*Colorado Legislative Council Staff*

# June 2022 | Economic & Revenue Forecast

June 21, 2022

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Special thanks to David Williams, Dan Phillips, Kent Parker, Suzanne Keim, Cathy Eslinger, and Kate Watkins. Cover photos of the Colorado State Capitol, courtesy of Suzanne Keim.

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## Executive Summary

This report presents the budget outlook based on current law and the June 2022 forecast for General Fund and cash fund revenue, as well as the TABOR outlook. This document also includes summaries of expectations for the U.S. and Colorado economies and an overview of current economic conditions in nine regions of the state.

### General Fund Budget Outlook

**FY 2021-22**

The General Fund is expected to end FY 2021-22 with a 26.7 percent reserve, $1.60 billion higher than the statutorily required 13.4 percent reserve. Final income tax payments for tax year 2021, along with estimated payments for the first quarter of 2022, considerably surpassed expectations, spurring an anticipated 21.8 percent increase in General Fund revenue over prior year levels. State revenue subject to TABOR is project to exceed the Referendum C cap by $3.56 billion, requiring TABOR refunds in FY 2022-23. Refunds via direct payments in Senate Bill 22-233 are estimated at $750 for individual taxpayers and $1,500 for joint taxpayers.

**FY 2022-23**

General Fund revenue collections are expected to match, but not exceed, FY 2021-22 revenue, as the economy faces significant headwinds in high inflation and the attendant monetary policy response. Following enactment of the budget package and other legislation, the General Fund is expected to end FY 2022-23 with a 13.6 percent reserve, $190.6 million below the statutorily required 15.0 percent reserve. Increased expectations for cash fund revenue subject to TABOR have increased the anticipated General Fund obligation for TABOR refunds, causing expectations for the reserve to fall below the level at which the budget was balanced. Revenue is expected to exceed the Referendum C cap by $3.02 billion.

**FY 2023-24 Unbudgeted**

General Fund revenue is expected to fall just short of FY 2022-23 collections as economic growth continues to slow. The General Assembly is projected to have $1.18 billion, or 6.3 percent, more available to spend or save relative to what is budgeted to be spent or saved in FY 2022-23 after the application of current law transfers and the 15.0 percent statutory reserve requirement. This amount does not incorporate caseload growth, inflationary, or other budgetary pressures. The General Fund Budget Overview section (Table 1 on page 7) also presents the budget outlook under an alternative scenario that projects additional FY 2023-24 obligations based on current law.

**Risks to the forecast.** High inflation, the forceful monetary policy response, the war in Ukraine, and the ongoing pandemic all pose significant risks to the economic outlook, elevating the risk of recession during the forecast period. While projected TABOR refunds are large enough to absorb regular forecast error, a recession would likely reduce revenue below the Referendum C cap, resulting in less revenue available to be spent or saved in the General Fund budget.

## Cash Fund Revenue

Cash fund revenue subject to TABOR is expected to reach $2.60 billion in FY 2021-22, an increase of 16.3 percent from prior year levels. The increase is overwhelmingly attributable to rising severance tax collections, which surged to begin 2022 on high oil and natural gas prices. Severance tax revenue is expected to increase further in FY 2022-23 and remain elevated in FY 2023-24, driving cash fund revenue subject to TABOR to $2.72 billion in FY 2022-23 and $2.81 billion in FY 2023-24. The forecast for cash fund revenue is presented beginning on page 33, and summarized in Table 12 on page 33.

**Unemployment Insurance Trust Fund insolvency.** After closing FY 2020-21 with a deficit of $1.01 billion, the balance of the Unemployment Insurance Trust Fund has improved in FY 2021-22 as benefits paid have declined from pandemic highs. The fund became insolvent in August 2020, when benefits exceeded available funds, and Colorado began borrowing from the federal government to fund benefit payments. A move to the highest rate schedule to begin 2022, along with an increase in the chargeable wage base, has improved the fund's position, which was further bolstered by the injection of $600 million in federal American Rescue Plan Act funds. With declining benefits paid and increasing revenues, the fund balance is expected to finish the current FY 2021-22 at a deficit of $133.1 million.

## Economic Outlook

The U.S. and Colorado economies continue to expand, with healthy employment gains and improving consumer spending indicating continued growth. The labor market has recovered in record time relative to prior recessions, and the national and state unemployment rates are in retreat. Competition for workers remains strong, but plentiful job opportunities, rapid wage growth, declining pandemic-related health concerns and care constraints, and inflation-eroded financial cushions are expected to continue to push and pull workers back into the labor market, helping to ease labor shortages. Tighter monetary policy is expected to cool demand for workers, and with near-record job openings, there is room to rein in inflationary pressures without decreasing employment levels.

While the pandemic recedes as the key determinant of the economic trajectory, new and elevated risks to the economic recovery have materialized. High inflation and the attendant monetary policy response have emerged as primary threats to the economic expansion. The current inflationary pressure has diverse causes, including pent-up demand, a household savings glut, supply chain challenges, tight labor markets, and, most recently, energy market disruptions associated with the war in Ukraine. While the tight labor market is producing sizable wage gains, many households are increasingly drawing down savings or taking on second jobs, as inflationary pressures outpace rising wages for most. With historically high inflation pressuring everyday goods such as food and gasoline, the pinch on household budgets is broadly felt, affecting lower income households most severely. Its prevalence and severity, alongside deteriorating sentiment among investors and businesses, are increasingly likely to require a more forceful monetary policy response.

Risks to the forecast are skewed to the downside with an elevated risk of recession during the forecast period given evolving monetary policy to address high inflation. Discussion of the economic outlook begins on page 41, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 18 and 19 on pages 65 and 66.

## General Fund Budget Overview

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

- projected changes in FY 2023-24 General Fund budget obligations under current law (Table 2);
- a summary of changes in expectations relative to the March 2022 forecast (Table 3);
- statutory transfers to transportation and capital construction funds (Table 4);
- transfers to the State Education Fund (Figure 1);
- the disposition of fiscal policies dependent on revenue conditions;
- General Fund rebates and expenditures (Table 5); and
- cash fund transfers to and from the General Fund (Table 6).

### Legislative Assumptions

This forecast is based on current law, including the FY 2022-23 budget package and other changes to appropriations, revenue, and transfers enacted during the 2022 regular legislative session. Appropriations amounts for FY 2022-23 are preliminary amounts based on the budget package and appropriations clauses included in enacted legislation.

#### FY 2020-21

Based on the Annual Comprehensive Financial Report released by the Office of the State Controller, the General Fund ended FY 2020-21 with a 29.0 percent reserve, $2.87 billion higher than the statutorily required 2.86 percent reserve (Table 1, line 19). General Fund revenue grew 11.2 percent in FY 2020-21 relative to year-ago levels, reflecting strong sales tax and income tax collections. Revenue subject to TABOR exceeded the Referendum C cap by $525.5 million, triggering a TABOR refund obligation payable to taxpayers in FY 2021-22.

#### FY 2021-22

The General Fund is expected to end FY 2021-22 with a 26.7 percent reserve, $1.60 billion higher than the statutorily required 13.4 percent reserve (Table 1, line 19). Final individual and corporate income tax payments for tax year 2021, along with estimated payments for the first quarter of 2022, considerably surpassed March forecast expectations, spurring an anticipated 21.8 percent increase in General Fund revenue over prior year levels. State revenue subject to TABOR is projected to exceed the Referendum C cap by $3.56 billion, a $1.56 billion upward revision from the March 2022 forecast reflecting robust income, sales, and severance tax collections.

#### FY 2022-23

The General Fund is expected to end FY 2022-23 with a 13.6 percent reserve, $190.6 million below the statutorily required 15.0 percent reserve (Table 1, line 19). This amount incorporates a preliminary total for FY 2022-23 appropriations after enactment of the budget package and other legislation, as well as legislative increases to net transfers from the General Fund totaling $1.312 billion.

General Fund revenue collections are expected to match, but not exceed, FY 2021-22 revenue, as the economy faces significant headwinds in the face of the contractionary course of monetary policy being implemented to combat inflation. Modest growth in individual income and sales tax revenue is projected to offset expected declines in corporate income tax collections. State revenue subject to TABOR is expected to exceed the Referendum C cap by $3.02 billion.

Relative to the forecast used to balance the FY 2022-23 budget during the 2022 legislative session, this forecast includes increased expectations for cash fund revenue subject to TABOR by a cumulative $219.7 million in FY 2021-22 and FY 2022-23 combined, mostly on upgraded expectations for severance tax collections. This revenue increases the General Fund obligation for TABOR refunds, resulting in a year-end reserve projected to fall below the statutory reserve requirement to which the budget was balanced.

### FY 2023-24 (Unbudgeted)

General Fund revenue is expected to fall just short of FY 2022-23 collections as economic growth continues to slow. Meanwhile, the annual adjustment to the Referendum C cap for FY 2023-24 will incorporate inflation in Denver-Aurora-Lakewood consumer prices for calendar year 2022, which this forecast projects at 7.9 percent. As a result, state revenue subject to TABOR is expected to exceed the Referendum C cap by $1.57 billion, about half of the prior year surplus. This forecast presents two scenarios for the General Fund budget outlook for FY 2023-24.

