one modest cut to interest rates late this year. but falling inflation could motivate larger cuts, which would boost real wage growth and benefit household balance sheets. Resolution to international conflicts could untangle supply chains and ease prices globally, producing a healthier economy worldwide. While upside risks would result in less significant deviation from forecast expectations, they are about as likely to occur as the downside risks presented above.

Table 19
National Economic Indicators

Calendar Years	2019	2020	2021	2022	2023	Legislative Council Staff Forecast		
						2024	2025	2026
Real GDP (<i>Billions</i>) ¹	\$20,692.1	\$20,234.1	\$21,407.7	\$21,822.0	\$22,376.9	\$22,891.6	\$23,303.6	\$23,769.7
Percent Change	2.5%	-2.2%	5.8%	1.9%	2.5%	2.3%	1.8%	2.0%
Nonfarm Employment (<i>Millions</i>) ²	150.9	142.2	146.3	152.5	156.1	158.7	160.3	162.1
Percent Change	1.3%	-5.8%	2.9%	4.3%	2.3%	1.7%	1.0%	1.1%
Unemployment Rate ²	3.7%	8.1%	5.4%	3.6%	3.6%	4.0%	3.9%	3.7%
Personal Income (<i>Billions</i>) ¹	\$18,356.3	\$19,629.0	\$21,407.7	\$21,840.8	\$22,961.3	\$24,063.4	\$25,146.3	\$26,252.7
Percent Change	4.7%	6.9%	9.1%	2.0%	5.1%	4.8%	4.5%	4.4%
Wage and Salary Income (<i>Billions</i>) ¹	\$9,325.0	\$9,464.7	\$10,312.6	\$11,116.0	\$11,816.3	\$12,478.0	\$13,114.4	\$13,730.8
Percent Change	4.8%	1.5%	9.0%	7.8%	6.3%	5.6%	5.1%	4.7%
Inflation ²	1.8%	1.2%	4.7%	8.0%	4.1%	2.9%	2.5%	2.3%

Sources:

¹U.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.

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

Table 20
Colorado Economic Indicators

Calendar Years	2019	2020	2021	2022	2023	Legislative Council Staff Forecast		
						2024	2025	2026
Population (Thousands, as of July 1) ¹	5,758.5	5,773.7	5,811.6	5,841.0	5,877.6	5,939.0	6,001.2	6,068.4
Percent Change	1.1%	0.3%	0.7%	0.5%	0.6%	1.0%	1.0%	1.1%
Nonfarm Employment (Thousands) ²	2,789.9	2,652.6	2,751.0	2,869.9	2,942.6	2,989.7	3,024.2	3,059.8
Percent Change	2.3%	-4.9%	3.7%	4.3%	2.5%	1.6%	1.2%	1.2%
Unemployment Rate ²	2.7%	6.8%	5.5%	3.1%	3.2%	3.8%	3.7%	3.4%
Personal Income (Millions) ³	\$351,373	\$375,158	\$417,968	\$442,213	\$463,852	\$487,337	\$512,364	\$539,709
Percent Change	7.1%	6.8%	11.4%	5.8%	4.9%	5.1%	5.1%	5.3%
Wage and Salary Income (Millions) ³	\$182,962	\$187,834	\$205,570	\$224,332	\$239,196	\$251,780	\$265,988	\$280,750
Percent Change	7.1%	2.7%	9.4%	9.1%	6.6%	5.3%	5.6%	5.6%
Retail Trade Sales (Millions) ⁴	\$105,547	\$112,431	\$131,528	\$144,145	\$145,707	\$153,666	\$161,998	\$169,506
Percent Change	5.0%	6.5%	17.0%	9.6%	1.1%	5.5%	5.4%	4.6%
Housing Permits (Thousands) ¹	38.6	40.5	56.5	48.3	39.4	38.3	41.7	44.8
Percent Change	-9.4%	4.8%	39.7%	-14.5%	-18.5%	-2.7%	8.8%	7.3%
Nonresidential Construction (Thousands) ⁵	\$5,161.5	\$5,607.5	\$5,693.0	\$6,653.8	\$6,660.4	\$6,286.0	\$6,393.6	\$6,899.8
Percent Change	-36.5%	8.6%	1.5%	16.9%	0.1%	-5.6%	1.7%	7.9%
Denver-Aurora-Lakewood Inflation ⁶	1.9%	2.0%	3.5%	8.0%	5.2%	2.5%	2.9%	2.2%

Sources:

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

²U.S. Bureau of Labor Statistics.

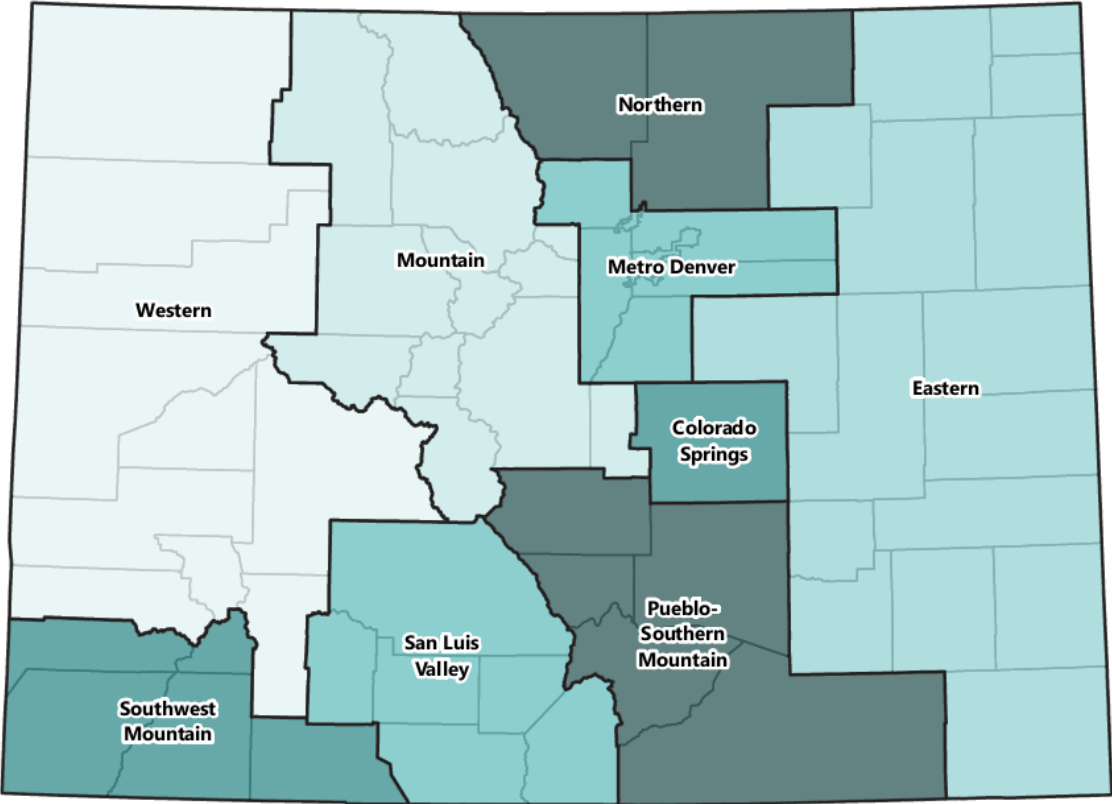
³U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.

⁴Colorado Department of Revenue.

⁵F.W. Dodge.

⁶U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index.

Colorado Economic Regions

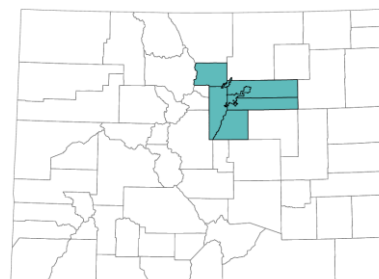


Note on data revisions. Economic indicators reported in this forecast document are often revised by the publisher of the data and are therefore subject to change. Employment data are based on survey data from a “sample” of individuals representative of the population as a whole. Monthly employment data 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

The seven-county metro Denver region, which consists of Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson counties, is the largest region in terms of people living and working in the area. In 2023, the region's total population was nearly 3.3 million, or about 56.0 percent of the state's total population. The City and County of Denver, with a population of approximately 712,600 is the largest county within the region, with Arapahoe County coming in second with just over 656,000. Though year-over-year growth has slowed in recent years, the region has experienced robust population growth since 2010, adding just over 453,000 people, a 16.2 percent increase.



The region's economy is very diverse with major industry sectors including aerospace, health care, professional and business services, and financial services. The region showed strength in most areas despite a rocky economy in 2023 but wage growth has not kept up with inflation. Nonresidential construction was mixed with some building types, such as warehouse construction, performing well, while new office building construction continued to struggle. Home price appreciation reversed at midyear and more houses became available on the market. Yet the region continues to struggle with housing affordability, causing potential homeowners to look for homes outside these counties, and in turn slowing the region's residential construction activity. Economic indicators for the region are summarized in Table 21.

Table 21
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	7.0%	5.4%	3.0%	3.1%	3.7%
Wages ³					
Average Weekly Wage Growth	7.8%	6.5%	5.2%	3.3%	NA
Level	\$1,431	\$1,524	\$1,604	\$1,646	NA
Housing Permit Growth ⁴					
Denver-Aurora-Lakewood Single Family	1.5%	16.3%	-22.3%	-10.2%	29.1%
Boulder Single Family	-6.2%	-34.4%	42.7%	22.8%	-41.5%
Nonresidential Construction Growth ⁵					
Value of Projects	-9.5%	3.2%	34.9%	-14.7%	18.8%
Square Footage of Projects	-6.7%	33.4%	26.9%	-47.3%	-9.0%
Level (<i>Thousands</i>)	14,701	19,605	24,888	13,111	2,855
Number of Projects	1.0%	14.7%	14.1%	13.4%	76.3%
Level	689	790	901	1,022	298
Housing Market ⁶					
Average Sale Price – Single Family	8.7%	19.4%	10.8%	-0.4%	5.5%
Level (<i>Thousands</i>)	\$597	\$712	\$790	\$787	\$800
Inventory – Single Family	-38.2%	-46.4%	102.3%	13.6%	29.2%
Home Sales – Single Family	7.8%	1.9%	-21.1%	-16.3%	4.6%
Retail Sales Growth ⁷	0.1%	17.4%	11.4%	-0.1%	2.3%

MSA = Metropolitan statistical area. NA = Not available.

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

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

³U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q3.

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

⁵F.W. Dodge. Data through March 2024.

⁶Colorado Association of Realtors. Data through April 2024.

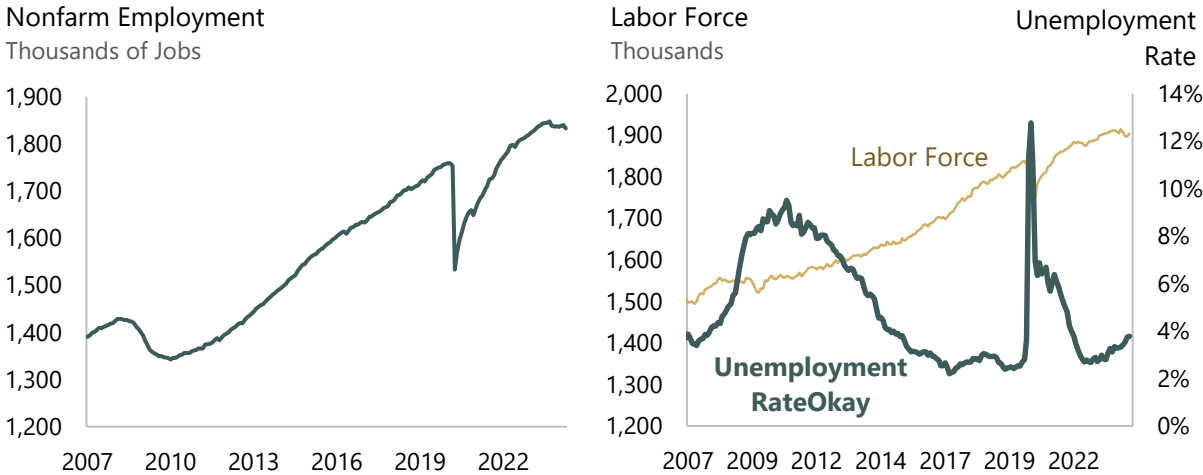
⁷Colorado Department of Revenue. Data through February 2024.

Labor market. The U.S Bureau of Labor Statistics (BLS) reports two metropolitan statistical areas (MSA) in the metro Denver region. The Denver-Aurora MSA, which consists of six of the seven counties in the region plus Elbert, Park, Clear Creek, and Gilpin counties reported about 1.6 million jobs or about 55 percent of the state total in 2023. The trade, transportation, and utilities, professional and business service, and government industries made up about half of these jobs in the MSA. After growing by a robust 5.0 percent in 2022, job growth in the Denver-Aurora MSA slowed in 2023 to 2.2 percent from the prior year, and has been relatively flat though the first four months of 2024 compared to the same period one year prior.

The BLS also reports employment data for the Boulder MSA, which consists of just Boulder County. Job growth in Boulder also slowed in 2023 after posting a strong year in 2022. Through April 2024, employers in the Boulder MSA have added jobs at a faster pace than the state and the Denver-Aurora MSA compared to same period last year. The largest industries in this MSA are government and professional and business services. The region’s slowdown in employment growth is mainly due to a shortage of workers.

Finally, the average unemployment rate for the metro Denver region through March 2024 was 3.7 percent, on par with the state average, but higher than the region average of 3.1 percent in 2023. The key reason for the steady uptick in the region’s unemployment rate is the increase in the number of workers in the labor force (those employed and those seeking employment) continues to rise (Figure 32, left).

Figure 32
Metro Denver Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2023. U.S. Bureau of Labor Statistics, LAUS (household survey). Data through March 2024.

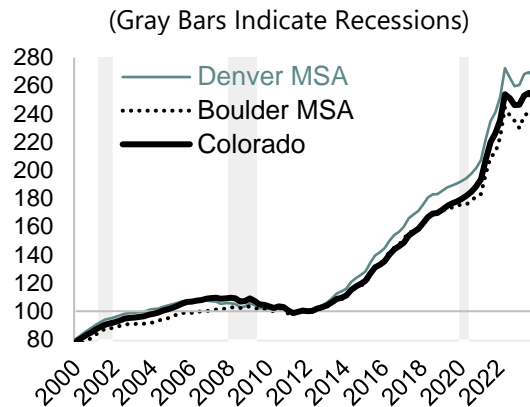
Wages. The average weekly wage in the region through September of 2023, the latest data available, was \$1,646 per week, up 3.3 percent from the same period one year ago, and higher by about \$200 per week than the statewide average. Average weekly wages in the region have been increasing since 2015 due to a solid labor market; however, wage growth has not kept up with state inflation over recent years. In 2022, the average weekly wage increased by 5.2 percent, while prices in the Denver-Aurora-Lakewood area increased by 8.0 percent. In the first nine months in 2023, prices increased by 5.2 percent.

Housing market. Home prices continue to appreciate in the metro Denver housing market but have slowed after strong growth in 2021 and 2022. According to data from the Federal Housing Finance Agency, in the last quarter of 2023, home prices were up 2.4 percent over year-ago levels in the Denver-Aurora-Lakewood metropolitan statistical area, and up 0.7 percent in Boulder (Figure 33). Higher mortgage rates and inflation has made purchasing a home more expensive for many buyers and has cooled the market.