**Scenario A: Holds appropriations constant in FY 2023-24.** Because a budget has not yet been enacted for FY 2023-24, Table 1 (line 21) shows the amount of revenue available in FY 2023-24 relative to the amount budgeted to be spent or saved in FY 2022-23. Based on this forecast, the General Assembly will have $1.18 billion, or 6.3 percent, more to spend or save than in FY 2022-23. This amount assumes current law obligations for FY 2023-24, including transfers and rebates and expenditures (Table 1, lines 8 through 12), as well as a 15.0 percent reserve requirement and the projected TABOR refund obligation. The $1.18 billion amount is a cumulative amount based on prior year revenue expectations and the budget situation in FY 2022-23. Any changes in revenue expectations or changes made to the budget for FY 2022-23 will carry forward into FY 2023-24. The $1.2 billion amount holds FY 2022-23 appropriations constant and therefore does not reflect any caseload, inflationary, or other budgetary pressures.

**Scenario B: Projected obligations based on current law.** Scenario B, shown on line 23 of Table 1, presents the amount of revenue in excess of the statutorily required 15 percent reserve after the application of a set of assumptions for growth in appropriations and transfers consistent with the General Assembly's budget actions for FY 2022-23. Table 2 itemizes these assumptions, which include:

- anticipated changes in budget requests funded through the Long Bill, including primarily Medicaid and K-12 education (Table 2, line 2);
- increases in employee compensation and community provider rates consistent with the increases approved for FY 2022-23 (Table 2, lines 3 and 4);
- increases in the statutory reserve requirement that follow from the assumed changes in appropriations (Table 2, line 11);
- FY 2023-24 costs for capital construction and IT capital projects funded for FY 2022-23 (Table 2, lines 6 and 7); and
- a placeholder amount for capital transfers for controlled maintenance, consistent with the State Architect's recommendation for annual controlled maintenance expenditures (Table 2, line 8).

**Table 1**
**General Fund Overview**
*Dollars in Millions*

| | Funds Available | FY 2020-21 Actual | FY 2021-22 Estimate | FY 2022-23 Estimate | FY 2023-24 Estimate |
|---|---|---|---|---|---|
| 1 | Beginning Reserve | $1,825.7 | $3,181.5 | $3,207.4 | $1,860.1 |
| 2 | General Fund Revenue | $14,310.1 | $17,432.2 | $17,427.1 | $17,401.4 |
| 3 | Transfers from Other Funds *(Table 6)* | $336.8 | $28.6 | $58.8 | $28.3 |
| **4** | **Total Funds Available** | **$16,472.6** | **$20,642.3** | **$20,693.3** | **$19,289.8** |
| 5 | Percent Change | 14.6% | 25.3% | 0.2% | -6.8% |
| | **Expenditures** | **Actual** | **Budgeted** | **Estimate** | **Estimate** |
| 6 | General Fund Appropriations[1] | $10,979.1 | $12,031.2 | $13,671.9 | * |
| 7 | TABOR Refund Obligation Under Art. X, §20, (7)(d) | $547.9 | $3,563.2 | $3,024.7 | $1,573.0 |
| 8 | Rebates and Expenditures *(Table 5)* | $295.8 | $141.7 | $140.3 | $140.9 |
| 9 | Transfers to Other Funds *(Table 6)* | $1,318.3 | $849.4 | $823.5 | $649.3 |
| 10 | Transfers to the State Education Fund[2] | $113.0 | $123.0 | $490.0 | $0.0 |
| 11 | Transfers to Transportation Funds *(Table 4)* | $30.0 | $372.4 | $200.5 | $0.0 |
| 12 | Transfers to Capital Construction Funds *(Table 4)* | $43.0 | $354.0 | $482.2 | $20.0 |
| **13** | **Total Expenditures** | **$13,327.1** | **$17,434.9** | **$18,833.1** | * |
| 14 | Percent Change | 4.3% | 30.8% | 8.0% | * |
| 15 | Accounting Adjustments[3] | $36.1 | * | * | * |
| | **Reserve** | **Actual** | **Estimate** | **Estimate** | **Estimate** |
| 16 | Year-End General Fund Reserve | $3,181.5 | $3,207.4 | 1,860.1 | * |
| 17 | Year-End Reserve as a Percent of Appropriations | 29.0% | 26.7% | 13.6% | * |
| 18 | Statutorily Required Reserve[4] | $314.0 | $1,612.2 | 2,050.8 | * |
| **19** | **Amount in Excess or (Deficit) of Statutory Reserve** | **$2,867.5** | **$1,595.2** | **($190.6)** | * |
| 20 | Excess Reserve as a Percent of Expenditures | 21.5% | 9.1% | -1.0% | * |
| | **Perspectives on FY 2023-24 (Unbudgeted)** | | | | **Estimate** |
| | **Scenario A: Holds FY 2022-23 Appropriations Constant[5]** | | | | |
| 21 | Amount in Excess or (Deficit) of 15% Reserve Requirement | | | | $1,184.0 |
| 22 | As a Percent of Prior-Year Expenditures | | | | 6.3% |
| | **Scenario B: Projected Obligations Based on Current Law[6]** | | | | |
| 23 | Amount in Excess or (Deficit) of 15% Reserve Requirement | | | | $218.8 |
| 24 | As a Percent of Prior-Year Expenditures | | | | 1.2% |
| | **Addendum** | **Actual** | **Estimate** | **Estimate** | **Estimate** |
| 25 | Percent Change in General Fund Appropriations | -7.5% | 9.6% | 13.6% | * |
| 26 | 5% of Colorado Personal Income Appropriations Limit | $16,597.8 | $17,519.5 | $18,519.6 | $20,056.1 |
| 27 | Transfers to State Education Fund per Amendment 23 | $874.6 | $993.5 | $991.0 | $971.2 |

*Totals may not sum due to rounding. * Not estimated.*
*[1]Preliminary estimate of FY 2022-23 appropriations from Joint Budget Committee Staff.*
*[2]Includes transfers pursuant to HB 20-1420; SB 21-208; SB 22-238; and HB 22-1390, net of amendments in SB 22-202.*
*[3]Includes $22.4 million for underrefunds of TABOR surpluses from prior years.*
*[4]The required reserve is calculated as a percent of operating appropriations, and is required to equal 2.86 percent in FY 2020-21, 13.4 percent in FY 2021-22, and 15 percent each year thereafter.*
*[5]This scenario holds appropriations in FY 2023-24 equal to appropriations in FY 2022-23 (line 6) to determine the total amount of money available relative to FY 2022-23 expenditures, net of the obligations in lines 7 through 12.*
*[6]This scenario includes budget requests approved to date (primarily K-12 and Medicaid); estimated changes in employee compensation and community provider rates; capital construction and IT capital projects approved to date; and State Architect recommendations for controlled maintenance. See Table 2.*

In total, the assumptions in Scenario B include $965.2 million in General Fund obligations for appropriations, transfers, and the statutory reserve in excess of the current law appropriations and transfers incorporated in Scenario A (Table 2, line 12). Under this scenario, the General Assembly will have an additional $218.8 million, or 1.2 percent, more available to spend or save after the assumed increases (Table 2, line 13).

**Table 2**
**Projected Changes in FY 2023-24 General Fund Budget Obligations Under Current Law**
*Dollars in Millions*

| | | FY 2023-24 |
|---|---|---|
| 1 | **Excess Reserve Under Scenario A** | **$1,184.0** |
| | **Change in Appropriations[1]** | |
| 2 | Change in Budget Requests Funded through Long Bill (primarily Medicaid and K-12 Education)[2] | $351.6 |
| 3 | Change in Employee Compensation at 3.0% Increase | $98.3 |
| 4 | Change in Community Provider Rates at 2.0% Increase | $59.8 |
| **5** | **Total Change in Appropriations** | **$509.7** |
| | **Change in Capital Transfers[1]** | |
| 6 | FY 2023-24 Costs for FY 2022-23 Approved Capital Construction | $194.0 |
| 7 | FY 2023-24 Costs for FY 2022-23 Approved IT Capital | $44.2 |
| 8 | State Architect Recommendation for Controlled Maintenance[3] | $140.9 |
| **9** | **Total Change in Capital Transfers** | **$379.0** |
| **10** | **Change in Expenditures** (Line 5 plus Line 9) | **$888.7** |
| **11** | **Change in Required Reserve** (15% of Line 5) | **$76.5** |
| **12** | **Total Change in General Fund Obligations** | **$965.2** |
| **13** | **Excess Reserve Under Scenario B** (Line 1 minus Line 12) | **$218.8** |

*[1]Source: Joint Budget Committee Staff based on FY 2022-23 budget actions.*
*[2]Includes an increase of $238.0 million for the Department of Health Care Policy and Financing, an increase of $167.5 million for the department of Education, a decrease of $63.3 million for the Governor's Office of Information Technology, and a net increase of $9.4 million across various other departments.*
*[3]1.0 percent of current replacement value of state facilities. Omits $1.9 million included on Line 6.*

### Risks to the General Fund Budget Outlook

**Inflation is unusually high, and additional risks remain.** In recent months, inflationary pressures have gained significant momentum from wage gains, pandemic-induced supply chain disruptions, and geopolitical conflict. This forecast projects that the Denver-Aurora-Lakewood consumer price index will rise 7.9 percent in 2022 and 4.6 percent in 2023, before easing to 3.1 percent in 2024. The inflation outlook carries additional risk due to the potential for positive feedback in a wage-price spiral, as well as prolonged disruptions in commodity markets due to the conflict in Ukraine and in other goods and services delivered by pandemic-affected supply chains.

Rising costs are expected to drive increases in many General Fund budget items. High inflation in 2022 will drive a large increase in the Referendum C cap, allowing the state to retain more of the revenue it collects; however, that increase will occur in FY 2023-24, while costs are rising now.

**General Fund forecast error threatens TABOR refunds, while recession risk threatens the budget outlook.** Strong General Fund collections have boosted revenue well above the Referendum C cap, resulting in TABOR surpluses large enough to absorb regular forecast error in FY 2021-22 and FY 2022-23. In other words, higher (or lower) revenue would result in higher (or lower) TABOR refunds, but would not affect the General Fund budget. However, given significant risks to the economic outlook, the risk of recession during the forecast period is elevated. A recession would likely reduce revenue below the Referendum C cap, thereby reducing the amount available for the General Fund budget.

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

### Changes Between the March and June Forecasts

**FY 2021-22.** As shown in Table 3, relative to the March forecast, expectations for the year-end General Fund balance were revised downward by $336 million, or $314 million relative to the adjusted reserve requirement after accounting for changes in appropriations. This amount is the net impact of:

- a $1.467 billion increase in expectations for General Fund revenue (Table 1, line 2);
- a $1.560 billion increase in the TABOR refund obligation (Table 1, line 7), reflecting increased expectations for both General Fund and cash fund revenue subject to TABOR;
- a $406 million increase in net transfers from the General Fund (Table 1, lines 3, 9, 10, 11, and 12), mostly attributable to legislation enacted after the March forecast; and
- a $162 million decrease in appropriations (Table 1, line 6), attributable to midyear changes to appropriations in the 2022 Long Bill and other legislation enacted after the March forecast.

While General Fund revenue revisions have no net impact on the budget, increased expectations for cash funds subject to TABOR results in additional budgetary pressures during the forecast period because TABOR refunds are paid from the General Fund.

**FY 2022-23.** Because a budget for FY 2022-23 had not yet been adopted in March, March forecast amounts were based on a scenario that held FY 2021-22 appropriations constant. The amounts shown in Table 3 reflect the difference between the March budget scenario and preliminary actual budgeted amounts as reported by the Joint Budget Committee Staff.

**Table 3**
**Changes in the General Fund Budget Situation Relative to the March 2022 Forecast**
*Dollars in Millions, Positive Amounts Reflect an Increase Relative to March*

| | Components of Change | FY 2021-22 | FY 2022-23 | Description of Changes |
|---|---|---|---|---|
| **1** | **Funds Available** | **$1,463.4** | **$1,065.7** | |
| 2 | Beginning Reserve | $0.0 | -$335.6 | Carries the lower FY 2021-22 end balance into FY 2022-23. |
| 3 | General Fund Revenue | $1,467.0 | $1,373.1 | Reflects higher revenue forecast on robust collections to date. |
| 4 | Transfers from Other Funds | -$3.6 | $28.2 | See Table 6. Changes are forecast-driven. |
| **5** | **Expenditures** | **$1,799.0** | **$4,498.8***| |
| 6 | Operating Appropriations | -$162.3 | $1,478.4* | Reflects 2022 legislation, including the FY 2022-23 budget package. |
| 7 | TABOR Refund Obligation | $1,560.0 | $1,461.0 | Reflects changes in General Fund and cash funds expectations. |
| 8 | Rebates and Expenditures | -$1.6 | -$2.1 | See Table 5. Slight reductions based on year-to-date amounts. |
| 9 | SEF Transfers | $0.0 | $490.0 | SB 22-238 and HB 22-1390. |
| 10 | Transportation Transfers | $78.4 | $85.5 | See Table 4. Reflects four bills affecting both fiscal years. |
| 11 | Capital Construction Transfers | $0.0 | $462.2 | See Table 4. HB 22-1340. |
| 12 | Other Cash Fund Transfers | $324.5 | $302.1 | See Table 6. Reflects 2022 legislation; some changes forecast-driven. |
| 13 | Required Reserve | -$21.7 | $221.8* | Reflects changes in appropriations. |
| **14** | **Surplus Relative to Required Reserve** | **-$313.9** | **-$3,433.1*** | |

**Because a budget for FY 2022-23 had not yet been adopted in March, March forecast amounts were based on a scenario that held FY 2021-22 appropriations constant. The amounts shown in this table reflect the difference between the March budget scenario and preliminary actual budgeted amounts available as of the date of this June forecast.*

## General Fund Transfers to Transportation and Capital Construction

Statutory transfers from the General Fund to transportation and capital construction funds are shown in Table 4. In the General Fund overview shown in Table 1, these transfers are reflected on lines 11 and 12. Other non-infrastructure-related transfers to and from the General Fund are summarized in Table 6, and shown on lines 3 and 9 of Table 1.

**Table 4**
**Infrastructure Transfers from the General Fund**
*Dollars in Millions*

| Transportation Funds | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|
| SB 21-110 | $30.0 | | | |
| SB 21-260 | | $170.0 | $115.0 | |
| SB 21-265 | | $124.0 | | |
| HB 22-1351 | | | $78.5 | |
| HB 22-1411 | | $36.5 | | |
| SB 22-176 | | $1.9 | $7.0 | |
| SB 22-180 | | $40.0 | | |
| **Total** | **$30.0** | **$372.4** | **$200.5** | **$0.0** |

| Capital Construction Funds | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|
| HB 15-1344* | $20.0 | $20.0 | $20.0 | $20.0 |
| HB 20-1378 | $3.0 | | | |
| SB 21-064 | | $0.1 | | |
| SB 21-112 | $20.0 | | | |
| SB 21-224 | | $328.8 | | |
| HB 22-1195 | | $5.1 | | |
| HB 22-1340 | | | $462.2 | |
| **Total** | **$43.0** | **$354.0** | **$482.2** | **$20.0** |

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

**General Fund contributions to transportation.** Following a one-time $30.0 million transfer from the General Fund to the State Highway Fund for FY 2020-21, legislation enacted in 2021 directed an additional $294.0 million in transfers to the State Highway Fund in FY 2021-22. For FY 2022-23 through FY 2025-26, **Senate Bill 21-260** requires transfers from the General Fund to the State Highway Fund and the Multimodal Transportation and Mitigation Options Fund depending on the amount of revenue retained as a result of the TABOR limit adjustment in the bill. This forecast projects that the entire $115.0 million transfer will be made in FY 2022-23, with no additional transfer requirement thereafter. The bill also creates new ongoing transfers that begin in FY 2024-25, beyond the current forecast period.

Legislation enacted in 2022 directs an additional $78.4 million to transportation-related funds in FY 2021-22, and $85.5 million to transportation-related funds in FY 2022-23. In FY 2021-22, transfers enacted in 2022 direct:

- $40.0 million to the State Highway Fund (SB 22-180);
- $36.5 million to the Highway Users Tax Fund (HB 22-1411); and

- $1.9 million to the Southwest Chief Rail Line Economic Development, Rural Tourism, and Infrastructure Repair and Maintenance Fund (SB 22-176).

In FY 2022-23, transfers enacted in 2022 direct:

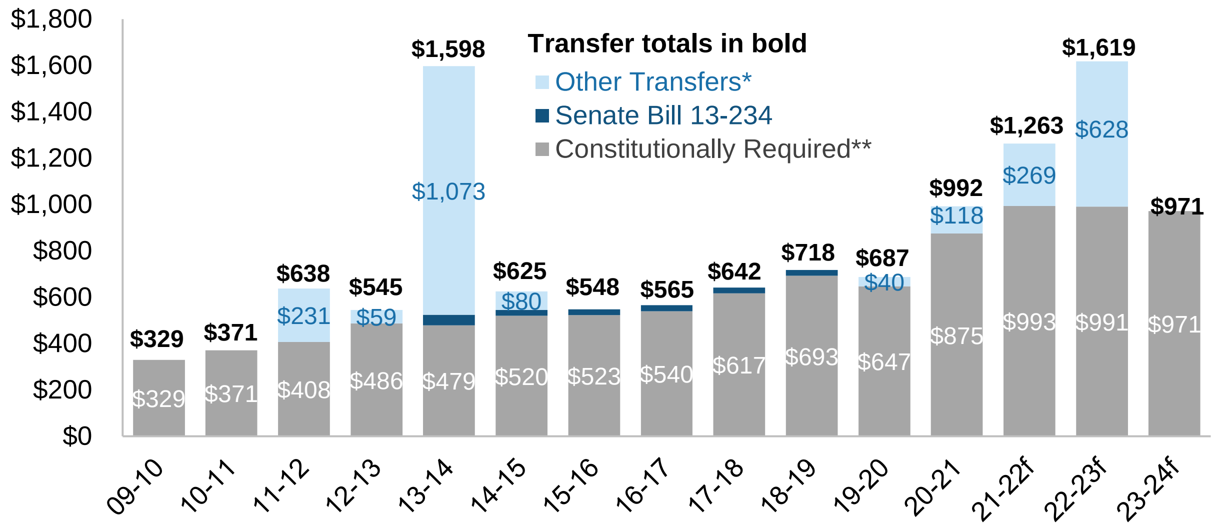
- $31.4 million to the Highway Users Tax Fund (HB 22-1351);
- $0.5 million to the Unused State-Owned Real Property Fund (SB 22-176); and
- $53.6 million to the State Highway Fund ($47.1 million from HB 22-1351; $6.5 million from SB 22-176).