Though the number of single-family homes available in the metro Denver region were up in 2023 compared to last year, home sales were down 16.3 percent. The average single-family sale price settled at about \$787,000 in 2023, relatively flat compared to last year. However, through April 2024, the average sales price for a single-family house and the sales were up from the same period last year.

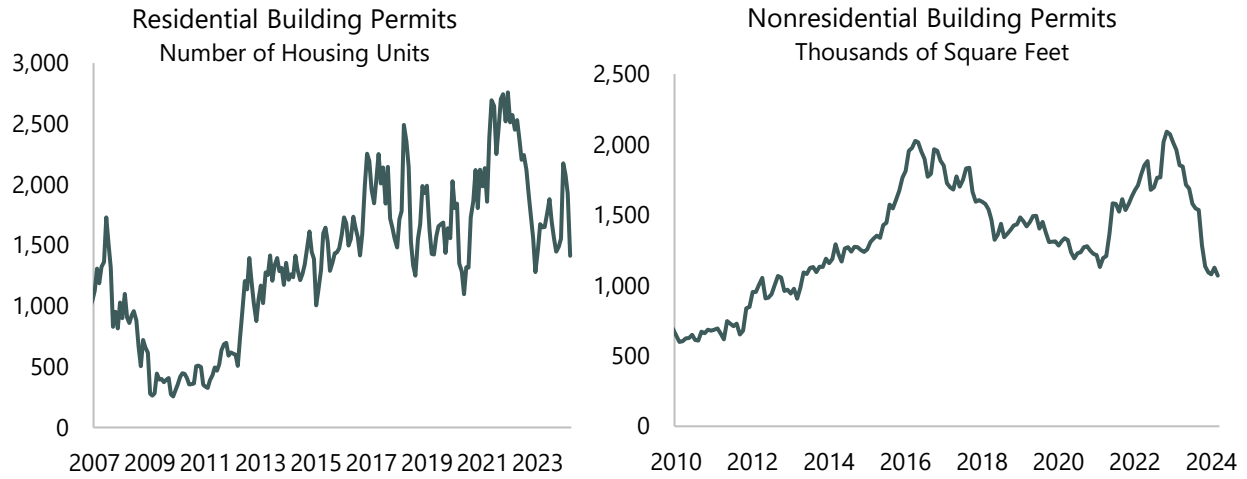
Residential construction. After robust growth in 2021, residential construction activity in the Denver-Aurora-Lakewood metropolitan statistical area has cooled. The number of single-family permits pulled by homebuilders was down 10.2 percent in 2023 after declining by 22.3 percent in 2022. (Figure 34, left). Higher mortgage rates have pushed many potential buyers to the sidelines and dampened home builder expectations. Through the first quarter of 2024, single family permits were up 29.1 percent from the same quarter last year. In Boulder County, the number of single permits was significantly up in 2022 and 2023, but this mainly reflects housing permits to rebuild homes destroyed in the Marshall Fire. The lack of affordability continues to hamper new residential construction in the metro Denver region. Homebuyers are being pushed out to the suburban and exurban areas of the region that offer relatively more affordable options. Douglas, Arapahoe, and Adams counties are seeing the highest levels of construction activity. In addition, remote work options are motivating many homebuyers to seek larger homes outside of denser urban areas.

Figure 33
FHFA All-Transaction Home Price Indices
Index 100 = 2012Q1



Source: Federal Housing Finance Agency (FHFA). Data are seasonally adjusted and through 2023Q4.

Figure 34
Metro Denver Region Construction Activity



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through March 2024.

Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through March 2024.

Nonresidential construction. After strong growth in 2021, nonresidential construction in the metro Denver region slowed in 2023. (Figure 34, right). The value of nonresidential projects started in the metro Denver region in 2023 was down 14.3 percent from the prior year. High vacancy rates, particularly in the downtown Denver area, put downward pressure on demand for new office space, slowing nonresidential construction activity in the years ahead. Future nonresidential building is expected to shift from office space and brick-and-mortar retail establishments to favor development that supports e-commerce, such as warehousing space. In addition, rising costs and shortages of both labor and construction materials, combined with rising interest rates continue to impede construction activity.

However, declining vacancy rates in the metro Denver’s industrial real estate market, especially near the Denver International Airport have helped the region’s nonresidential construction. In the first quarter of 2024, the number and value of nonresidential projects were up compared to the same quarter in 2023; however, the size of these new projects were down.

Retail sales. Despite wages not keeping up with inflation, consumer spending in the region ended near their 2022 levels (not adjusted for inflation). Higher prices and interest rates have caused consumer spending, as measured by retail sales, to slow in the metro Denver region. Retail sales through the first two months of 2024 is up 2.3 percent from the same period last year.

Northern Region

Larimer and Weld counties comprise the diverse economies of the Northern Region. The region's employment continues to grow and the unemployment rate remains low. However, key indicators have softened along with higher interest rates including home sales, multifamily permits, and nonresidential construction. Consumer spending on retail sales has also softened following the post-pandemic surge and shifting consumer behavior. Economic indicators for the region are summarized in Table 22.

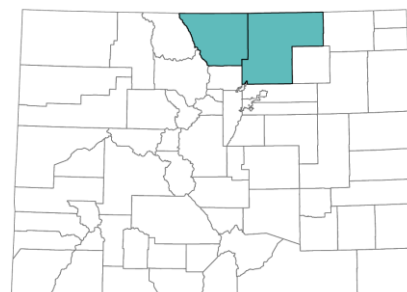


Table 22
Northern Region Economic Indicators
Weld and Larimer Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth ¹					
Fort Collins MSA	-4.7%	3.7%	4.2%	3.2%	3.9%
Greeley MSA	-7.2%	-0.2%	4.6%	4.2%	2.5%
Unemployment Rate ²	6.2%	5.2%	3.0%	3.0%	3.5%
Wages ³					
Average Weekly Wage Growth	6.4%	3.8%	6.2%	6.0%	NA
Level	\$1,106	\$1,149	\$1,219	\$1,273	NA
State Cattle and Calf Inventory Growth ⁴	1.9%	4.0%	-1.0%	-7.5%	-0.5%
Natural Gas Production Growth ⁵	8.3%	-2.8%	-2.3%	0.8%	8.6%
Oil Production Growth ⁵	-11.9%	-10.3%	-0.1%	0.8%	9.5%
Housing Permit Growth ⁶					
Fort Collins MSA	-0.3%	13.3%	-19.5%	7.7%	-29.9%
Greeley MSA	9.1%	15.5%	17.8%	-14.1%	-20.8%
Nonresidential Construction Growth ⁷					
Value of Projects	85.4%	-26.9%	60.9%	33.9%	21.6%
Square Footage of Projects	8.1%	-1.5%	162.1%	-52.1%	-56.9%
Level (Thousands)	2,619	2,581	6,764	3,237	170
Number of Projects	-9.4%	-5.4%	21.0%	-17.7%	102.9%
Level	242	229	277	228	69
Housing Market ⁸					
Average Sale Price - Single Family	6.9%	16.8%	12.2%	2.0%	4.4%
Level (Thousands)	\$457	\$532	\$598	\$606	\$619
Inventory - Single Family	-21.7%	-44.3%	53.4%	14.5%	6.0%
Home Sales - Single Family	9.8%	2.3%	-20.4%	-19.0%	-1.9%
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%	-0.9%

MSA = Metropolitan statistical area. NA = Not available.

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

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

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

⁴National Agricultural Statistics Service. Cattle and calves on feed. Data through April 2024.

⁵Colorado Oil and Gas Conservation Commission. Data through March 2024.

⁶U.S. Census. Growth in the number of residential building permits. Data through March 2024.

⁷F.W. Dodge. Data through March 2024.

⁸Colorado Association of Realtors. Data through April 2024.

⁹Colorado Department of Revenue. Data through February 2024.

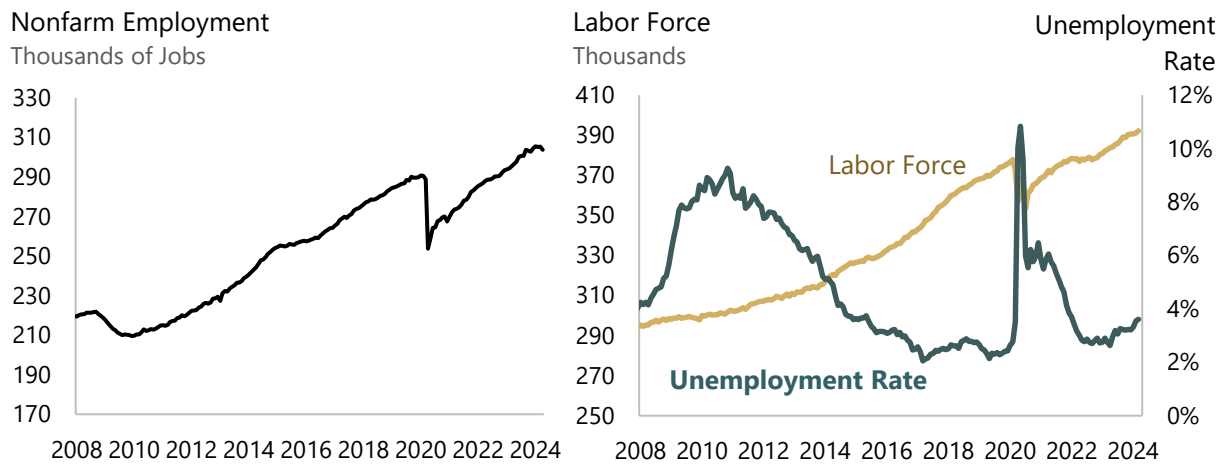
Labor market. The Northern Region is characterized by its agricultural base, oil and gas activity, and strong employment concentrations in construction, manufacturing, and higher education. In 2023, the region's employment increased 3.6 percent over the year, outpaced statewide employment growth for the first time since the 2020 recession, and was the top growing metro area. Over the past year, the region has posted strong gains in two of its key sectors, construction and higher education. Additionally, the region's employment growth was supported by the ongoing resurgence in industries such as health care, leisure and hospitality, and local government. Through the post-pandemic recovery, the region has maintained one of the state's lowest unemployment rates.

Data indicate the Northern Region's employment growth continued to outpace the state through April 2024. Through April, employment growth year-to-date in both the Fort Collins (Larimer County) and Greeley (Weld County) areas outpaced the state's 2 percent growth rate and continued to expand faster than the other metro regions. According to data from the Colorado State Demography Office, the region's population remains among the fastest growing areas of the state, with both Larimer County and Weld County ranking among the top 5 counties for absolute population growth from 2021 to 2022. The region is expected to remain among the fastest growing areas in the state over the next several years. Additionally, the region's working age population is also expected to be among the fastest growing in the state.

Despite robust employment growth and steadily expanding labor force, the region's unemployment rate has ticked up over the past year after reaching a low of 2.6 percent in April 2023. Since then, preliminary data indicate the unemployment rate has increased by about 1 percentage point and averaged 3.5 percent in 2024 year-to-date. The higher unemployment rate has coincided with challenges in some of the region's industry sectors, including retail trade and information, both of which lost employment in 2023. Consistent with state and national trends, retail trade has struggled over the past year as consumers have downshifted from the post-pandemic surge in retail spending, and technology and information services has experienced a similar reversion after a post-pandemic boom along with impacts from higher interest rates and other industry disruptions. As shown in Table 22, nominal retail sales in Larimer County started 2024 down 0.3 percent, and were down a larger 0.9 percent in Weld County.

Encouragingly, in the 2022-23 academic year, overall full-time equivalent student enrollment for the region's largest university, Colorado State University, increased for the first time since 2017-18. Enrollment is also expected to tick up over the next two academic years. Northern Colorado's colleges and universities support the region's economic engine, and steady enrollment will help support the employment base. Employment growth in the next couple years is expected to be boosted further by the opening of an Amazon fulfillment center in 2025. Other positive announcements include the Northern Colorado Regional Airport's opening of a new terminal in 2024 that will help support commercial air traffic, and Vestas' recently announced wind turbine contracts and expansion that will support employment in the Northern region.

Figure 35
Northern Region Labor Market Activity

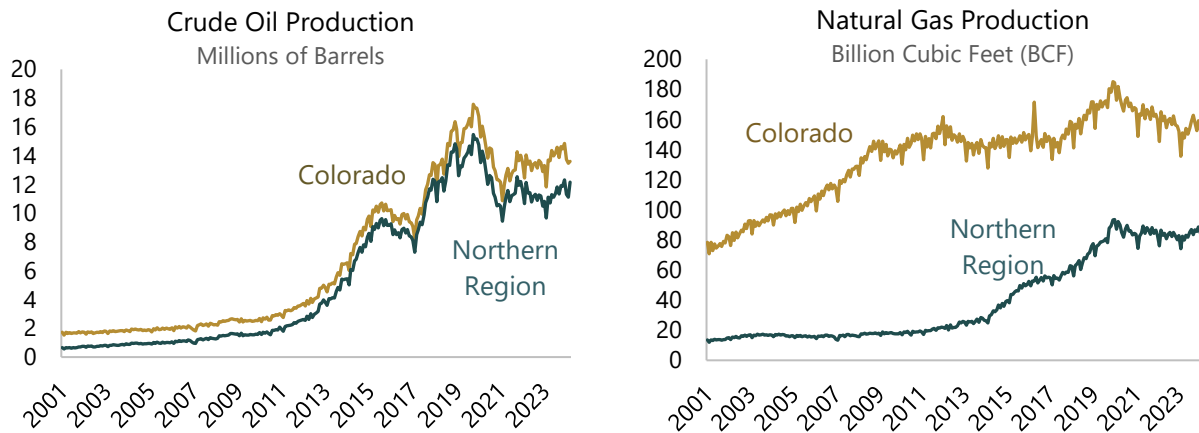


Agriculture. The Northern Region

produces nearly 30 percent of Colorado’s agricultural value according to the U.S. Department of Agriculture (USDA), due to the heavy concentration of the livestock industry in Weld County. The region has benefited from improved moisture conditions. According to the most recent U.S. drought monitor, the region is not currently in drought and has had above average precipitation so far this year. Despite improvement, Colorado’s cattle and calf inventory fell 7.5 percent in 2023, and was down another 0.5 percent through April 2024 year-to-date. The decrease may be attributable to the continued impact of prior drought conditions that resulted in smaller herd sizes, a contributing factor to lower production in 2023. However, production for the nation as a whole is expected to increase in 2024 according to the USDA, a benefit of higher carcass weights. Colorado’s export data is mixed, with fresh beef products up to start the year, but frozen beef products declining. Overall, meat product exports are up about 7 percent year-to-date through the first quarter of 2024. However, continued dollar strength may pose some drag on the industry through the year.

Energy sector. The Northern Region’s oil and gas activity, largely located in Weld County, accounted for about 81 percent of the state’s oil production and about 45 percent of the state’s natural gas production in 2023 (Figure 36). This sector drives significant economic activity in the region, as it boosts local tax revenues, wages, and jobs in supporting industries. In 2023, the region’s natural gas production rose slightly, up 0.8 percent, ending two consecutive years of contraction. Oil was also up 0.8 percent in 2023, and ended a longer three consecutive years of decline. Year-to-date in 2024, the region’s natural gas production is up 8.6 percent and oil production is up 9.5 percent. With a favorable oil price outlook and oil production for the state that is currently forecast to increase statewide in 2024, the region is expected to benefit from an expansion of the sector in 2024, with flat production expected in 2025 and 2026.