**General Fund transfers for capital projects.** Legislation enacted in 2022 directs $5.1 million in FY 2021-22 and $462.2 million in FY 2022-23 for capital construction and IT capital projects.

### State Education Fund

Figure 1 shows revenue to the State Education Fund. The Colorado Constitution requires the State Education Fund to receive one-third of one percent of taxable income. In FY 2021-22, the State Education Fund will receive $993.5 million as a result of this requirement, with similar amounts expected in FY 2022-23 and FY 2023-24. Relative to the March 2022 forecast, expectations for the constitutionally required transfer were revised up on higher expectations for taxable income.

**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 09-260 for FY 2008-09; SB 11-183 and SB 11-156 for FY 2011-12; HB 12-1338 for FY 2012-13 and FY 2013-14; HB 14-1342 for FY 2014-15; SB 19-246 for FY 2019-20; HB 20-1420 for FY 2020-21 and FY 2021-22; HB 20-1427 for FY 2020-21 through FY 2022-23; SB 21-208 for FY 2021-22; and SB 22-238 and HB 22-1390, as amended by SB 22-202, for FY 2022-23.*
***One-third of 1 percent of federal taxable income is required to be dedicated to the State Education Fund under Article IX, Section 17 of the Colorado Constitution.*

In addition, the General Assembly has at different times authorized the transfer of additional moneys from the General Fund to the State Education Fund (see Table 1, line 10). Most recently:

- House Bill 20-1420 included transfers of $113 million in FY 2020-21 and $23 million in FY 2021-22;
- Senate Bill 21-208 included a $100 million transfer in FY 2021-22;
- Senate Bill 22-238 included a $200 million transfer in FY 2022-23; and
- House Bill 22-1390 included a $290 million transfer in FY 2022-23, net of an amendment to the transfer amount enacted in Senate Bill 22-202.

Finally, Proposition EE, which was approved by voters in the November 2020 election, also transfers new revenue from increased cigarette, tobacco and nicotine taxes to the State Education Fund for three fiscal years. These amounts are currently estimated at $4.9 million in FY 2020-21, $146.4 million in FY 2021-22, and $137.6 million in FY 2022-23. These amounts represent a portion of the transfers from the General Fund to the 2020 Tax Holding Fund shown in Table 6 under House Bill 20-1427.

### Fiscal Policies Dependent on Revenue Conditions

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

**Partial refundability of the conservation easement tax credit is expected to be available for tax years 2021 through 2024.** The conservation easement income tax credit is available as a nonrefundable credit in most years. In tax years when the state refunds a TABOR surplus, taxpayers may claim an amount up to $50,000, less their income tax liability, as a refundable credit. The state collected a TABOR surplus in FY 2020-21, and this forecast expects a TABOR surplus in each of FY 2021-22, FY 2022-23, and FY 2023-24. Therefore, partial refundability of the credit is expected to be available for tax years 2021, 2022, 2023, and 2024.

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

**Table 5**
**General Fund Rebates and Expenditures**
*Dollars in Millions*

| Category | Actual FY 2020-21 | Percent Change | Estimate FY 2021-22 | Percent Change | Estimate FY 2022-23 | Percent Change | Estimate FY 2023-24 | Percent Change |
|---|---|---|---|---|---|---|---|---|
| Senior and Veterans Property Tax Exemptions | $157.9 | 4.4% | $162.1 | 2.7% | $161.3 | -0.5% | $162.1 | 0.6% |
| TABOR Refund Mechanism[1] | $0.0 | | -$162.1 | | -$161.3 | | -$162.1 | |
| Cigarette Rebate | $9.3 | 4.2% | $7.4 | -20.0% | $7.1 | -3.6% | $7.0 | -2.0% |
| Old Age Pension Fund | $78.9 | -7.0% | $68.3 | -13.5% | $64.0 | -6.3% | $61.3 | -4.1% |
| Aged Property Tax and Heating Credit | $6.4 | 8.8% | $7.2 | 12.8% | $7.0 | -2.4% | $6.9 | -1.3% |
| Older Coloradans Fund | $8.0 | -20.0% | $10.0 | 25.0% | $10.0 | 0.0% | $10.0 | 0.0% |
| Interest Payments for School Loans | $1.3 | -80.6% | $1.0 | -20.9% | $2.8 | 178.9% | $2.8 | 0.0% |
| Firefighter Pensions | $4.3 | 1.2% | $4.5 | 5.1% | $4.7 | 2.6% | $4.8 | 2.0% |
| Amendment 35 Distributions | $0.8 | -1.0% | $0.7 | -7.5% | $0.7 | -1.4% | $0.7 | -0.5% |
| Marijuana Sales Tax Transfer to Local Governments | $29.0 | 18.2% | $25.9 | -10.9% | $26.8 | 3.5% | $28.5 | 6.5% |
| Business Personal Property Exemptions[2] | NA | | $16.7 | | $17.3 | 3.5% | $18.9 | 9.1% |
| **Total Rebates and Expenditures** | **$295.8** | **103.0%** | **$141.7** | **-52.1%** | **$140.3** | **-1.0%** | **$140.9** | **0.4%** |

*Totals may not sum due to rounding.*
*[1]Pursuant to SB 17-267, local government reimbursements for these property tax exemptions are the first TABOR refund mechanism used to meet the prior year's refund obligation.*
*[2]Pursuant to HB 21-1312, local government are reimbursed for expanded business personal property tax exemptions.*

**Table 6**
**Cash Fund Transfers**
*Dollars in Millions*

| Transfers to the General Fund | | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|
| HB 05-1262 | Amendment 35 Tobacco Tax | $0.8 | $0.7 | $0.7 | $0.7 |
| SB 13-133, HB 20-1400, & SB 22-216 | Limited Gaming Fund | $44.7 | $21.4 | $21.6 | $22.0 |
| HB 19-1327 | Sports Betting Startup Cost Reimbursement | $1.6 | | | |
| HB 20-1361 | Reduce The Adult Dental Benefit | $1.1 | $2.3 | | |
| HB 20-1380 | Move Tobacco Litigation Settlement Moneys | $40.0 | | | |
| HB 20-1381 | Cash Fund Transfers | $88.5 | | | |
| HB 20-1387 | Transfers From Unexpended County Reimbursements | $13.0 | | | |
| HB 20-1395 | End WORK Act Grants Transfer Money To General Fund | $0.2 | | | |
| HB 20-1401 | Marijuana Tax Cash Fund Spending & Transfer | $137.0 | | | |
| HB 20-1406 | Cash Fund Transfers To The General Fund | $7.9 | | | |
| HB 20-1427 | 2020 Tax Holding Fund | $2.0 | $4.1 | $4.1 | $4.1 |
| SB 21-209 | Repealed Cash Funds | | $0.05 | | |
| SB 21-251 | Loan Family Medical Leave Program | | | | $1.5 |
| HB 22-1350 | Workers, Employers, and Workforce Centers Cash Fund | | | $32.4 | |
| **Total Transfers to the General Fund** | | **$336.8** | **$28.6** | **$58.8** | **$28.3** |

| Transfers from the General Fund | | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|
| SB 11-047 | Bioscience Income Tax Transfer to OEDIT | $7.1 | $14.6 | $14.8 | $14.6 |
| SB 14-215 | Marijuana Tax Cash Fund | $203.0 | $167.2 | $173.0 | $184.3 |
| SB 15-244 & SB 17-267 | State Public School Fund | $32.9 | $29.3 | $30.3 | $32.3 |
| HB 18-1323 | Pay For Success Contracts Pilot Program Funding | $0.5 | $0.4 | | |
| HB 19-1168 & SB 20-215 | Health Insurance Affordability Cash Fund | $5.2 | $12.6 | $13.5 | $14.1 |
| HB 19-1245 | Housing Development Grant Fund | $15.0 | $61.2 | $65.0 | $69.2 |
| HB 20-1116 | Procurement Technical Assistance Program Extension | $0.2 | $0.2 | $0.2 | $0.2 |
| HB 20-1412 | COVID-19 Utility Bill Payment-related Assistance | $4.8 | | | |
| SB 20-003 | State Parks Improvement Appropriation | $1.0 | | | |
| HB 20-1427 | 2020 Tax Holding Fund | $49.0 | $203.0 | $199.2 | $197.5 |
| HB 20-1427* | Preschool Programs Cash Fund | $0.2 | $0.4 | $0.0 | $0.0 |
| SB 20B-002 | Housing & Direct COVID Emergency Assistance | $54.0 | | | |
| SB 20B-003 | Energy Utility Bill Payment Assistance | $5.0 | | | |
| SB 20B-004 | Transfers for COVID Emergency | $100.0 | | | |
| EO D2020 230 | Disaster Emergency Fund Transfer | $148.9 | | | |

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

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

| Transfers from the General Fund (Cont.) | | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|
| HB 21-1149 | Energy Sector Career Pathway in Higher Education | | $5.0 | | |
| HB 21-1215 | Expansion of Justice Crime Prevention Initiative | $3.5 | | | |
| HB 21-1253 | Renewable & Clean Energy Project Grants | $5.0 | | | |
| HB 21-1260 | Implement State Water Plan | $20.0 | | | |
| HB 21-1262 | Money Support Agricultural Events Organization | $5.0 | | | |
| HB 21-1263 | Meeting & Events Incentive Program | $10.0 | | | |
| HB 21-1285 | Funding to Support Creative Arts Industries | | $5.0 | | |
| HB 21-1288 | Colorado Startup Loan Program | $31.4 | | | |
| HB 21-1290 | Additional Funding For Just Transition | $15.0 | | | |
| HB 21-1326 | Support DNR Programs | $25.0 | | | |
| SB 21-054 | Wildfire Mitigation & Response | $13.0 | | | |
| SB 21-113 | Firefighting Aircraft Wildfire Mgmt. & Response | $30.8 | | | |
| SB 21-202 | Public School Air Quality Improvement Grants | $10.0 | | | |
| SB 21-211 | Adult Dental Benefit | $1.1 | $2.3 | | |
| SB 21-225 | Repay Cash Funds For 2020 Transfers | | $10.0 | | |
| SB 21-227 | State Emergency Reserve | $101.0 | | | |
| SB 21-230 | CO Energy Office Energy Fund | $40.0 | | | |
| SB 21-231 | Energy Office Weatherization Assistance Grants | $3.0 | | | |
| SB 21-234 | Agriculture & Drought Resiliency | $3.0 | | | |
| SB 21-235 | Stimulus Funding Dep't of Ag Efficiency Programs | $3.0 | | | |
| SB 21-240 | Watershed Restoration Grant Program Stimulus | $30.0 | | | |
| SB 21-242 | Housing Dev't Grants Hotels Tenancy Support | $15.0 | | | |
| SB 21-243 | CDPHE Appropriation Public Health Infrastructure | | $14.5 | | |
| SB 21-248 | Loan Program for Colorado Agriculture | $30.0 | | | |
| SB 21-251 | Loan Family Medical Leave Program | $1.5 | | | |
| SB 21-258 | Wildfire Risk Mitigation | $25.0 | | | |
| SB 21-281 | Severance Tax Trust Fund Allocation | $9.5 | | $9.5 | |
| SB 21-283 | Cash Fund Solvency | | $4.3 | | |
| SB 21-286 | Home- & Community-Based Services | $260.7 | | | |

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

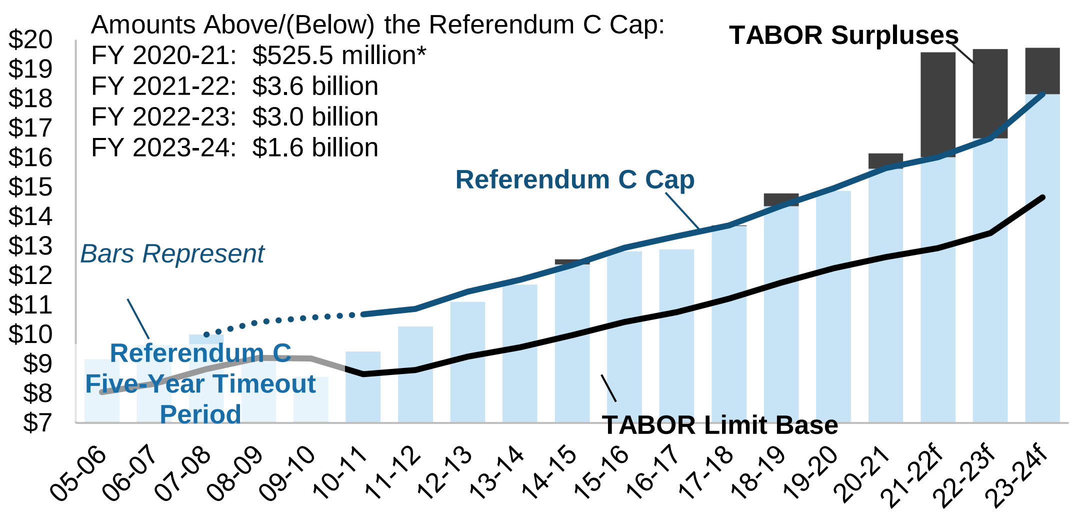
| Transfers from the General Fund (Cont.) | | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|
| HB 22-1001 | Reduce Fees For Business Filings | | | $8.4 | |
| HB 22-1004 | Driver License Fee Reduction | | | $3.9 | |
| HB 22-1011 | Wildfire Mitigation Incentives for Local Governments | | | $10.0 | |
| HB 22-1012 | Wildfire Mitigation and Recovery | | | $7.2 | |
| HB 22-1115 | Prescription Drug Monitoring Program | | | $2.0 | |
| HB 22-1132 | Regulation and Services for Wildfire Mitigation | | | $0.1 | |
| HB 22-1151 | Turf Replacement Program | | | $2.0 | |
| HB 22-1194 | Local Firefighter Safety Resources | | $5.0 | | |
| HB 22-1197 | Effective Date of Dep't of Early Childhood | | $3.0 | | |
| HB 22-1295[1] | Preschool Programs Cash Fund | | | | $136.8 |
| 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 22-1362 | Building Greenhouse Gas Emissions | | $25.0 | | |
| HB 22-1381 | CO Energy Office Geothermal Grant Program | | | $12.0 | |
| HB 22-1382 | Support Dark Sky Designation and Promotion | | | $0.0 | |
| HB 22-1394 | Fund Just Transition Community & Worker Supports | | | $15.0 | |
| HB 22-1408 | Modify Incentives for Film Production | | | $2.0 | |
| HB 22-1411 | Money from Coronavirus State Fiscal Recovery Fund | | $28.0 | | |
| SB 22-036 | State Payment Old Hire Death and Disability Benefits | | | $6.7 | |
| SB 22-130 | Authority For Public-Private Partnerships | | | $15.0 | |
| SB 22-134 | State Fair Master Plan Funding | | $4.0 | | |
| SB 22-151 | Safe Crossings for Colorado Wildlife and Motorists | | | $5.0 | |
| SB 22-163 | Establish State Procurement Equity Program | | | $2.0 | |
| SB 22-180 | Programs to Reduce Ozone Through Transit | | $28.0 | | |
| SB 22-183 | Crime Victims Services | | $6.0 | $1.0 | |
| SB 22-191[2] | Procurement of Information Technology Resources | | | | |
| SB 22-193 | Air Quality Improvement Investments | | $102.0 | $1.5 | |
| SB 22-195 | Conservation District Grant Fund | | $0.1 | $0.1 | $0.1 |
| SB 22-202 | State Match for Mill Levy Override Revenue | | | $10.0 | |
| SB 22-206 | Disaster Preparedness and Recovery Resources | | $35.0 | | |
| SB 22-214 | General Fund Transfer to PERA Payment Cash Fund | | | $198.5 | |
| SB 22-215 | Infrastructure Investment and Jobs Act Cash Fund | | $80.3 | | |
| SB 22-216 | Reallocation of Limited Gaming Revenues | | $3.0 | | |
| **Total Transfers from the General Fund** | | **$1,318.3** | **$849.4** | **$823.5** | **$649.3** |
| **Net General Fund Impact** | | **-$981.5** | **-$820.8** | **-$764.8** | **-$621.0** |

*[1] The transfer required in HB 22-1295 may be made from the General Fund or the State Education Fund.*
*[2] Beginning 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.*

## TABOR Outlook

The state TABOR outlook is presented in Table 8 and illustrated in Figure 2, which also provides a history of the TABOR limit base and the Referendum C cap. In FY 2020-21, state revenue subject to TABOR exceeded the Referendum C cap, creating a state obligation for TABOR refunds to taxpayers in FY 2021-22. State revenue subject to TABOR is projected to exceed the Referendum C cap in each of FY 2021-22, FY 2022-23, and FY 2023-24, creating a state obligation for TABOR refunds to taxpayers in each of FY 2022-23, FY 2023-24, and FY 2024-25.

**Figure 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 2020-21 differs from surplus amount because it includes $22.4 million in under-refunds from prior TABOR surpluses.*

**FY 2020-21.** The audited Annual Comprehensive Financial Report reports that revenue subject to TABOR exceeded the Referendum C cap by $525.5 million. After accounting for an outstanding refund obligation attributable to under-refunds of prior TABOR surpluses, the Controller reports that the state is obligated to refund $547.9 million in the current FY 2021-22. The FY 2020-21 surplus is being refunded to taxpayers via the TABOR refund mechanisms under current law, which are explained in greater detail below. Mechanisms to pay refunds were set based on preliminary estimates of the FY 2020-21 TABOR surplus in September 2021, which underestimated the refund obligation. For this reason, this forecast expects that mechanisms will under-refund the FY 2020-21 surplus, resulting in a future obligation for the under-refund amount.