Figure 36
Colorado Energy Production



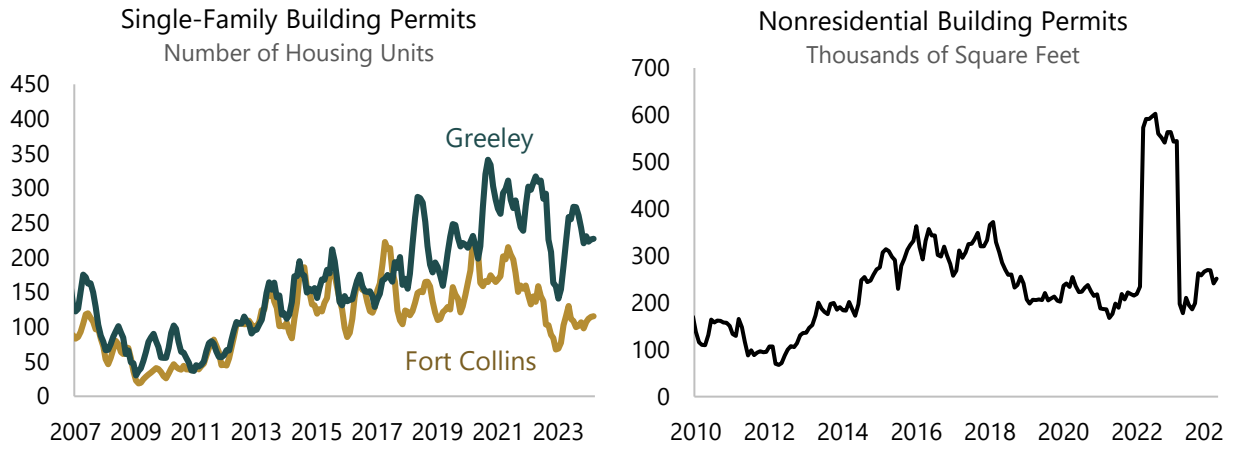
Source: Colorado Oil and Gas Conservation Commission. Monthly data through March 2024.

Housing. Rising interest rates continue to soften the Northern Region’s housing market, although nominal home prices continue to trend upward after bottoming in early 2023. The average price of a single-family home in 2023 was up about 2.0 percent from 2022. The average price of a single-family home increased 4.4 percent year-to-date and is expected to post moderate growth for the year. Comparing 2019 average home prices to those in 2024 year-to-date, home prices in the region for all types have increased more than 44 percent since before the pandemic began in 2020. Increasing home prices paired with high interest rates contributed to the decline of home sales by about 20 percent in both 2022 and 2023. Home sales were also down through the first four months of 2024 compared with the same period in 2023. Monthly home sales are expected to stay below pre-pandemic levels into 2024 as interest rates remain high. Concurrently, home inventory is expected to continue growing.

Permits for single family homes started the year up in both the Fort Collins and Greeley MSA’s after contracting in 2023. In contrast, permits for multifamily fell significantly through the first four months of the year, offsetting single family gains. Overall, housing units were down nearly 30 percent year-to-date in the Fort Collins MSA and were down about 21 percent in the Greeley MSA (Table 22).

Nonresidential construction. Regional nonresidential construction in 2022 was boosted significantly by 4.1 million square feet of groundbreakings in March 2022 (Figure 37, right). Most notably, an Amazon fulfillment center broke ground near the Northern Colorado Regional Airport north of Loveland. Following the one-time surge, nonresidential construction is improving overall in the region, with the value, square footage, and number of projects all growing for the 12 months ending in March 2024 compared with the 12 months ending in March 2023. Nonresidential construction was boosted over the past year in part from the start of a \$280 million expansion of Medical Center of the Rockies in late 2023. Over the next year, growing population and employment are expected to continue to support growth in nonresidential construction in the region.

Figure 37
Northern Region Construction Activity



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through March 2024.

Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through March 2024.

Colorado Springs Region

The Colorado Springs region encompasses El Paso County, home to the state’s second largest city. The regional labor market remains tight, but employment growth slowed in 2023. The housing market shows signs of loosening, despite rising home prices. Nonresidential construction has fallen below pre-pandemic levels, and continues to fall. Indicators for the Colorado Springs regional economy are presented in Table 23.



Table 23
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%	2.3%
Unemployment Rate ²	6.8%	5.7%	3.3%	3.3%	3.8%
Average Weekly Wages ³					
Growth	7.5%	4.8%	4.6%	4.6%	N/A
Level	\$1,088	\$1,140	\$1,192	\$1,228	N/A
Housing Permit Growth ⁴					
Total	25.7%	34.7%	-5.5%	-40.0%	-4.4%
Single Family	24.4%	0.7%	-28.4%	-26.2%	28.4%
Nonresidential Construction Growth ⁵					
Value of Projects	47.1%	0.8%	-26.2%	7.3%	-15.7%
Square Footage of Projects	124.5%	-48.2%	-31.8%	-31.8%	87.5%
Level (Thousands)	6,719	3,480	2,374	1,620	404
Number of Projects	16.3%	-26.4%	17.8%	-43.2%	110.3%
Level	435	320	377	214	122
Housing Market ⁶					
Average Sale Price – Single Family	13.8%	18.0%	10.1%	-0.2%	4.1%
Level (Thousands)	\$417	\$492	\$542	\$541	\$542
Inventory – Single Family	-34.7%	-30.0%	117.7%	8.0%	16.3%
Home Sales – Single Family	6.2%	4.0%	-17.5%	-24.3%	-8.0%
Retail Sales Growth ⁷	8.6%	18.3%	8.5%	0.1%	1.1%

MSA = Metropolitan statistical area. NA = Not available.

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

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

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

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

⁵ F.W. Dodge. Data through March 2024.

⁶ Colorado Association of Realtors. Data through April 2024.

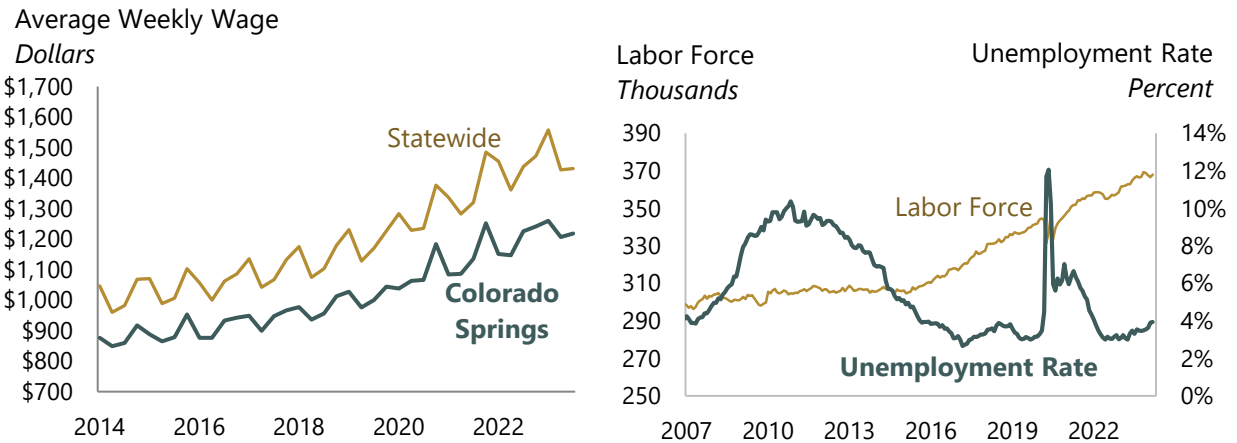
⁷ Colorado Department of Revenue. Data through February 2024.

Labor market. The labor market in Colorado Springs remains tight, but growth is slowing. The number of jobs continued to grow steadily in 2023, up 3.3 percent compared with the year prior. El Paso County is the state’s most populous county and the population is expected to continue

to grow, contributing to a healthy labor force (Figure 38, right). Despite a low unemployment rate and healthy labor force growth, the average weekly wage remains below the statewide average.

Last year, President Biden reversed a decision to move the Space Command headquarters from Colorado Springs to Huntsville, Alabama. This allows nearly 1,400 employees to remain in the region, and may provide a boost to the local economy. Additionally, El Paso County continues to grow by attracting new businesses in advanced industries such as aerospace and semiconductors.

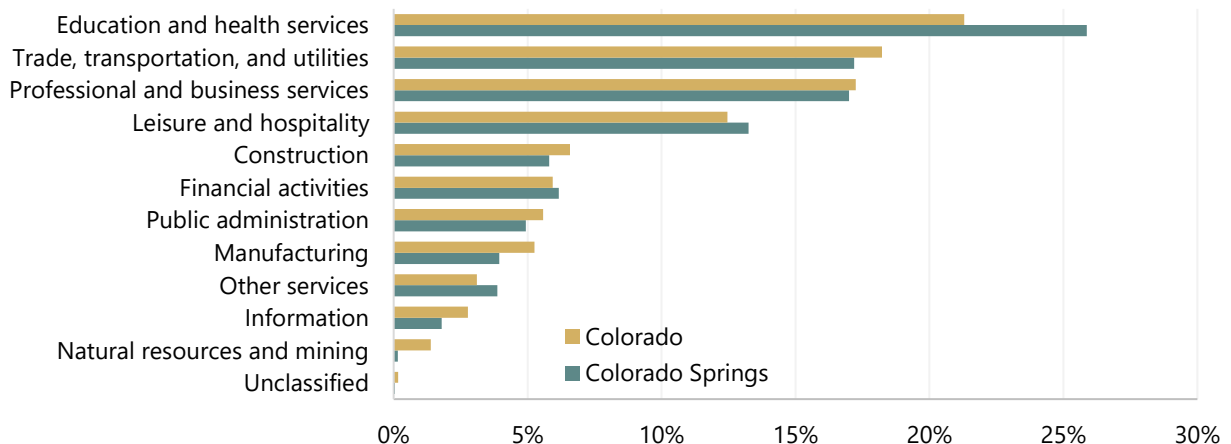
Figure 38
Colorado Springs Labor Market Activity



Source: U.S. Bureau of Labor Statistics; QCEW data through 2023 Q3 (left) and LAUS data, seasonally adjusted through April 2024 (right). LAUS data include Legislative Council Staff adjustments prior to 2010.

More than one in four jobs in El Paso County is in the education and health services industry, compared to the statewide average of about one in five (Figure 39). The concentration of leisure and hospitality jobs also exceeds that of the statewide average. Both of these industries tend to have lower wages than the average, which may partially explain why wages in El Paso County are low on average compared to statewide.

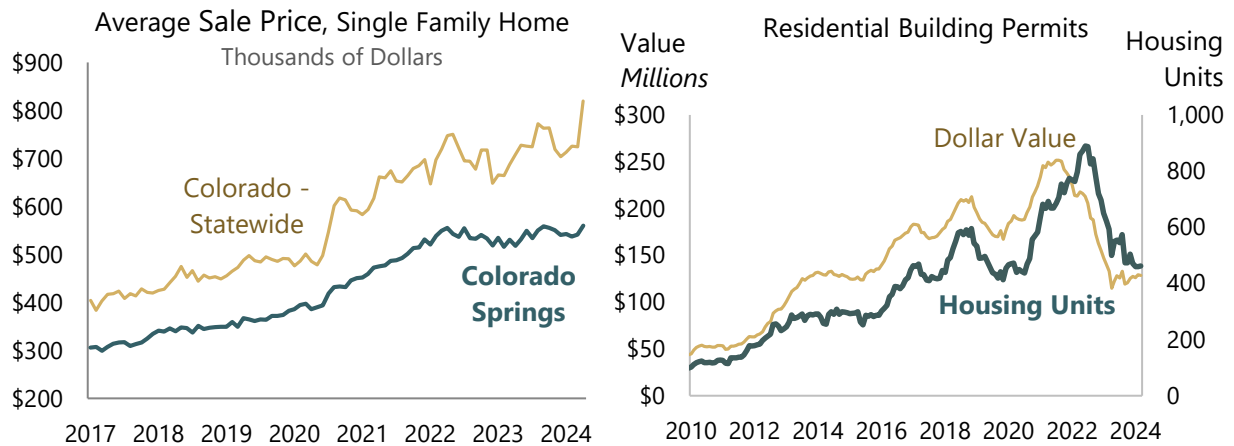
Figure 39
Percent of Total Employment by Industry, 2023



Source: Quarterly Census of Employment and Wages.

Housing market. Average home prices in El Paso County are up 3.9 percent so far in 2024 compared with the same period in 2023, and are higher than their 2022 peak (Figure 40, left). Home prices tend to be lower in El Paso County than the statewide, averaging about \$542,000 year-to-date through April 2024 compared to \$753,000 for the state. Despite rising home prices, other metrics are showing signs of loosening. Homes are staying on the market longer and inventories are on the rise (Figure 40, right). Additionally, residential permits are down about 5 percent so far in 2024.

Figure 40
Colorado Springs Home Prices and Residential Construction

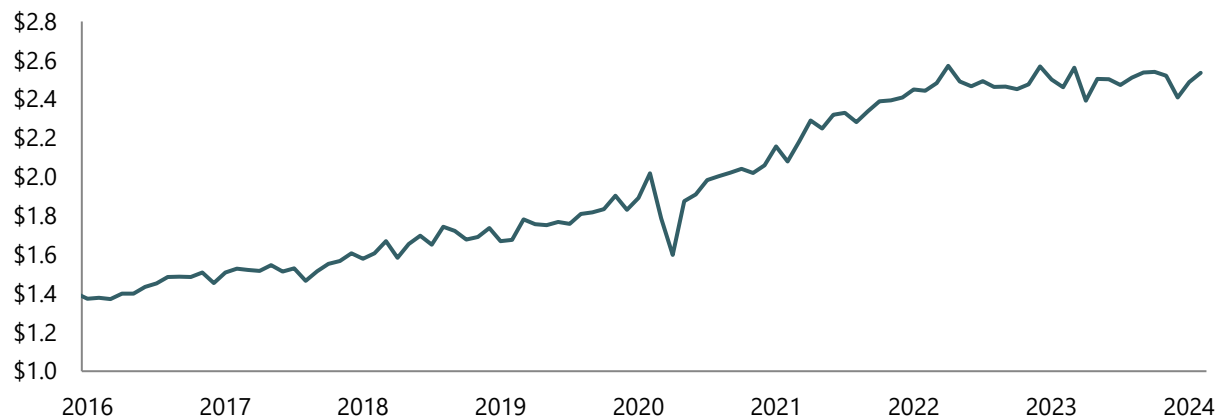


Source: Colorado Association of Realtors. Data are seasonally adjusted through April 2024.

Source: U.S. Census. Data shown as three-month moving averages. Data through April 2024.

Retail sales. Retail sales in Colorado Springs have been stagnant over the past two years after steep increases in 2021 and early 2022. Retail sales increased by just 0.1 percent in 2023, compared to an 8.5 percent increase in 2022. This is a similar trend to what is happening nationwide, as nominal consumer spending shifts towards services rather than goods and as goods inflation stagnates or even turns negative.

Figure 41
Colorado Springs Retail Sales
Billions of Dollars



Source: Colorado Department of Revenue.

Pueblo – Southern Mountains Region

The Pueblo–Southern Mountains region encompasses five counties along the eastern slope of the Sangre de Cristo Mountains, and includes the City of Pueblo. Employment and labor force data show a sluggish labor market, while residential and nonresidential construction have shown growth in recent months from a variety of projects. Indicators for the regional economy are presented in Table 24 and discussed below.

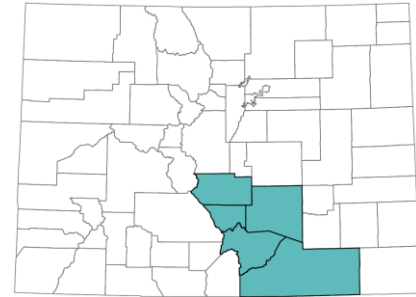


Table 24
Pueblo Region Economic Indicators
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth					
Pueblo Region ¹	-2.7%	0.4%	1.6%	-0.4%	-1.4%
Pueblo MSA ²	-2.8%	0.7%	2.7%	0.7%	0.3%
Unemployment Rate ¹	7.6%	7.8%	4.5%	4.5%	5.1%
Wages ³					
Average Weekly Wage	7.0%	3.8%	5.3%	4.6%	NA
Level	\$904	\$939	\$988	\$1,020	NA
Housing Permit Growth ⁴					
Pueblo MSA Total	18.4%	24.0%	-22.9%	-43.8%	-20.5%
Pueblo MSA Single Family	19.4%	24.0%	-22.9%	-43.8%	-20.5%
Nonresidential Construction Growth ⁵					
Value of Projects	26.2%	175.3%	-63.6%	160.2%	138.0%
Square Footage of Projects	37.7%	278.3%	-69.4%	180.9%	99.6%
Level (<i>Thousands</i>)	438	1,658	508	1,426	51
Number of Projects	86.5%	2.9%	-23.9%	33.3%	108.3%
Level	69	71	54	72	25
Housing Market ⁶					
Average Sale Price – Single Family	17.5%	22.9%	4.2%	2.8%	-3.6%
Level (<i>Thousands</i>)	\$265	\$326	\$340	\$349	\$339
Inventory – Single Family	-23.9%	-27.0%	68.7%	31.4%	23.7%
Home Sales – Single Family	14.1%	7.3%	-6.2%	-17.5%	-10.8%
Retail Sales Growth ⁷	4.2%	13.4%	14.5%	-1.7%	2.4%

MSA = Metropolitan statistical area. NA = Not available.

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

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

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

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

⁵ F.W. Dodge. Data through March 2024.

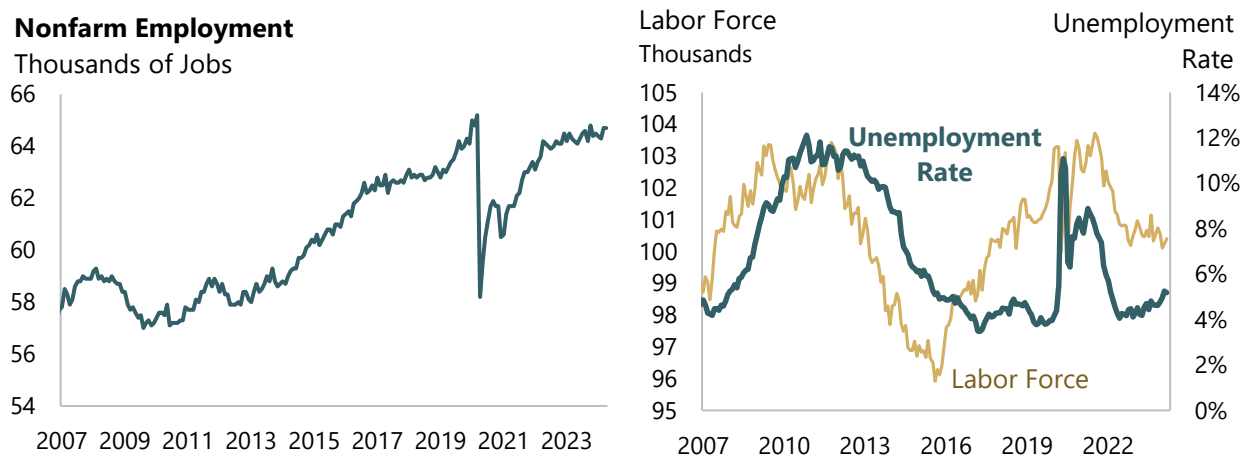
⁶ Colorado Association of Realtors. Data through April 2024.

⁷ Colorado Department of Revenue. Data through February 2024.

Labor market. Labor market conditions in the Pueblo region are generally looser than the statewide average, and have shown further signs of decline over the past year. In 2023, the regional unemployment rate was significantly higher than any other region of the state, at 4.5 percent compared to the state’s 3.2 percent. Wages in the Pueblo region tend to be lower than the statewide average. In 2023, the regional average annual wage was about \$53,000, 31 percent lower than the statewide average of \$77,000. Wages in the region are growing at a healthy pace, up by 3.8 percent in 2023.

Total employment growth was sluggish in Pueblo during 2023, increasing only 0.7 percent year over year. Pueblo saw the largest percent decline in employment in the state as a result of the pandemic, and the region’s employment remains below pre-pandemic levels. The largest industry sector in the Pueblo region is trade, transportation, and utilities. CS Wind, the world’s largest wind turbine tower manufacturing plant is located in Pueblo, and has broken ground on an expansion that is expected to double production, and require at least 850 new employees over the next few years.

Figure 42
Pueblo Region Labor Market Trends



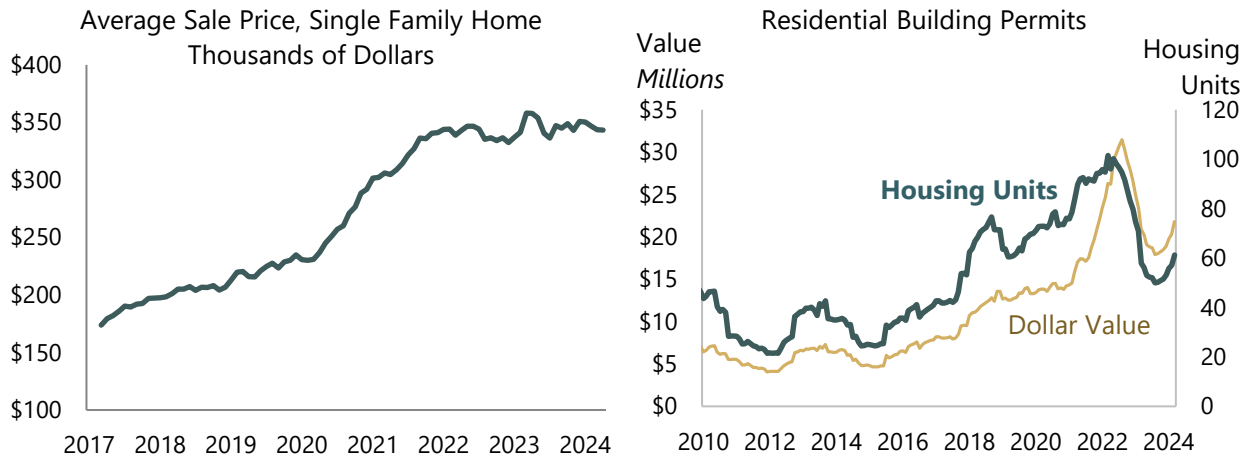
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through March 2024.

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

Housing market. The housing market in the Pueblo region shows signs of slowing. Single family home sales were down nearly 12 percent through April 2024 compared to the same period in 2023, despite an increase in new listings, contributing to rapidly rising inventory. Despite high interest rates, declining home sales, and rising inventory, the number of single family housing permits in the region has slowly started to rebound (Figure 43, right).

Additionally, home prices have stayed fairly steady over the past two years. Despite the recent slowdown in growth, the average price of a single family home in the region was about \$343,000 in April, well above the average pre-pandemic price of \$220,000. Homes in the Pueblo region remain more affordable than most other areas of the state.

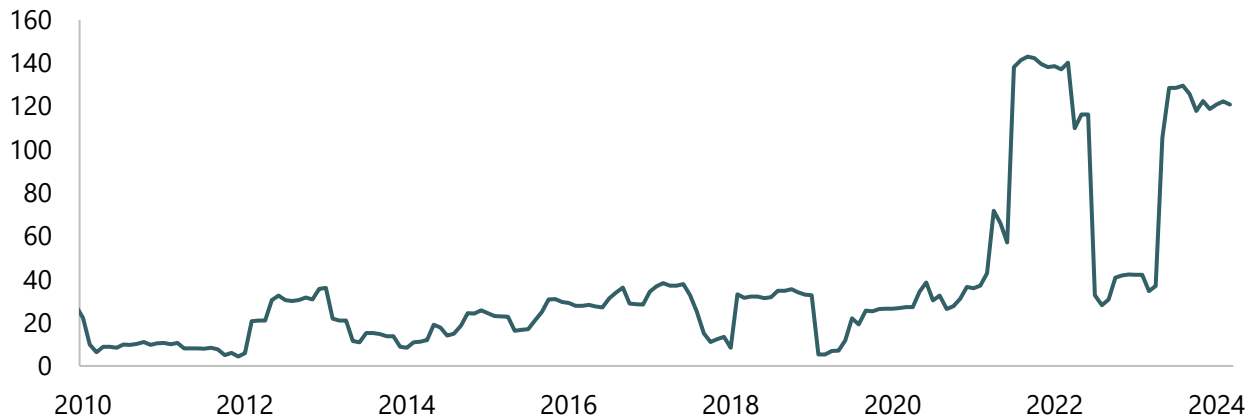
Figure 43
Pueblo – Southern Mountains Residential Construction and Inventory



Source: Colorado Association of Realtors (left) and U.S. Census (right). Data (left) are three-month moving averages seasonally adjusted through April 2024 and data (right) are show as three-month moving averages through March 2024.

Nonresidential construction. Nonresidential construction was boosted substantially in recent years due to two large projects, including a new long rail mill at the Evraz Pueblo steel mill in 2021 and the expansion of CS Wind in 2023. The Infrastructure Investment and Jobs Act (IIJA) will provide additional opportunities for nonresidential construction in Pueblo. Additionally, the Department of Energy has awarded \$32.6 million for development of a carbon storage hub located in Pueblo.

Figure 44
Pueblo Region Nonresidential Building Permits
 Thousands of Square Feet



F.W. Dodge. Data shown as twelve-month moving averages. Data through March 2024.

Eastern Region

The eastern region includes 16 rural counties on Colorado’s eastern plains. Agriculture is the primary industry in the region, with businesses and government operations supporting local farming and ranching communities. The labor market is weak, with rising unemployment and slowing job growth. Weather conditions, as well as geopolitical and policy uncertainty, remain key risks for the region’s agricultural outlook. Regional housing markets are cooling similar to statewide trends, with declining home sales, residential construction, and rising inventory of homes for sale. Economic indicators for the region are presented in Table 25.

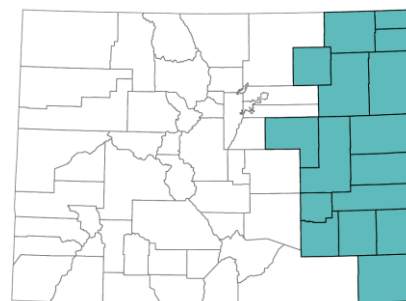


Table 25
Eastern Region Economic Indicators

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	-3.8%	-1.9%	1.1%	-0.2%	-1.1%
Unemployment Rate ¹	4.2%	4.5%	2.8%	2.8%	3.2%
Wages ²					
Average Weekly Wage	5.4%	4.1%	5.3%	4.3%	NA
Level	\$838	\$872	\$918	\$939	NA
Crop Price Changes ³					
Wheat (\$/Bushel)	6.3%	37.7%	42.2%	-14.3%	-32.8%
Corn (\$/Bushel)	-4.6%	53.8%	30.9%	-7.0%	-35.9%
Alfalfa Hay (Baled, \$/Ton)	-6.6%	2.5%	2.8%	14.7%	-11.7%
Livestock ³					
State Cattle and Calf Inventory Growth	1.9%	4.0%	-1.0%	-7.5%	-0.5%
Milk Production	7.1%	2.4%	0.7%	-1.9%	0.5%
Housing Permit Growth ⁴	22.3%	21.7%	-26.2%	-25.9%	-13.5%
Housing Market ⁵					
Average Sale Price – Single Family	8.0%	16.6%	7.7%	-1.2%	-2.3%
Level (Thousands)	\$328	\$382	\$412	\$407	\$403
Inventory – Single Family	-22.6%	-28.9%	65.9%	23.6%	1.2%
Home Sales – Single Family	4.2%	9.9%	-6.8%	-10.3%	-2.5%
Retail Sales Growth ⁶	3.3%	12.5%	18.9%	-0.3%	1.5%

NA = not available.

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

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

³ National Agricultural Statistics Service statewide data. Data through March 2024.

⁴ F.W. Dodge. Data through March 2024.

⁵ Colorado Association of Realtors. Data through April 2024.

⁶ Colorado Department of Revenue. Data through February 2024.

Agriculture and livestock. The Eastern Plains is the largest agricultural region in the state, and agriculture drives much of the region's economy. The region is a key growing area for cattle, hay, winter wheat, and corn.

Substantial spring precipitation helped ease drought conditions for most of the state except the Eastern Plains. The southeastern part of the region has seen the return of moderate drought conditions over the last three months, according to the U.S. Drought Monitor. According to the Climate Prediction Center, drought intensity is expected to improve across the western Great Plains, but drought will persist as likely warm and dry summer conditions offset above normal soil moisture at the beginning of June. The cumulative results of prolonged drought conditions continue to impact the region, with unpredictable rain, hail, and tornadoes challenging farmers. Since crop condition and harvest timing are sensitive to weather developments, key risks remain for the region's farm price and profitability outlook.

With the continuation of drought conditions across the Great Plains and high input costs, ranchers have marketed heifers that they would normally have kept for breeding purposes. The most recent nationwide cattle inventory was down by 2 percent, the smallest herd in 73 years. The statewide cattle inventory is entering its third year of decline. With low inventories, cattle prices are expected to remain strong, placing upward pressure on beef prices.

Corn and winter wheat progress is about average in Colorado. As of early June, farmers had planted 89 percent of the corn crop, about the same amount as during the previous five years, with over 63 percent in good or excellent condition. Corn prices fell in 2023 with a record crop in the U.S. While farmers are expected to plant fewer acres in 2024 nationwide, plantings are projected up by 5.3 percent in Colorado. Also as of early June, 62 percent of winter wheat was headed in Colorado, compared to an average of 66 percent during the previous five years; however only 46 percent was in good or excellent condition. Wheat prices, which, along with corn prices, reached multi-year highs in 2021 and 2022, began declining in 2023, and are expected to decline further in 2024.