**Forecasts for FY 2021-22 through FY 2023-24.** State revenue subject to TABOR is projected to exceed the Referendum C cap throughout the forecast period. In the current FY 2021-22, revenue is expected to exceed the Referendum C cap by $3.6 billion, and to exceed the cap by a further $3.0 billion in FY 2022-23 and $1.6 billion in FY 2023-24. 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 increased through the forecast period, due to higher expectations for General Fund and cash fund revenue subject to TABOR. These higher revenue expectations offset the impact of higher inflation expectations for calendar year 2022, which increased expectations for the FY 2023-24 Referendum C cap.

**Enterprise disqualification and requalification.** When a state program no longer satisfies the requirements to qualify as a TABOR enterprise, it is "disqualified." The program's revenue becomes subject to TABOR and an upward adjustment equal to that revenue amount is also made to the Referendum C cap.[1] Similarly, downward adjustments are made to both revenue and the Referendum C cap when an enterprise requalifies. This forecast includes enterprise adjustments for the Auraria Higher Education Center, which was disqualified in FY 2020-21 and is expected to requalify in FY 2021-22, and for Adams State University, which is expected to be disqualified in FY 2021-22. The forecast assumes that Adams State will requalify as an enterprise in FY 2022-23. Single-year enterprise adjustments have no net impact on the amount to be refunded to taxpayers. However, if an enterprise remains disqualified for multiple years, growth in that enterprise's revenue between those years may increase (or decrease) the TABOR refund obligation if its revenue grows faster (or slower) than allowable growth.

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

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

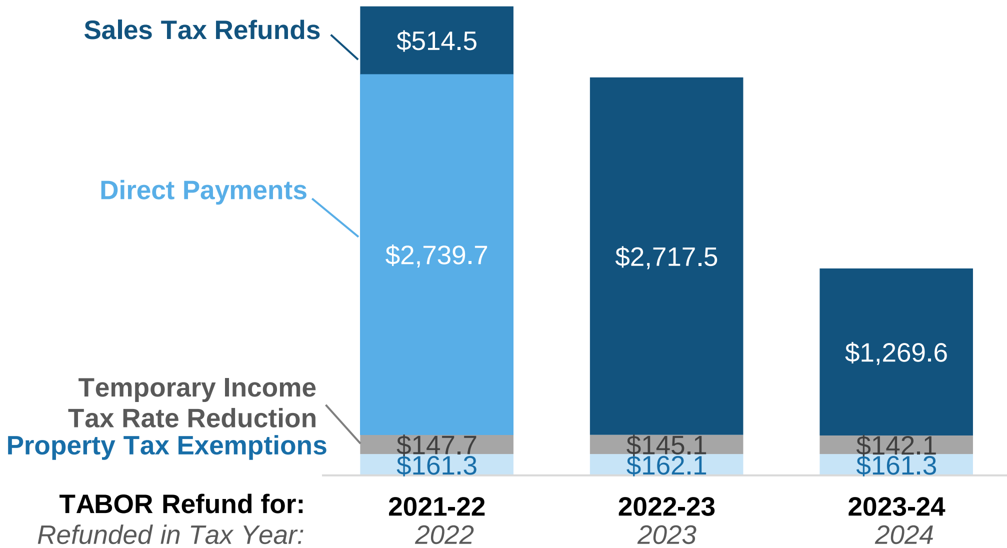
By contrast, error in the forecast for cash fund revenue subject to TABOR poses a risk to the outlook for the General Fund budget. Greater than expected revenue from cash fund sources would increase the General Fund obligation for TABOR refunds, thereby reducing the amount available for the budget.

**TABOR refund mechanisms.** TABOR refund mechanisms and expected refund amounts are shown in Figure 3. Current state law includes three ongoing and one temporary TABOR refund mechanism. The three ongoing refund mechanisms include the property tax exemptions for seniors and veterans with a disability, the temporary reduction in the income tax rate from 4.55 percent to 4.50 percent, and the six-tier sales tax refund mechanism based on taxpayers' incomes. Based on this forecast, all three ongoing refund mechanisms are expected to be used for tax years 2022, 2023, and 2024. **Senate Bill 22-233** establishes an additional refund mechanism to refund the FY 2021-22 surplus for tax year 2022

[1] For more information on TABOR and TABOR enterprises, see the Legislative Council Staff memorandum titled: "The TABOR Revenue Limit", available at: https://leg.colorado.gov/sites/default/files/the_tabor_revenue_limit.pdf

through direct payments to taxpayers, after funding the property tax exemptions and the temporary income tax rate reduction and before funding the six-tier sales tax refund mechanism.

**Figure 3**
**Expected TABOR Refunds and Refund Mechanisms**
*Dollars in Millions*




*Source: Legislative Council Staff June 2022 forecast.*

Direct payments in 2022 are estimated to be $750 for single-filing taxpayers and $1,500 for households filing jointly. Table 7 provides estimates for the amounts being refunded to taxpayers via the six-tier sales tax refund mechanism for tax year 2021, and estimated amounts for tax years 2022, 2023, and 2024.

Refunds made via property tax exemptions reduce an obligation that would otherwise be paid from General Fund revenue. Refunds made via the income tax rate reduction and sales tax refund are paid to taxpayers when they file their state income tax returns. Direct payments are required to be sent to most taxpayers by October 2022. These three mechanisms are accounted for as an offset against the amount of surplus revenue restricted to pay TABOR refunds, rather than as a revenue reduction. Therefore, the General Fund revenue forecast does not incorporate downward adjustments as a result of these refund mechanisms being activated.

**Table 7**
**Projected TABOR Refunds via the Six-Tier Sales Tax Refund Mechanism**

**Tax Year 2021** Refunds from FY 2020-21 TABOR Refund Obligation

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

**Tax Year 2022** Refunds from FY 2021-22 TABOR Refund Obligation

| Taxpayer Distribution by AGI | | | Single Filers | Joint Filers |
|---|---|---|---|---|
| | up to | $47,000 | $101 | $202 |
| $47,001 | to | $95,000 | $135 | $270 |
| $95,001 | to | $150,000 | $155 | $310 |
| $150,001 | to | $208,000 | $185 | $370 |
| $208,001 | to | $265,000 | $199 | $398 |
| $265,001 | and up | | $319 | $638 |

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

| Taxpayer Distribution by AGI | | | Single Filers | Joint Filers |
|---|---|---|---|---|
| | up to | $50,000 | $528 | $1,056 |
| $50,001 | to | $99,000 | $704 | $1,408 |
| $99,001 | to | $157,000 | $810 | $1,620 |
| $157,001 | to | $218,000 | $963 | $1,926 |
| $218,001 | to | $278,000 | $1,036 | $2,072 |
| $278,001 | and up | | $1,667 | $3,334 |

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

| Taxpayer Distribution by AGI | | | Single Filers | Joint Filers |
|---|---|---|---|---|
| | up to | $51,000 | $244 | $488 |
| $51,001 | to | $102,000 | $325 | $650 |
| $102,001 | to | $162,000 | $374 | $748 |
| $162,001 | to | $225,000 | $445 | $890 |
| $225,001 | to | $286,000 | $478 | $956 |
| $286,001 | and up | | $770 | $1,540 |

*AGI = Adjusted gross income.*
*Note: Amounts do not include estimates for taxpayer refunds via the 2022 direct payments under Senate Bill 22-233, via the temporary income tax rate reduction, or via reimbursements to local government for property tax exemptions.*

**Table 8**
**TABOR Revenue Limit and Retained Revenue**
*Dollars in Millions*

| | | Actual FY 2020-21 | Estimate FY 2021-22 | Estimate FY 2022-23 | Estimate FY 2023-24 |
|---|---|---|---|---|---|
| | **TABOR Revenue** | | | | |
| 1 | General Fund[1] | $13,929.8 | $16,970.7 | $16,960.3 | $16,918.9 |
| 2 | Cash Funds | $2,240.0 | $2,604.4 | $2,721.5 | $2,810.3 |
| 3 | **Total TABOR Revenue** | **$16,169.8** | **$19,575.1** | **$19,681.8** | **$19,729.2** |
| | **Revenue Limit** | | | | |
| 4 | Allowable TABOR Growth Rate | 3.1% | 2.2% | 4.2% | 9.0% |
| 5 | Inflation (*from Prior Calendar Year*) | 1.9% | 2.0% | 3.5% | 7.9% |
| 6 | Population Growth (*from Prior Calendar Year*)[2] | 1.2% | 0.3% | 0.7% | 1.1% |
| 7 | TABOR Limit Base[3] | $12,628.1 | $12,929.3 | $13,445.0 | $14,655.0 |
| 8 | Voter Approved Revenue Change (Referendum C) | $3,016.3 | $3,082.6 | $3,212.1 | $3,501.2 |
| 9 | Total TABOR Limit / Referendum C Cap[3] | $15,644.3 | $16,011.9 | $16,657.1 | $18,156.2 |
| 10 | **TABOR Revenue Above** (Below) **Referendum C Cap** | **$525.5** | **$3,563.2** | **$3,024.7** | **$1,573.0** |
| | **Retained/Refunded Revenue** | | | | |
| 11 | Revenue Retained under Referendum C[4] | $3,016.3 | $3,082.6 | $3,212.1 | $3,501.2 |
| 12 | Fiscal Year Spending (*revenue available to be spent or saved*) | $15,644.3 | $16,011.9 | $16,657.1 | $18,156.2 |
| 13 | Outstanding Under-refund Amount[5] | $22.4 | | | |
| 14 | **Revenue Refunded to Taxpayers** | **$547.9** | **$3,563.2** | **$3,024.7** | **$1,573.0** |
| 15 | TABOR Reserve Requirement | $469.3 | $480.4 | $499.7 | $544.7 |

*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]These amounts incorporate enterprise adjustments for Auraria Higher Education Center and Adams State University. Additional changes to enterprise status will affect these amounts.*
*[4]Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.*
*[5]This amount represents underrefunds from prior years.*

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## General Fund Revenue

This section presents the Legislative Council Staff outlook for General Fund revenue, the state's main source of funding for discretionary operating appropriations. Table 11 on page 31 summarizes actual General Fund revenue collections for FY 2020-21 and projections for FY 2021-22 through FY 2023-24.