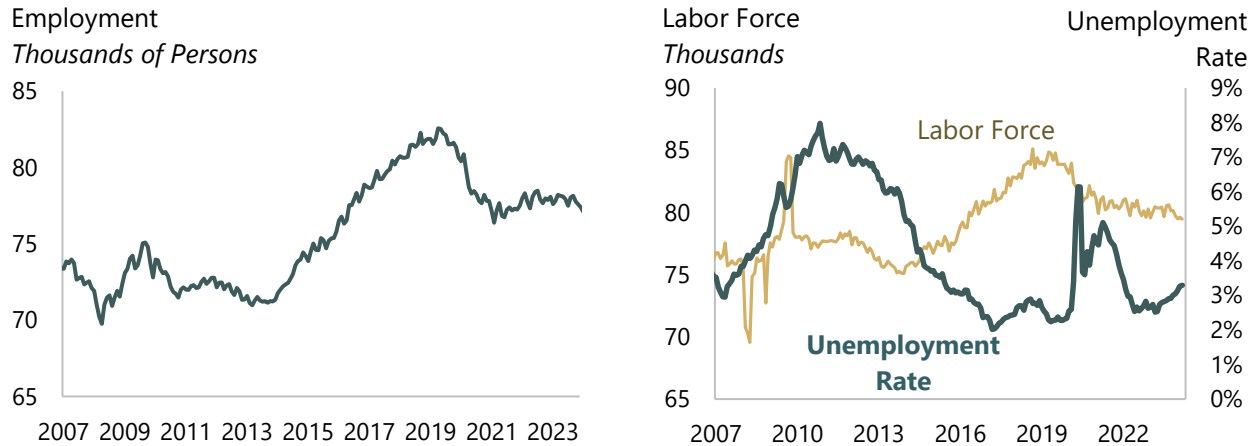
Labor market. The eastern plains region accounts for about 2 percent of statewide employment, or about 76,000 jobs. Relative to the state as a whole, the region has a larger share of jobs in agriculture and related services, government, and manufacturing, and a lower share of jobs in professional and business services and related activities.

The employment picture across most Colorado regions suggests slowing employment growth year to date through March 2024, compared to the 2023 average, consistent with a cooling labor market. In the eastern plains, the number of jobs is down by 1.1 percent, about 800 jobs, through March 2024 compared with the same period last year (Figure 45, left). Only the San Luis Valley posted a larger percentage job decline, but estimates in both regions are based on a small sample size and are subject to large revisions. With a relatively stable labor force, the eastern plains has seen an uptick in the unemployment rate to 3.3 percent in the month of March (averaging 3.2 percent year to date), still lower than the statewide average of 3.7 percent. Only the mountain region posted a lower unemployment rate (3.1 percent) (Figure 45, right).

The average weekly wage of \$939 in the third quarter of 2023 is the second lowest in the state's nine regions, 62 percent of the statewide average weekly wage of \$1,472. The region's average weekly wage has failed to keep pace with inflation over the past two years, resulting in a

declining real wage for regional workers. The labor market is expected to remain sluggish throughout 2024, as interest rates remain high thanks to stubborn U.S. inflation rates.

Figure 45
Eastern Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data are through March 2024. Includes Legislative Council Staff adjustments prior to 2010.

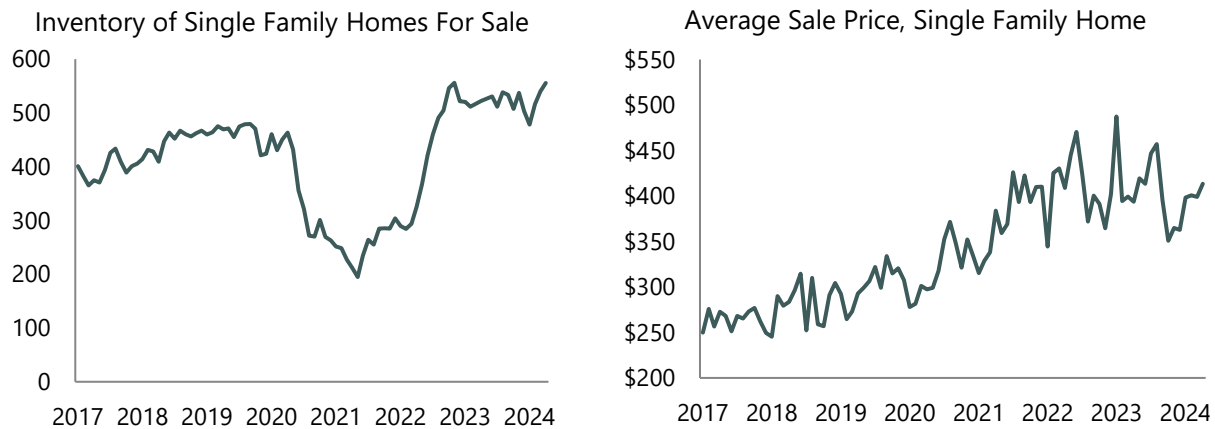
Retail sales. After peaking in December 2022, retail sales have slowed markedly as higher interest rates have dampened economic activity. In the Eastern Plains, retail sales were flat in 2023, and up 1.5 percent through February 2024 compared to the same period in 2023. This sluggishness follows double-digit retail sales growth over the previous two years, well in excess of inflation. Lackluster retail sales are expected to continue through 2024 as interest rates remain high, limiting employment growth and slowing momentum in consumer spending.

Housing and population. The Eastern Plains is the most sparsely populated of the state’s regions, with its 16 counties accounting for about 3 percent of the state’s population. The region’s housing market continued to slacken in 2024, reflecting a pattern of slowing activity since 2022 as U.S. average mortgage interest rates reached multi-decade highs. Construction declined by double digit percentages over the last two years, and is on track to do so again in 2024. Single family housing permits are down 13.5 percent through March 2024, compared with the same period last year. Even with reduced new construction, housing prices have seen only modest declines, as housing inventory has risen against declining home sales activity (Figure 46).

At \$403,000 through April 2024, average home prices are still well above pre-pandemic levels. The housing picture varies substantially across the region. Counties bordering Front Range metropolitan areas are experiencing population growth and substantial home price appreciation, while more rural counties face housing affordability challenges associated with low incomes and an aging housing stock. For example, the median sales prices for a single-family home in Elbert County, bordering both metro Denver and Colorado Springs, was \$615,000 in April 2024, above the statewide median price of \$595,000. In contrast, neighboring Lincoln County to the east saw a median sale price of \$147,500, among the lowest in the state. Six of the ten counties with the lowest median prices in the state are in the eastern plains, as are three of the four counties registering no sales in April 2024. The regional housing market is expected to

continue to be challenged by tightened monetary policy, dampening both construction and home-buying activity in 2024.

Figure 46
Eastern Region Housing Market Activity



Source: Colorado Association of Realtors. Data are seasonally adjusted and through April 2024.

Wind energy. The eastern plains region has seen substantial investment in renewable energy in recent years, particularly wind energy, which accounted for 28 percent of electricity capacity in the state in 2022. Colorado’s wind turbines are generally located in the eastern part of the state, with the majority in the eastern plains region. Wind farms enhance property tax revenues for local communities, and provide a stable revenue source for landowners who agree to house wind turbines. Approximately 500 turbines outside of Limon in Lincoln County were among the first to come on line in Colorado between 2011 and 2014. With an additional 527 turbines, Xcel Energy’s Cheyenne Ridge and Rush Creek wind farms, which came online between 2018 and 2020, span Cheyenne, Elbert, Kit Carson, and Lincoln counties. The most recent additions are the 180 turbines constituting NextEra Energy Resources’ Bronco Plains Project in Kit Carson County, completed in phases between 2020 and 2023. As the state continues to pursue renewable energy and climate goals, the abundance of wind resources in the region is likely to attract more investment.

Mountain Region

The mountain region comprises 12 counties stretching from Poncha Pass north to the Wyoming border. Sensitive to tourism and thus to economic conditions worldwide, the mountain region labor market remains resilient with the lowest unemployment rate in the state and positive year-over-year employment growth. However, high prices and high interest rates are weighing on consumers' purchasing power. As housing prices in the region continue to climb significantly, there are a growing number of construction plans for affordable housing units. Economic indicators for the mountain region are presented in Table 26.

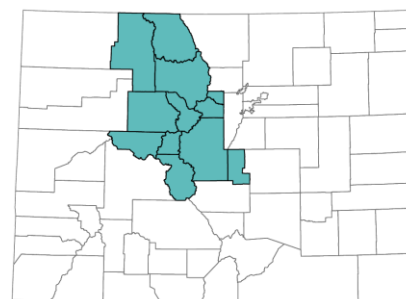


Table 26
Mountain Region Economic Indicators

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%	3.4%	1.8%	1.2%
Unemployment Rate ¹	7.8%	4.7%	2.7%	2.7%	3.1%
Wages ²					
Average Weekly Wages	11.6%	4.8%	8.4%	5.2%	NA
Level	\$981	\$1,028	\$1,114	\$1,142	NA
Housing Permit Growth ³	-38.7%	30.7%	41.1%	-33.8%	63.8%
Nonresidential Construction Growth ³					
Value of Projects	87.8%	-55.1%	31.3%	-8.5%	97.5%
Square Footage of Projects	24.7%	-21.7%	10.1%	-16.0%	40.7%
Level (<i>Thousands</i>)	1,141	893	983	826	74
Number of Projects	76.1%	7.4%	13.8%	-32.3%	41.7%
Level	81	87	99	67	17
Housing Market ⁴					
Average Sale Price - Single Family	19.1%	33.1%	5.5%	3.4%	31.2%
Level (<i>Thousands</i>)	\$1,261	\$1,507	\$1,568	\$1,662	\$2,127
Inventory - Single Family	-30.7%	-43.2%	29.6%	23.6%	26.8%
Home Sales - Single Family	22.3%	1.3%	-27.0%	-15.6%	4.3%
Retail Sales Growth ⁵	3.8%	21.0%	17.0%	4.0%	1.2%

NA = Not available.

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

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

³F.W. Dodge. Data through March 2024.

⁴Colorado Association of Realtors. Data through April 2024.

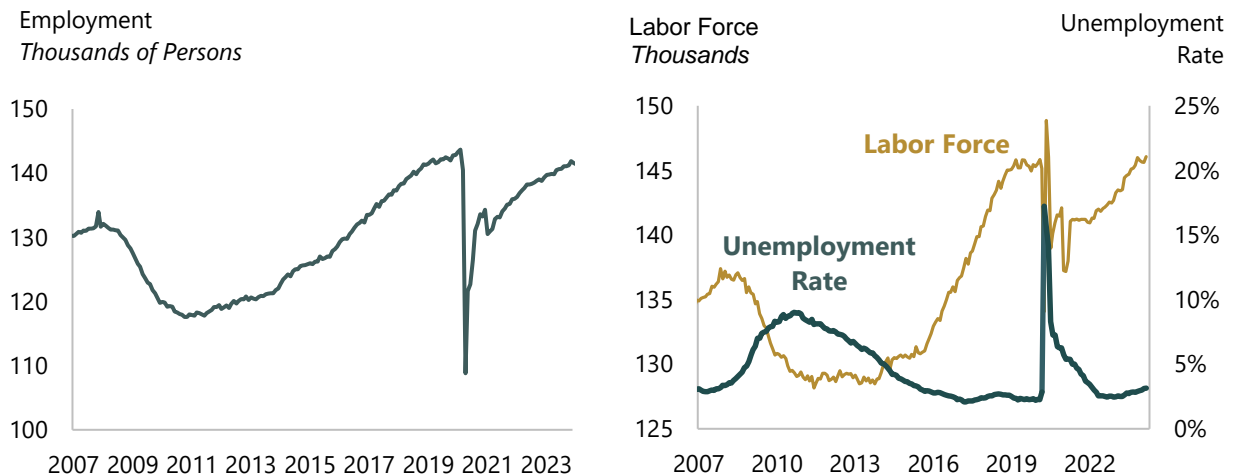
⁵Colorado Department of Revenue. Data through February 2024.

Labor market. In a regional economy that relies heavily on tourism and seasonal residents, the health of the labor market largely depends on consumer activity across the state and nation. Over one-third of the jobs in the region belong to the accommodation, retail trade, art, and entertainment industries. This is a significant difference from the labor market statewide, where these industries account for less than a fifth of jobs. Similar to the southwest mountain region—which also relies heavily on tourism—the higher proportion of consumer-facing jobs in the region means lower proportions of jobs in the manufacturing and wholesale trade industries compared to statewide averages.

The region continues to host one of the tightest labor markets in the state, posting the state’s lowest unemployment rate of 2.7 percent in 2023 and one of the state’s higher employment growth rates at 1.8 percent in 2023 (Figure 47). Employment growth is expected to slow and the unemployment rate is expected to rise in 2024 as prolonged high interest rates strain household balance sheets and reduce disposable income. Despite a cooling labor market, employment is expected to remain at healthy levels as consumers in the mountain region tend to be wealthier and less impacted by high prices or high interest rates than those at lower-income levels.

In part, the mountain region is able to sustain a lower unemployment rate than all other regions in the state because demographic drag and little affordable housing pose significant labor supply constraints. Wages have grown by 16 percent since 2020 through 2023 in the Mountain region; in contrast, housing prices have grown by double that—32 percent since 2020 through 2023. With an average weekly wage of \$1,142 in 2023, the mountain region realizes wages lower than the statewide average of \$1,431 despite having the highest home prices in the state. Therefore, employers continue to demonstrate an appetite for new hires and are building their payrolls where possible, making the labor market strong for workers able to find housing and difficult for businesses whose wages do not offer means to sustainably live in the area.

Figure 47
Mountain Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through March 2024. Includes Legislative Council Staff adjustments prior to 2010.

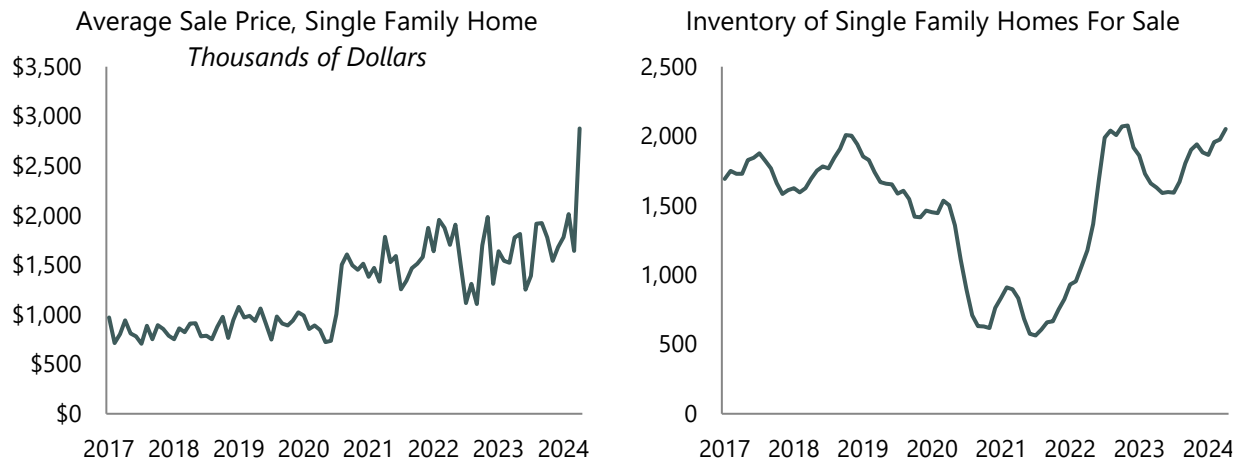
Retail sales. Due to its expensive housing prices and significant tourist activity, mountain region retail sales disproportionately reflect discretionary spending among wealthier consumers and illustrate the statewide effect that purchases by that population have on overall consumer spending. Retail sales slowed from two years of double-digit growth to a more modest 4.0 percent growth rate in 2023 and appear to be decelerating further through the first two months of 2024. Though growth moderated substantially in 2023, retail sales in the mountain region grew by more than any other Colorado region.