**FY 2020-21.** Final audited figures show that General Fund revenue increased 11.2 percent over FY 2019-20 levels to total $14.3 billion in FY 2020-21. Gains were broad-based across revenue streams, with robust income and sales tax collections driving growth.

**Forecast for FY 2021-22 through FY 2023-24.** General Fund revenue is expected to increase 21.8 percent to total $17.4 billion in FY 2021-22. The extraordinary revenue increase is broad-based, reflecting much higher than expected individual and corporate income tax payments, alongside impressive increases in sales and use taxes and the first full year of tobacco tax collections under Proposition EE. In FY 2022-23 and FY 2023-24, growth is expected to slow considerably as inflationary pressures erode business profits, consumers rein in spending on goods, and higher interest rates slow economic activity. Gross General Fund revenue is expected to be relatively flat in FY 2022-23 and FY 2023-24.

**Forecast revisions.** Relative to the March forest, the revenue outlook for the current FY 2021-22 was increased by $1.5 billion, or 9.2 percent, with over 80 percent of the revision attributable to individual and corporate income tax expectations. Revenue expectations were revised upward by $1.4 billion and 1.0 billion for FY 2022-23 and FY 2023-24, respectively.

**Risks to the forecast.** Risks to the General Fund revenue forecast remain elevated. On the upside, revenue collections have consistently outperformed forecast expectations since the beginning of the pandemic recession. Higher inflationary pressures and stronger-than-expected wage gains could boost sales tax and individual income tax collections above the amounts projected in this forecast. Downside risks include depressed capital gains on ongoing near-term equity market volatility, adverse business impacts from higher-than-expected inflation, or slower than expected economic activity in response to monetary policy tightening.

Limited information is available to confirm the impact of recent income tax policy changes and the extent to which federal fiscal stimulus has supported state income taxes over the past two years. These policy impacts complicate the ability to assess the underlying health of the state tax base, which could be stronger or weaker than currently forecast.

**Legislative adjustments.** This forecast incorporates the estimated fiscal impacts of legislation enacted by the General Assembly during the 2022 legislative session. Legislative impacts on the General Fund revenue outlook are presented in Table 9.

**Table 9**
**General Fund Revenue Impacts of 2022 Legislation**
*Dollars in Millions*

| | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|---|---|---|
| HB 22-1005 Health-care Preceptors Tax Credit | | ($0.15) | ($0.30) |
| HB 22-1007 Assistance Landowner Wildfire Mitigation | | ($0.15) | ($0.30) |
| HB 22-1010 Early Childhood Educator Income Tax Credit | ($6.20) | ($12.90) | ($13.70) |
| HB 22-1025 Repeal of Infrequently Used Tax Expenditures | | $0.20 | $0.40 |
| HB 22-1026 Alternative Transportation Options Tax Credit | | ($11.00) | ($23.50) |
| HB 22-1051 Modify Affordable Housing Tax Credit | | | |
| HB 22-1055 Sales Tax Exemption Essential Hygiene Products | | ($5.20) | ($11.00) |
| HB 22-1083 Colorado Homeless Contribution Income Tax Credit | | ($2.60) | ($6.10) |
| HB 22-1149 Advanced Industry Investment Tax Credit | | ($1.10) | ($2.90) |
| HB 22-1205 Senior Housing Income Tax Credit | ($50.00) | ($50.00) | |
| HB 22-1310 529 Account Administrative Expenses | | ($0.09) | ($0.18) |
| HB 22-1320 Achieving a Better Life Experience Savings Accounts | | ($0.23) | ($0.49) |
| HB 22-1392 Contaminated Land Income Tax & Property Tax Credit | ($1.00) | ($3.50) | ($5.00) |
| HB 22-1406 Qualified Retailer Retain Sales Tax | | ($39.30) | |
| HB 22-1418 Extension of Certain Unused Tax Credits | | | ($5.00) |
| SB 22-006 Sales Tax Assistance for Small Business | | ($2.50) | ($2.80) |
| SB 22-051 Policies to Reduce Emissions from the Built Environment | | ($2.10) | ($4.30) |
| **Total** | **($57.20)** | **($130.62)** | **($75.17)** |

### Individual Income Tax

Taxable income earned by individuals and non-corporate businesses is taxed at a flat rate of 4.55 percent. Revenue is credited to the General Fund and is subject to TABOR, except that an amount equal to one third of one percent of taxable income is transferred to the State Education Fund (SEF) and exempt from TABOR. Individual income tax revenue is the largest source of General Fund revenue, accounting for about 66 percent of revenue to the General Fund in FY 2020-21, net of the SEF transfer.

**FY 2020-21.** Individual income tax collections exceeded expectations throughout FY 2020-21 as growth in incomes continued unabated by the pandemic recession. In FY 2020-21, individual income tax revenue collections, before the application of the SEF transfer, increased by 9.6 percent over year ago levels to $9.5 billion.

**FY 2021-22.** In the current FY 2021-22, individual income tax collections are expected to reach $11.5 billion before application of the SEF transfer, an increase of 20.9 percent over year-ago levels. For most taxpayers, final payments for tax year 2021 were due on April 18, 2022. While data on final payments are incomplete, available data suggest that net tax receipts for the 2021 tax year continued to grow over 2020 net tax receipts. Table 10 presents net tax receipts for tax years 2020 and 2021, including forecast expectations for the remaining final payments for tax year 2021. As shown in Table 10, an increase in refunds was offset by significant increases in withholding, estimated payments, and final cash payments. The rapid increase in wage withholding is consistent with rapid wage and salary growth, estimated at 9.7 percent in 2021, compared with 2.3 percent in 2020. Estimated payments and cash with returns were up substantially over year-ago levels in April, suggesting that taxpayers may have underestimated 2021 tax liability due to pandemic-related distortions, bolstering 2021 cash payments as well as 2022 estimated payments. Investors may be pulling forward capital gains, as well, in anticipation of inflation and interest rate hikes impacting financial asset values.

**Table 10**
**Individual Income Tax Receipts by Source, Tax Years 2020 and 2021[1]**
*Dollars in Millions*

| | Tax Year 2020 Actual | Tax Year 2021 Estimated | Percent Change |
|---|---|---|---|
| Withholding | $7,526 | $8,510 | 13.1% |
| Estimated Payments | $1,569 | $1,965 | 25.3% |
| Cash With Returns[2] | $1,398 | $2,153 | 54.0% |
| Refunds[2] | ($1,449) | ($1,785) | 23.2% |
| **Total** | **$9,044** | **$10,844** | **19.9%** |

*Source: Office of the State Controller; Department of Revenue; and June 2022 Legislative Council Staff forecast.*

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

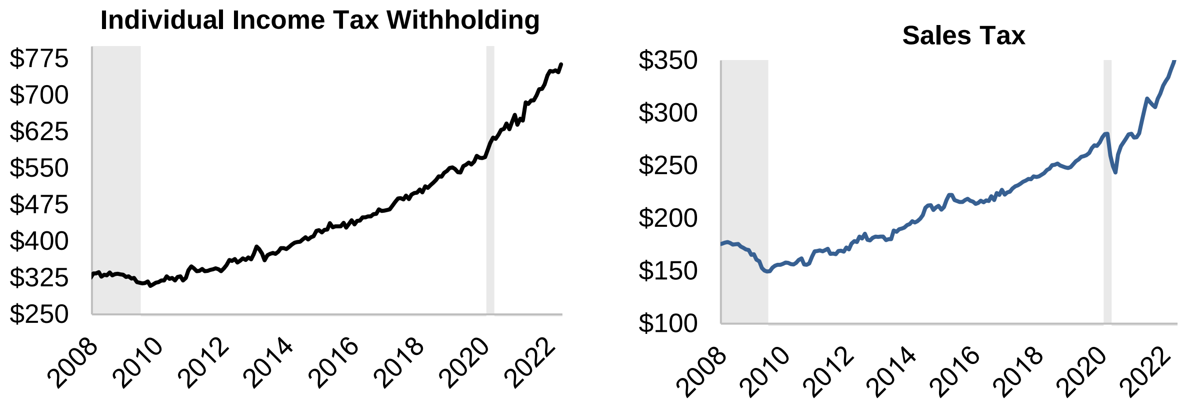
*[2]Cash with returns and refunds for tax year 2020 include preliminary data for May 2022 and forecasted transactions for June through December 2022. TABOR refund amounts that reduced final payments are added to cash with returns.*

The forecast of income tax revenue for FY 2021-22 is greater than estimated tax year 2021 payments because it includes accruals of anticipated tax revenue for tax year 2022.