The past three years of considerable growth in retail sales appears not to be sustainable in an environment where stubbornly high prices and prolonged high interest rates negatively impact household savings and consumers' purchasing power. At a year-to-date growth rate of just 1.2 percent through February 2024, retail sales growth is below the rate of Denver-Aurora-Lakewood inflation, indicating a real decline in total retail sales in the mountain region. This trend is not exclusive to the mountain region; in fact, retail sales have declined in 2024 for four of the nine state regions. Growth in retail sales is expected to remain relatively stagnant through 2024 as high prices and prolonged interest rates eat into disposable income for those with struggling balance sheets. A downturn would likely pose an immediate threat to regional businesses, with mountain region spending patterns being among those that react most quickly to changing economic conditions, due to the region's dependence on tourism.

Housing. Home prices in the region have increased by 6.1 percent in 2023 and are up over 31 percent through the first four months of 2024, sustaining a long-run trend of increasing home prices. Homes remain unaffordable for all but the wealthiest buyers, with the average single family home selling for over \$2.1 million. Home prices have more than doubled in the region since the COVID-19 recession. High interest rates coupled with expensive homes are constraining the sales of homes in the region, leading to increased inventory of homes for sale that many workers in the region may not be able to afford. For example, Summit County—which hosts major ski resort towns such as Breckenridge and Keystone—estimates that one-third of properties are short-term rentals, owned by investors who then rent out their properties to tourists. Similarly, from 2018 to 2021, purchase loans for homes in Summit County increased by 35 percent for second residences, compared to a mere 5 percent for primary residences. This illustrates how higher demand and greater purchasing power by investors and vacationers lead to price increases in many mountain towns. Conditions like these make it more difficult for workers and full-time residents to afford housing, as these prospective buyers often earn average salaries that are significantly below the income levels of those seeking secondary and short-term rental homes.² Some counties in the mountain region have passed legislation to combat high housing prices for locals, such as Routt County's practice of expediting resident permit applications for projects that designate at least 30 percent of units for workforce housing.

² Root Policy Research. Summit County 2023 Housing Needs Assessment, September 2023.
<https://www.summithousing.us/wp-content/uploads/2023/10/2023-Summit-County-Housing-Needs-Assessment.pdf>

Figure 48
Mountain Region Housing Activity



Source: Colorado Association of Realtors. Data is seasonally adjusted. Data through April 2024.

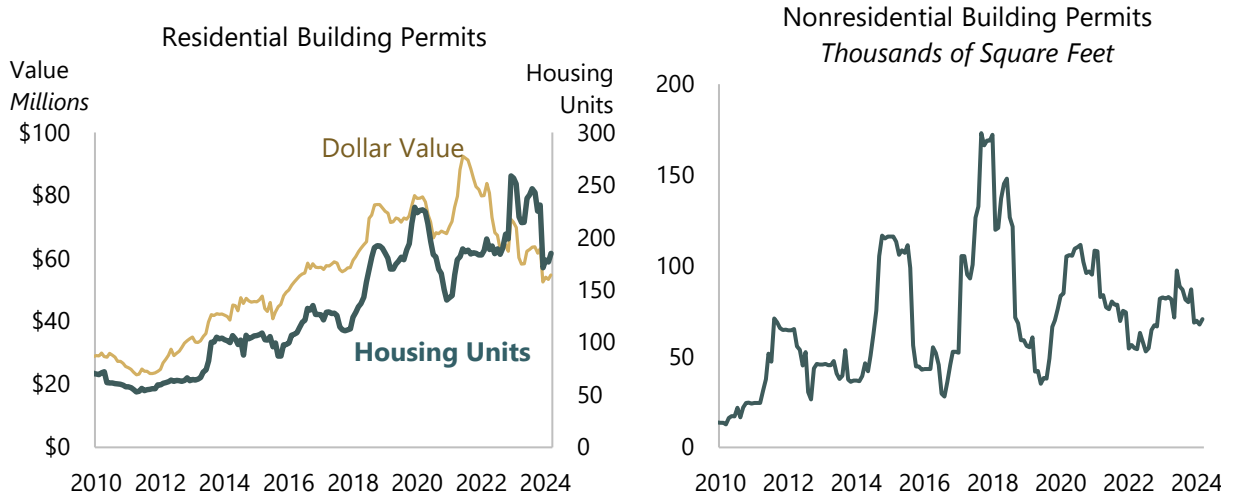
Construction. Both residential and nonresidential construction struggled in 2023, ending the year down 34 percent and 8.5 percent, respectively, as the Federal Reserve Bank hiked interest rates to battle inflation. Despite rates that are staying higher for longer, both residential and nonresidential construction have rebounded, with 64 percent and 97.5 percent year-to-date growth, respectively.

In May 2022, the Steamboat Springs Planning and Community Development Department approved a policy that expedites applications for projects geared toward workforce housing. Since the policy passed, the Department has approved the production of nearly 300 workforce housing units. The approved projects include the development of almost 300 workforce housing units, of which 234 are a part of the Yampa Valley Housing Authority’s Mid-Valley housing project that began construction in Spring 2024. The housing project is intended for local retirees and Routt County workforce and will include 84 condos for sale and 150 rental apartments, all of which will be deed-restricted. The project is expected to buoy the county’s labor market at a time when high interest rates limit the incentive to start new construction projects.

It is typical for construction work to peak in late spring and summer months when the weather is less volatile. However, to get ahead of building code changes that took effect in January 2024, nearly 60 Routt County building permit applications were submitted in the final weeks of 2023.³ As a result, some construction projects began earlier in the year than they normally would have, resulting in inflated construction value numbers for the first quarter of 2024. Therefore, this forecast expects that nonresidential construction will increase less drastically by year-end than data from the first quarter of 2024 suggest. However, total construction projects in the county are expected to increase from 2023 despite high interest rates in part due to projects that started earlier than usual.

³ Romig, Suzie. Spring brings significant increase in commercial, multi-family construction. May 15, 2024. <https://www.steamboatpilot.com/news/spring-brings-significant-increase-in-commercial-multi-family-construction/>

Figure 49
Mountain Region Construction Activity



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through March 2024.

Western Region

The ten-county Western Region has a diverse economy. Key industries in the more northern counties of Garfield, Mesa, Moffat, and Rio Blanco include energy and agriculture, while the counties of Delta, Gunnison, Hinsdale, Montrose, Ouray, and San Miguel are more reliant on tourism, mining, and retiree-related spending. Following a strong recovery period, the regional labor market is decelerating along with slowing retail sales, multifamily construction, and nonresidential building construction. Economic indicators for the region are summarized in Table 27.

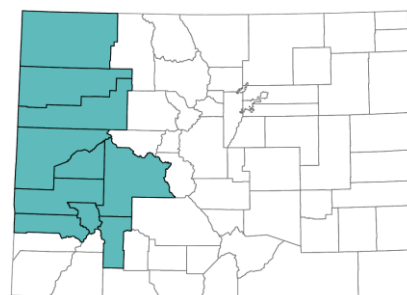


Table 27
Western Region Economic Indicators

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%	1.3%	2.1%	1.0%	0.2%
Grand Junction MSA ²	-5.3%	3.9%	2.5%	1.3%	0.6%
Unemployment Rate ¹	6.7%	5.5%	3.3%	3.3%	3.7%
Wages ³					
Average Weekly Wages	5.7%	3.5%	7.4%	5.2%	NA
Level	\$922	\$954	\$1,025	\$1,057	NA
Natural Gas Production Growth ⁴	-7.7%	-9.1%	-5.8%	-17.0%	-0.3%
Housing Permit Growth ⁵	31.5%	20.8%	-10.8%	27.7%	-36.4%
Nonresidential Construction Growth ⁵					
Value of Projects	-66.9%	244.5%	-12.4%	-26.4%	6.2%
Square Footage of Projects	-26.4%	61.6%	0.0%	-10.0%	-17.1%
Level (<i>Thousands</i>)	479	774	773	696	87
Number of Projects	22.5%	34.5%	6.8%	-9.6%	3.7%
Level	87	117	125	113	28
Housing Market ⁶					
Average Sale Price - Single Family	18.7%	26.1%	3.1%	10.6%	23.1%
Level (<i>Thousands</i>)	\$421	\$519	\$536	\$597	\$630
Inventory - Single Family	-26.9%	-42.4%	25.2%	15.2%	9.9%
Home Sales - Single Family	12.4%	1.6%	-21.8%	-16.9%	4.4%
Retail Sales Growth ⁷	1.7%	19.2%	11.4%	4.8%	1.8%
National Park Recreation Visits ⁸	-0.1%	12.7%	-3.9%	0.1%	-37.2%

MSA = Metropolitan statistical area. NA = not available.

¹U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2024.

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

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

⁴Colorado Oil and Gas Conservation Commission. Data through March 2024.

⁵F.W. Dodge. Data through March 2024.

⁶Colorado Association of Realtors. Data through April 2024.

⁷Colorado Department of Revenue. Data through February 2024.

⁸National Park Service. Recreation visits for Black Canyon of the Gunnison National Park, Colorado National Monument, Dinosaur National Monument, and Curecanti National Recreation Area. Data through April 2024.

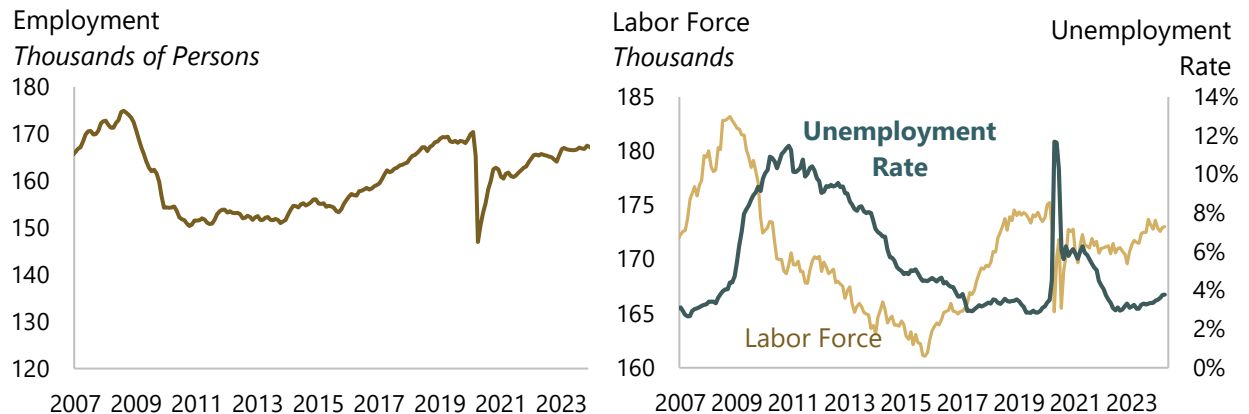
Labor market. The Western Region's labor market is characterized by employment concentrations in natural resources, construction, retail trade, health care, lodging and food services, and local government. These industry sectors represent the region's position as a key support for the state's energy and agriculture, and as a tourist destination. Additionally, the region is home to commerce hubs like Grand Junction that provide services to households across the Western Slope. With a retirement-aged population that is growing faster than retirees in the state overall, health care is an increasingly important sector to the regional economy.

Employment for the region's households increased by 1 percent in 2023, slower than the state's 1.3 percent pace. Data indicate that employment in the region remains below the pre-pandemic peak (Figure 50, left). The region's slower than average employment growth has been accompanied by a slow return of the labor force; however, the regional labor force still remains below pre-pandemic levels. Demographic trends in the region are influencing both employment and the labor force. Growth in the region's working-age population, or people ages 16 to 64 years, is projected to be significantly slower than the statewide growth rate and increase between just 0.2 percent and 0.3 percent each year from 2024 to 2026 according to the Colorado State Demography Office. By comparison, the state's working-age population is projected to grow 0.8 percent each year over the same period. Concurrently, the region's retirement age population aged 65 years and over is growing faster than the state.

Based on employer survey data for the Grand Junction MSA (Mesa County), the area's job growth was supported largely by health care in 2023, with the sector posting both the fastest pace of growth and contributing the most jobs. Other contributors were local government and leisure and hospitality, both of which continue to rebound following the pandemic. Steady employment growth is expected for the region over the next year, with ongoing contributions from leisure and hospitality and health care. Positively, health care employment in the Grand Junction MSA started 2024 up 4.5 percent year-to-date. Longer-term, Amazon continues to expand its last mile operations across the nation, and recently began construction on a fulfillment center that will bring jobs to the region's transportation and warehousing industry. Encouragingly, enrollment for Colorado Mesa University expanded in the 2022-23 academic year for the first time since 2016-17, as enrollment for state residents began to rebound. Enrollment is expected to grow over the next two academic years.

Like the state and nation, the unemployment rate has ticked up in the region, increasing eight-tenths of a percentage point to 3.8 percent over the past twelve months (Figure 50, right). The uptick has been accompanied by slower retail sales growth and employment losses in the retail sector. Slowing retail activity is consistent with broad national trends as consumers pull back from the post-pandemic spending surge and shift in purchasing back to services from goods.

Figure 50
Western Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics; LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2024.

Housing. High interest rates and residual effects of inflation erode affordability in the housing market, impacting sales in the western region similar to the nation and many areas in the state. Contrary to expectations during a period of high interest rates, the average price of a single family home accelerated from 2022 levels in 2023, rising by 10.6 percent despite a second consecutive year of declining home sales and rising inventory. Data indicate prices have continued to accelerate in 2024, up 23.1 percent in April year-to-date, along with a bounce in sales activity. Slower sales activity has coincided with rising inventory, up nearly 10 percent in April year-to-date. The inventory of single family homes for sale is set to increase for the third consecutive year in 2024, but remain below pre-pandemic levels.

More in line with expectations for a high interest rate environment, housing permits began the year down 36.4 percent through March year-to-date, largely due to a drop in multifamily permits that offset a jump in single-family construction. Most of the multifamily construction in the region is concentrated in Grand Junction, Montrose, and Telluride. Although multifamily construction is down, the limited number of units in the Western Region mean announcements of new multifamily permits are a source of significant uncertainty and volatility.

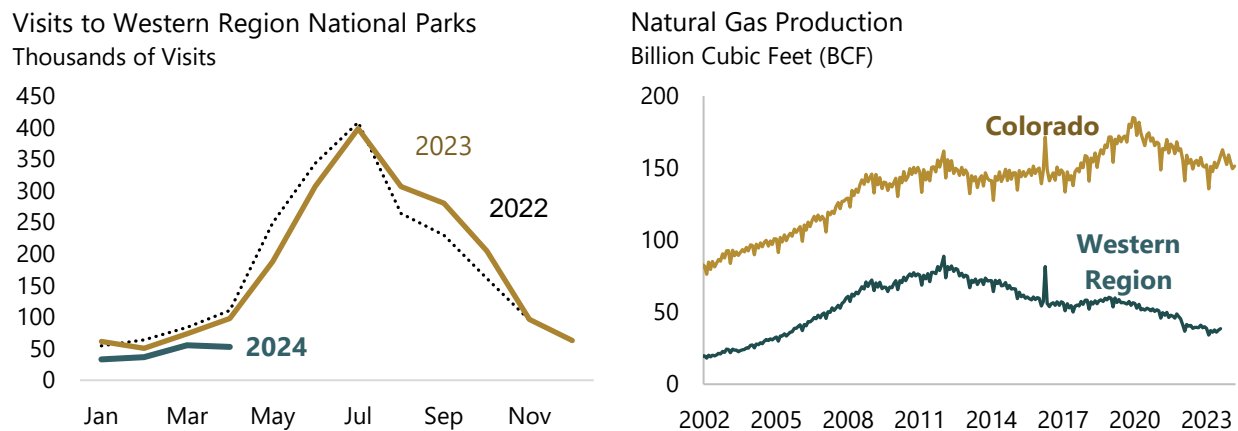
Nonresidential construction. Indicators of nonresidential construction are mixed for the Western Region heading into 2024. After contracting in 2023, both the value and number of new projects were up in the first quarter of 2024 year-to-date, but the square footage of new projects began the year down. Many types of nonresidential construction have been impacted by rising interest rates, higher construction costs, and slower employment growth. Despite pressure impacting commercial and industrial buildings, the sector will be boosted over the next few years from large investments in infrastructure and renewable energy that will offset losses in other sectors. Significant projects include construction of the TransWest Express transmission project that will connect renewable energy generation in Wyoming to Southern California through Moffat County. Additionally, Tri-State Generation and Transmission Association announced a \$200 million solar project in Moffat County that is expected to be in service by the

end of 2025. Nonbuilding construction will continue to be aided by federal incentives and the ongoing adoption of renewable energy generation in the region.

Retail sales. The pace of retail sales is slowing after the double-digit growth rates posted in 2021 and 2022 following the pandemic. The expected return to services spending, drawdown in household savings, and pullback on durable goods is likely impacting sales activity. After decelerating to 4.8 percent in 2023, retail sales were up just 1.8 percent to start 2024. Growth has also decelerated statewide, with retail sales for Colorado up just 1.7 percent over the same period. Slow sales for the region are expected through 2024. A dip in tourism following the post-pandemic surge may also impact retail sales for some of the region’s communities.

Tourism. Visits to the region’s national parks (Figure 51) started the year down, falling 37 percent year-to-date through April. Visitation data is being impacted by visits to the Curecanti National Recreation Area that has been impacted by construction along U.S. Highway 50 and an emergency bridge closure. Park visitation ended 2023 recording similar levels to 2022, though lower levels of visitation are expected in 2024 for both Curecanti and neighboring Black Canyon of the Gunnison National Park. Passenger traffic at the Grand Junction Regional Airport continues to expand, with passenger traffic up 6.8 percent year-to-date through April.

Figure 51
Western Region Economic Indicators



Source: Left, National Park Service. Data through April 2024. Right, Colorado Oil and Gas Conservation Commission. Data through March 2024.

Energy sector. The western region produces a significant share of the state’s natural gas, more than 24 percent in 2023 (Figure 51), and remains a significant contributor to the region’s economic activity despite a long-term decline in activity back to 2013. In 2023, natural gas production contracted for the fifth consecutive year, and for 10 of the past 11 years. Natural gas production supports tax revenue, jobs, and upstream and downstream support industries throughout the region. Nationally, a greater quantity of natural gas is coming from gas-producing oil wells with the penetration of shale and hydraulic fracturing technology, a trend that has increased production and pushed down prices, generally. This dynamic is limiting investment and production in the region.

Prices surged in 2022, increasing the region's value of production significantly, which likely supported some resurgence in natural resources employment. However, prices as tracked by the Henry Hub Spot Price fell by more than 60 percent in 2023, and are projected to fall an additional 13 percent in 2024. As of March 2024, natural gas production in the Western Region was down slightly year-to-date.

Southwest Mountain Region

The southwest mountain region comprises five counties in the southwest corner of the state. The area encompasses less than 2 percent of the state’s total population but boasts a diverse economy with significant contributions from agriculture, tourism, and natural gas extraction. The region is isolated, with an economy that often behaves differently from the large Front Range metropolitan areas that heavily influence the statewide averages reported elsewhere in this document. While the region continues to maintain a healthy unemployment rate and consistent visits to its national parks, other economic indicators suggest a slowdown. Retail activity has not kept pace with inflation, and high interest rates contribute to a decline in home sales. Slower economic performance is expected to persist through 2024 as the national economy continues to respond to restrictive monetary policy. Indicators for the southwest mountain region are summarized in Table 28.

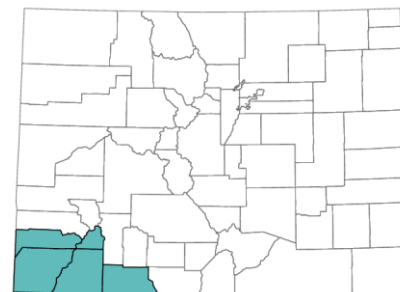


Table 28
Southwest Mountain Region Economic Indicators
 Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth ¹	-5.2%	-0.3%	2.2%	0.1%	-0.3%
Unemployment Rate ¹	6.7%	5.6%	3.2%	3.2%	3.6%
Wages ²					
Average Weekly Wages	6.9%	4.8%	4.5%	5.6%	NA
Level	\$904	\$948	\$991	\$1,015	NA
Housing Permit Growth ³	12.4%	18.4%	-21.9%	16.9%	55.1%
Housing Market ⁴					
Average Sale Price - Single Family	16.0%	25.4%	14.2%	6.3%	1.8%
Level (Thousands)	\$541	\$656	\$750	\$805	\$725
Inventory - Single Family	-29.3%	-47.5%	12.4%	8.9%	25.6%
Home Sales - Single Family	31.3%	-1.2%	-23.3%	-18.9%	-5.6%
Retail Sales Growth ⁵	10.3%	20.1%	4.9%	1.4%	-0.3%
National Park Recreation Visits ⁶	-48.1%	87.2%	-8.2%	2.3%	34.0%

NA = Not available.

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

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

³F.W. Dodge. Permits for residential units. Data through March 2024.

⁴Colorado Association of Realtors. Seasonally adjusted. Data through April 2024.

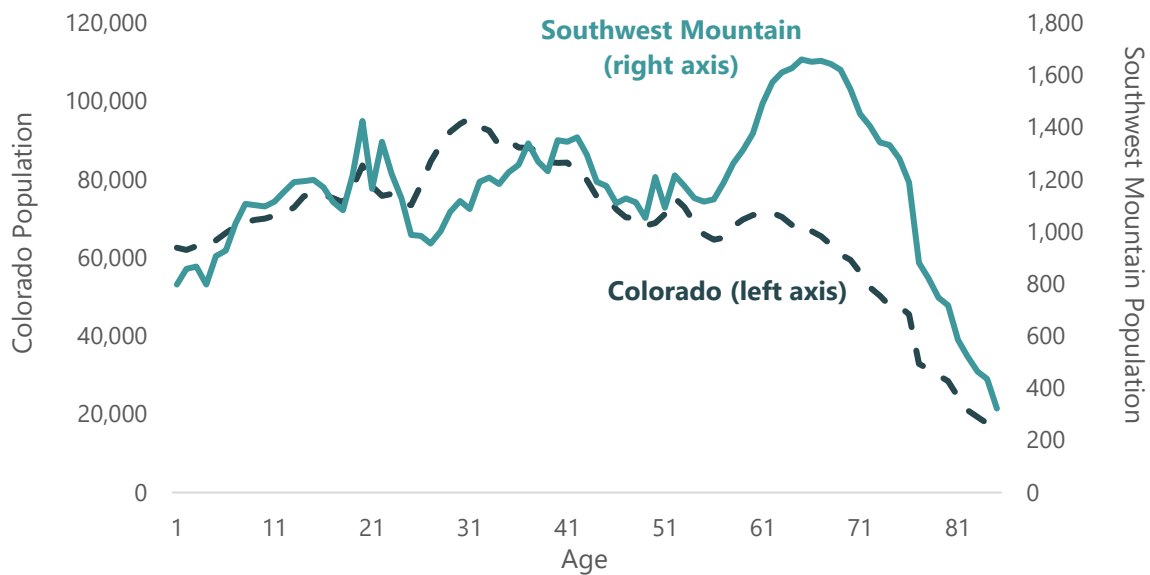
⁵Colorado Department of Revenue. Seasonally adjusted. Data through February 2024.

⁶National Park Service. Recreation visits for Mesa Verde National Park and Hovenweep National Monument. Data through March 2024.

Labor market. The region’s labor market is slightly more concentrated by industry than the statewide labor market, with the top ten largest industries comprising just over half of the labor market and the top 20 largest industries comprising over 70 percent of jobs in the region, according to data published by the State Demographer’s Office. Of the top 20 industries for both

the state and the region, the southwest mountain region has a smaller footprint in the wholesale trade and manufacturing industries, but a larger footprint in the government, retail trade, agricultural, arts, and recreation industries. Both the Ute Mountain Ute tribe and Southern Ute Indian tribe occupy land in the region, and their tribal governments contribute to relatively higher proportions of government employment in the region compared to statewide proportions. With a larger older population than the statewide average (Figure 52), the economy is buoyed by retirees and sensitive to tourism.

Figure 52
Southwest Mountain Region versus Colorado – Population by Age

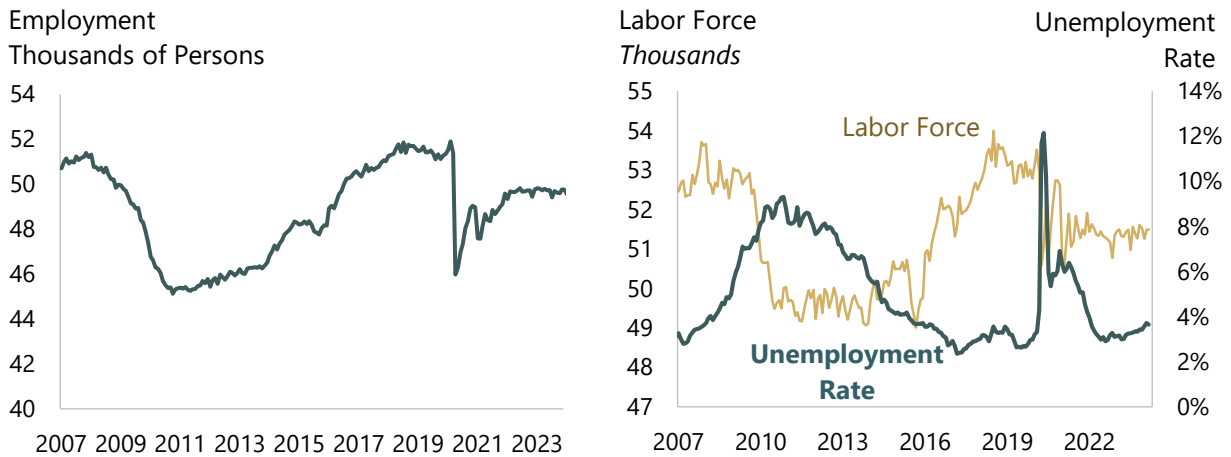


Source: U.S. Census Bureau, Colorado State Demographer's Office. Data as of 2022.

In 2023, the region realized stagnating employment growth but the overall labor market remained healthy with an unemployment rate of 3.2 percent, in line with the statewide average and the region's lowest unemployment rate since 2019. Low employment growth may be partially attributable to rising home prices, which have doubled in the past five years despite the region's comparatively low wages. Wages grew at a pace faster than inflation in 2023; however, average wages in the region are only higher than those in the San Luis Valley and eastern regions. Higher housing costs in some southwest mountain communities paired with lower-than-average wages limits the number of people who can afford to live and work in the region.

As many of the areas in the region rely on tourism, a larger economic downturn would likely negatively impact business profits, stifling employment growth when the regional market cannot sustain it. Employers may be cautious about hiring while higher-for-longer interest rates pose a risk to short-run tourism in the region. This is evidenced by decelerating retail sales, which grew by less than inflation in 2023 and are decreasing through the first two months of 2024.

Figure 53
Southwest Mountain Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2024. Includes Legislative Council Staff adjustments prior to 2010.

Housing and construction. The southwest mountain region has experienced yearly home price increases in the double digits from 2019 through 2022 and grew by another 6.3 percent in 2023 with continued but decelerating nominal growth through the first four months of 2024. Home prices started 2023 averaging about \$720,000 per home through the first quarter of the year; however, by the end of the year, home prices were averaging over \$800,000. Home prices through the first quarter of 2024 reverted back to about \$725,000, a 1.8 percent year-to-date increase compared to the first quarter of 2023 but overall significantly less than average 2023 home prices. While it is possible that high interest rates may lead to lower demand and falling home prices in 2024, it is also possible that this is simply an effect of seasonal patterns for home-buying, where demand is typically lower in winter months and picks up during spring, summer, and fall months.

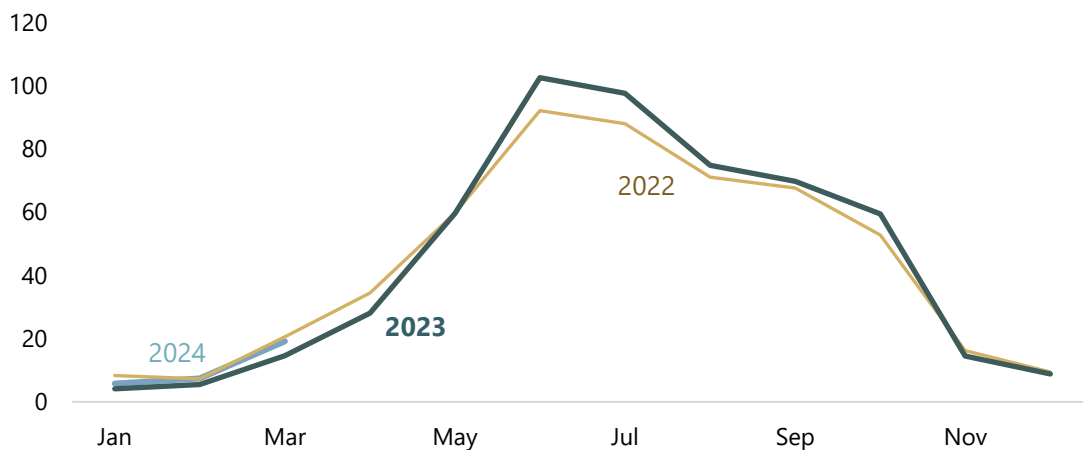
While the construction of residential properties increased by nearly 17 percent in 2023 and are up 55 percent through the first quarter of 2024, home sales decreased by nearly 19 percent in 2023 and are down another 5.6 percent through April 2024, leaving the region with a relatively high housing inventory compared to previous years. High interest rates and inflation-impeded wage growth likely contribute to the decline in home sales, which pushes housing prices down.

The region typically spends relatively less on construction projects compared to other parts of Colorado due to its rural, arid nature and relatively sparse population. However, the significant amount of open space gives opportunity for construction projects such as the [Sun Bear Solar Project](#) to thrive. The Sun Bear Solar Project is one of the largest renewable energy projects in the country and is led by the Ute Mountain Ute Tribe. The project includes the placement of solar panels along eight square miles of tribal land within the Upper Colorado River Basin of southwestern Colorado. Construction is expected to start in the second half of 2024 and is projected to cost over \$1.0 billion, buoying economic activity by creating between 600 and 1,000 construction jobs in the region.

Tourism and consumer spending. Tourism-dependent spending is a significant economic driver in various communities throughout the southwest mountain region. Local wildfires, nationwide economic conditions, and gas prices generally pose a risk to tourist activity.

The national park and monuments of the region saw increased tourism in 2023 compared to 2022 despite the closure of the Wetherill Mesa area of Mesa Verde National Park, which was shut down in 2023 due to fire damage and will remain closed for construction through the 2024 season. The ongoing closure appears not to be impacting park activity as early 2024 data suggests visits are on track to reach or exceed total 2023 visits.

Figure 54
Visits to Mesa Verde National Park and Hovenweep National Monument
Thousands of Visits



Source: National Park Service. Data through March 2024.

Tourism is an essential part of the region’s economy due to its relatively small population of about 100,000 people. In 2023, total yearly visits to Mesa Verde National Park and the Hovenweep National Monument surpassed 540,000, more than five times the amount of the region’s population.

While the region’s parks and monuments have maintained popularity despite high prices in 2023, retail sales are down 0.3 percent through 2024. Persistently high costs eat into savings and is likely reducing the purchasing power of consumers in the area. However, peak season for tourism in the area is June through August, so regional retail sales may rebound in the latter portion of 2024. On the other hand, the dragging retail sales may be indicative of a decline in broader consumer sentiment, and could be a precursor to lower national park visits during peak season.

San Luis Valley Region

Among the nine economic regions identified in this forecast, the San Luis Valley has the state's smallest population and its lowest household incomes. The economy of the region's six counties is largely agricultural. The region's labor market has cooled over the past year, while the housing market shows signs of recovery. Fluctuating moisture remains a key concern for the region's agricultural producers, with drought conditions improving with spring precipitation. Economic indicators for the region are summarized in Table 29.

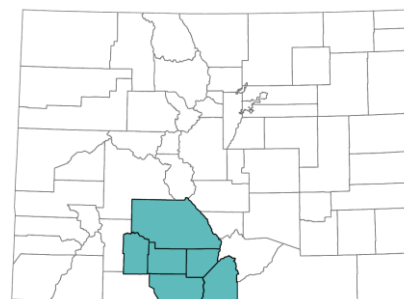


Table 29
San Luis Valley Region Economic Indicators
 Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2020	2021	2022	2023	YTD 2024
Employment Growth ¹	-4.2%	-1.8%	2.0%	-0.8%	-2.3%
Unemployment Rate ¹	6.2%	6.1%	3.7%	3.7%	4.3%
Wages ²					
Average Weekly Wages	7.0%	4.6%	6.3%	5.9%	NA
Level	\$770	\$805	\$856	\$884	NA
Barley ³					
Acres Harvested	47,000	47,000	40,000	51,000	NA
Crop Value (\$/Acre)	\$709	\$548	\$628	\$996	NA
Potatoes ³					
Acres Harvested	53,800	52,400	52,900	54,800	NA
Crop Value (\$/Acre)	\$4,494	\$4,674	\$7,169	\$4,928	NA
Housing Permit Growth ⁴	13.9%	28.6%	-21.6%	-6.3%	54.3%
Housing Market ⁵					
Average Sale Price – Single Family	19.6%	27.2%	2.5%	3.7%	1.5%
Level (Thousands)	\$270	\$343	\$352	\$365	\$372
Inventory – Single Family	-25.3%	-44.0%	18.6%	32.9%	27.6%
Home Sales – Single Family	27.8%	7.1%	-25.4%	-14.8%	10.4%
Retail Sales Growth ⁶	8.8%	17.1%	9.0%	2.3%	0.5%
National Park Recreation Visits ⁷	-12.5%	30.6%	-18.1%	3.8%	-19.0%

NA = Not available.

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

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

³National Agricultural Statistics Service, statewide data. Data through March 2024.

⁴F.W. Dodge. Data through March 2024.

⁵Colorado Association of Realtors. Data through April 2024.

⁶Colorado Department of Revenue. Data through February 2024.

⁷National Park Service. Recreation visits for Great Sand Dunes National Park and Preserve. Data through February 2024.

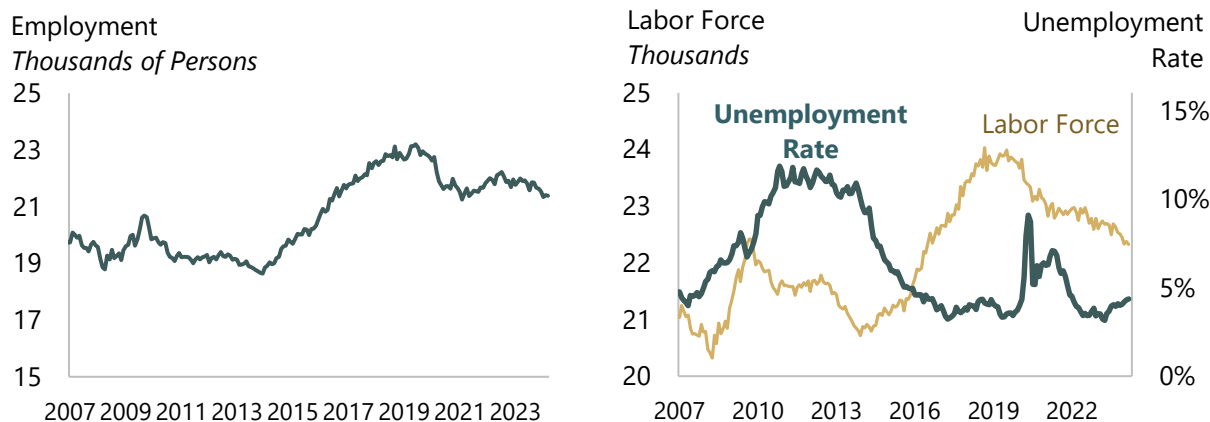
Agriculture. With over 70 varieties grown in the region, the San Luis Valley is the second biggest potato-producing area in the United States after Idaho. Potato shipments were down by 5.6 percent year to date through May 2024, with demand moderate and the market steady. The San Luis Valley is also a key crop area for barley and alfalfa hay. Acreages for drought-tolerant crops such as quinoa and hemp are also on the rise, while water-thirsty crops such as barley have seen declining acreages, with an average of 47,400 acres of barley harvested over the last five years, compared with an average of 62,900 in the previous ten years.

The San Luis Valley is a high desert, typically receiving fewer than eight inches of precipitation annually. Irrigation for most crops relies on groundwater, reservoirs, and rivers fed by winter snowpack, which has been depleted by the impacts of climate change. Weather and access to water remain key concerns for San Luis Valley agricultural producers. Healthy spring precipitation has led to improved soil moisture and drought conditions in the valley, according to the U.S. Drought Monitor. With warm and dry conditions expected in the region, the Climate Prediction Center is forecasting likely drought development, with uncertainty compounded by the sporadic North American Monsoon from late June through July.

Labor market. As the state's least populous region, the San Luis Valley accounts for less than 1 percent of statewide employment. In addition to agriculture and related services, which drive much of the region's employment, key employers are Adams State University and San Luis Valley Health. Compared to the state as a whole, the San Luis Valley has a larger share of jobs in government and health services, and fewer in professional and business services, and the accompanying administrative and support services.

As in other rural regions of the state, household survey data is subject to large revisions due to a small sample size. Through March 2024, these data suggest a cooling labor market, with employment down 2.3 percent year to date compared with the same period last year, and the unemployment rate up by 0.6 percent, in spite of a shrinking labor force, down by 1.5 percent (Figure 55, left). At an average of 4.3 percent year to date through March, the region's unemployment rate is the second highest among the state's nine regions, behind the Pueblo-Southern Mountains region (Figure 55, right) and well above the statewide average of 3.7 percent. The average weekly wage of \$884 in the third quarter of 2023 is the lowest in the state's nine regions, and is roughly 60 percent of the statewide average weekly wage of \$1,472. At 5.9 percent growth in 2023, average weekly wages just outpaced inflation of 5.2 percent, but at 6.3 percent growth in 2022, failed to keep pace with the 8.0 percent inflation that year.

Figure 55
San Luis Valley Labor Market Activity

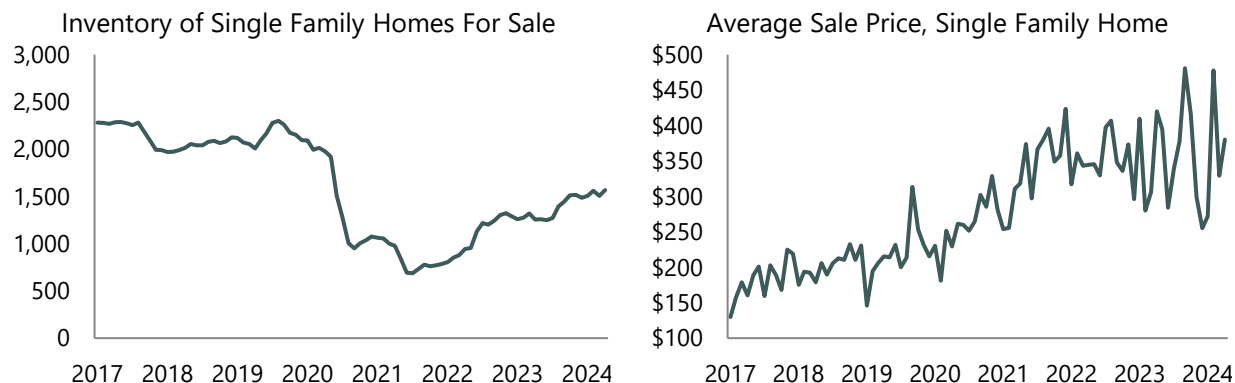


U.S. Bureau of Labor Statistics, LAUS (household survey).
Seasonally adjusted. Data through March 2024. Includes Legislative Council Staff adjustments prior to 2010.

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

As in other regions of the state, home sales and construction activity fell off in 2022 and 2023 as average U.S. fixed mortgage rates topped two-decade highs. After declining by double digit percentages in 2022 and 2023, San Luis Valley home sales are picking up again in 2024, up 10.4 percent through April 2024, compared with the same period last year, while housing inventory is up 27.6 percent during the same period (Figure 56, left). Construction activity is also rebounding, with single family permits up by 54.3 percent through March 2024, compared with the same period in 2023. Home price appreciation has slowed considerably since 2021, with home prices up by 1.5 percent through March 2024 (Figure 56, right). With an average home price of \$372,000, the San Luis Valley is one of the least expensive regions in the state, just under 50 percent of the statewide average price of \$752,000.

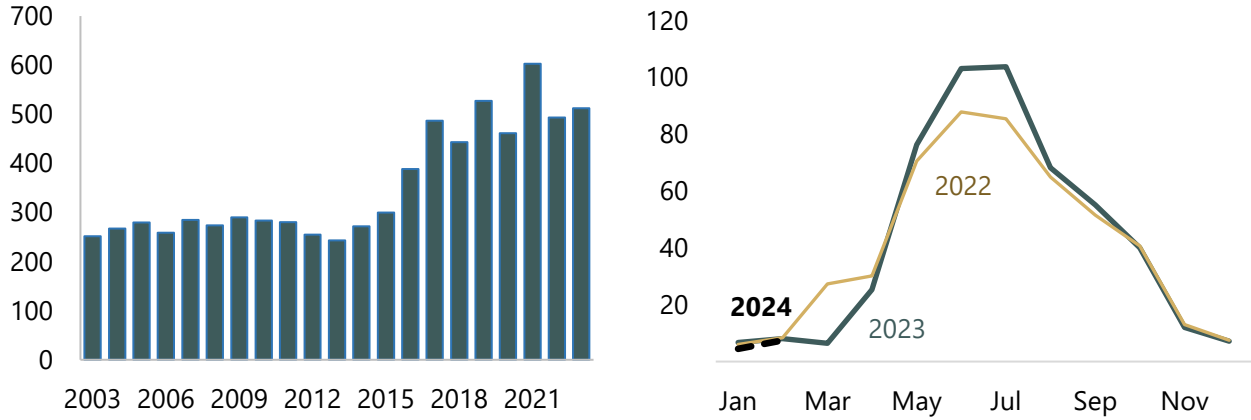
Figure 56
San Luis Valley Housing Market Activity



Source: Colorado Association of Realtors. Data are seasonally adjusted and through April 2024.

Tourism. Visits to the Great Sand Dunes National Park and Preserve rebounded to record levels in 2021, before dropping back down in line with pre-pandemic levels. Visits finished 2023 up by 3.8 percent, and were down during the first two months of 2024 by 19 percent (Figure 57).

Figure 57
Visits to Great Sand Dunes National Park and Preserve
 Thousands of Visits



Source: National Park Service; data through Feb. 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	\$21,521.4	\$21,322.9	\$23,594.0	\$25,744.1	\$27,360.9
Percent Change	3.9%	3.7%	4.2%	3.9%	4.3%	3.9%	2.8%	4.3%	5.3%	4.2%	-0.9%	10.7%	9.1%	6.3%
Real GDP (\$ Billions) ¹	\$16,789.8	\$17,052.4	\$17,442.8	\$17,812.2	\$18,261.7	\$18,799.6	\$19,141.7	\$19,612.1	\$20,193.9	\$20,692.1	\$20,234.1	\$21,407.7	\$21,822.0	\$22,376.9
Percent Change	2.7%	1.6%	2.3%	2.1%	2.5%	2.9%	1.8%	2.5%	3.0%	2.5%	-2.2%	5.8%	1.9%	2.5%
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	\$18,356.3	\$19,629.0	\$21,407.7	\$21,840.8	\$22,961.3
Percent Change	4.1%	6.0%	4.6%	1.1%	5.1%	4.7%	2.7%	4.9%	5.2%	4.7%	6.9%	9.1%	2.0%	5.1%
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	\$9,325.0	\$9,464.7	\$10,312.6	\$11,116.0	\$11,816.3
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%	6.3%
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:

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

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

³Federal Reserve Board of Governors.

Colorado Economic Indicators

Calendar Years	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	2,943
Percent Change	-1.0%	1.6%	2.4%	3.0%	3.5%	3.2%	2.4%	2.2%	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	\$351,373	\$375,158	\$417,968	\$442,213	\$463,852
Percent Change	2.9%	8.6%	5.4%	5.0%	8.3%	4.2%	1.4%	6.9%	8.2%	7.1%	6.8%	11.4%	5.8%	4.9%
Per Capita Income (\$) ²	\$40,827	\$43,732	\$45,490	\$47,082	\$50,244	\$51,394	\$51,306	\$54,171	\$57,794	\$61,258	\$64,848	\$71,920	\$75,708	\$78,918
Percent Change	1.4%	7.1%	4.0%	3.5%	6.7%	2.3%	-0.2%	5.6%	6.7%	6.0%	5.9%	10.9%	5.3%	4.2%
Wage & Salary Income (\$ Millions) ²	\$113,670	\$118,415	\$124,947	\$129,521	\$138,626	\$146,578	\$151,168	\$160,940	\$170,790	\$182,962	\$187,834	\$205,570	\$224,332	\$239,196
Percent Change	1.3%	4.2%	5.5%	3.7%	7.0%	5.7%	3.1%	6.5%	6.1%	7.1%	2.7%	9.4%	9.1%	6.6%
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	\$5,693	\$6,654	\$6,660
Percent Change	-6.2%	24.7%	-5.8%	-1.9%	20.1%	14.7%	20.0%	2.7%	32.2%	-36.5%	8.6%	1.5%	16.9%	0.1%
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	5,029.2	5,121.9	5,193.7	5,270.8	5,352.6	5,454.3	5,543.8	5,617.4	5,697.2	5,758.5	5,773.7	5,811.6	5,841.0	5,877.6
Percent Change	1.1%	1.8%	1.4%	1.5%	1.6%	1.9%	1.6%	1.3%	1.4%	1.1%	0.3%	0.7%	0.5%	0.6%

Sources:

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

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

³Colorado Department of Revenue.

⁴U.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.

⁵F.W. Dodge.