**Forecast for FY 2022-23 through FY 2023-24.** Individual income tax collections are expected to slow in FY 2022-23, increasing by 1.4 percent, before declining by 1.3 percent in FY 2023-24. While wages and salaries are expected to grow at elevated rates in 2022, bolstering withholding and pushing taxpayers into higher tax brackets, inflation, tightening monetary policy, geopolitical uncertainty, and slowing economic growth are expected to weigh on estimated payments as well as cash with returns while boosting refunds.

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

**Figure 4**
**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 2022 collections are preliminary.*

**Legislative adjustments.** This forecast includes significant adjustments for the future impacts of recent legislation on individual income tax revenue. For tax year 2022, **House Bill 22-1205** creates a refundable, means-tested income tax credit for senior Coloradans who do not claim a homestead property tax exemption. **House Bill 22-1010** creates a refundable income tax credit for early childhood educators for tax years 2022 through 2025. Twelve bills enacted during the 2022 legislative session establish or extend income tax credits or deductions, many temporarily, and are expected to reduce income tax revenue by between $55 million and $140 million annually during the forecast period.

## Corporate Income Tax

Corporate income taxes have historically been a volatile revenue source because they are highly susceptible to changes in the broader economy and the business cycle. In FY 2020-21, corporate income tax revenue totaled a record amount of $1,183.7 million in FY 2020-21, a 62.5 percent increase from the prior fiscal year. Corporate profits reached their nadir in the second quarter of 2020, but they have since grown at a rapid pace. Additionally, the pandemic caused a shift in consumer spending toward goods-producing businesses, which tend to account for a larger share of corporate income tax in Colorado, increasing corporate income tax revenue further.

Collections are expected to further increase in the current FY 2021-22 to $1,591.0 million. Unprecedented amounts of federal aid to individuals and businesses in the form of stimulus checks, supplemental unemployment benefits, expanded child tax credits, and forgivable business loans, plus a shift to spending on goods, which are taxable, continue to support corporate profits and income tax revenue.

Corporate income tax revenue is expected to fall by 25.0 percent and 12.2 percent in FY 2022-23 and FY 2023-24, respectively, as subsidies from federal aid wane, inflationary pressures erode profits, and consumers shift from goods to services consumption. Nevertheless, total corporate income taxes are expected to total just over $1 billion in FY 2023-24, well above the pre-pandemic high of $794.7 million in FY 2018-19.

**Legislative adjustments.** This forecast includes adjustments for the future impacts of recent legislation on corporate income tax revenue. For tax years 2023 and 2024, **House Bill 22-1026** replaces a tax deduction with a tax credit for employers offering subsidized public transportation and ridesharing benefits to their employees.

## Sales Tax

The 2.9 percent state sales tax is assessed on the purchase of goods, except those specifically exempted, and a relatively small collection of services. Sales tax receipts grew throughout the pandemic, increasing by 4.7 percent in FY 2019-20 and another 6.9 percent during FY 2020-21. Sales tax receipts have been supported by robust consumer and business activity, large fiscal stimulus measures, and improving pandemic conditions.

Sales tax receipts accelerated in FY 2021-22 as household balance sheets remained healthy, spending on goods remained elevated, and consumers returned to spending on food services and accommodations. Sales taxes are also influenced by rising prices. Notably, a significant portion of growth is attributable to upward price pressures for key goods such as food and motor vehicles. Despite the impact of the recession on employment and wages, government transfer payments boosted personal income to record levels. Personal savings rates also spiked, rising as high as 34 percent nationally after initial stimulus payments in 2020 following the onset of the pandemic, and remaining elevated, at 26.6 percent during the spring of 2021. By April 2022, the personal savings rate dropped to 4.4 percent and personal savings fell from a seasonally adjusted annual rate of $4.0 trillion in the first quarter of 2021 to $1.2 trillion in the first quarter of 2022. The drawdown of personal savings buoyed spending activity as personal income slowed somewhat with lower government transfer payments. Sales tax revenue is expected to rise 18.6 percent in FY 2021-22. In FY 2022-23, personal incomes are expected to moderate and legislative adjustments will slow revenue growth to 4.2 percent; however, slowing will be offset somewhat by higher anticipated inflation. In FY 2023-24, sales tax revenue is expected to grow more in line with personal income and increase by 6.1 percent.

## Use tax

The 2.9 percent state use tax is due when sales tax is owed, but is not collected at the point of sale. Use tax revenue is largely driven by capital investment among manufacturing, energy, and mining firms. During the forecast period, use tax is expected to grow by 10.2 percent in FY 2021-22, and then at a slower pace of 9.4 percent and 4.4 percent in FY 2022-23 and FY 2023-24, respectively. Over the forecast period, revenue growth will be supported by more investment in oil and gas activity, improved nonresidential construction and investment activity, and upward price pressures.

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

## Proposition EE Cigarette, Tobacco, and Nicotine Taxes

Table 11 includes a line for Proposition EE taxes, which are deposited in the General Fund, transferred to the 2020 Tax Holding Fund, and distributed to fund affordable housing, eviction legal defense, rural schools, tobacco education programs and, in the future, preschool programs. Table 11 shows expected revenue collections, while equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 6 on page 15. Proposition EE taxes totaled $49.0 million in FY 2020-21. This forecast estimates that Proposition EE taxes will total $203.0 million in FY 2021-22 and $199.2 million in FY 2022-23.

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

**Table 11**
**General Fund Revenue Estimates**
*Dollars in Millions*

| | Category | Actual FY 2020-21 | Percent Change | Estimate FY 2021-22 | Percent Change | Estimate FY 2022-23 | Percent Change | Estimate FY 2023-24 | Percent Change |
|---|---|---|---|---|---|---|---|---|---|
| | **Excise Taxes** | | | | | | | | |
| 1 | Sales | $3,418.1 | 6.9 | $4,052.1 | 18.6 | $4,221.0 | 4.2 | $4,476.8 | 6.1 |
| 2 | Use | $214.2 | 1.8 | $236.1 | 10.2 | $258.3 | 9.4 | $269.7 | 4.4 |
| 3 | Retail Marijuana Sales | $288.2 | 17.4 | $258.5 | -10.3 | $267.6 | 3.5 | $285.0 | 6.5 |
| 4 | Cigarette | $30.1 | -7.3 | $26.4 | -12.6 | $25.4 | -3.6 | $24.9 | -2.0 |
| 5 | Tobacco Products | $29.0 | 19.1 | $25.3 | -12.8 | $25.5 | 0.5 | $27.4 | 7.5 |
| 6 | Liquor | $53.4 | 6.6 | $56.4 | 5.7 | $58.2 | 3.3 | $60.5 | 3.9 |
| 7 | Proposition EE Tobacco Taxes | $49.0 | NA | $203.0 | 314.1 | $199.2 | -1.9 | $197.5 | -0.9 |
| 8 | Total Excise | $4,082.0 | 8.6 | $4,857.8 | 19.0 | $5,055.2 | 4.1 | $5,341.8 | 5.7 |
| | **Income Taxes** | | | | | | | | |
| 9 | Net Individual Income | $9,478.1 | 9.6 | $11,457.8 | 20.9 | $11,620.5 | 1.4 | $11,468.5 | -1.3 |
| 10 | Net Corporate Income | $1,183.7 | 62.5 | $1,591.0 | 34.4 | $1,192.5 | -25.0 | $1,047.2 | -12.2 |
| 11 | Total Income Taxes | $10,661.7 | 13.7 | $13,048.8 | 22.4 | $12,813.0 | -1.8 | $12,515.7 | -2.3 |
| 12 | Less: Portion diverted to the SEF | -$874.6 | 35.2 | -$993.5 | 13.6 | -$991.0 | -0.3 | -$971.2 | -2.0 |
| 13 | Income Taxes to the General Fund | $9,787.1 | 12.2 | $12,055.3 | 23.2 | $11,822.0 | -1.9 | $11,544.5 | -2.3 |
| | **Other Sources** | | | | | | | | |
| 14 | Estate | $0.0 | NA | $0.0 | NA | $0.0 | NA | $0.0 | NA |
| 15 | Insurance | $336.3 | -0.3 | $397.2 | 18.1 | $408.2 | 2.8 | $395.3 | -3.1 |
| 16 | Pari-Mutuel | $0.3 | -21.2 | $0.4 | 22.3 | $0.4 | 18.0 | $0.5 | 6.5 |
| 17 | Investment Income | $50.0 | 60.9 | $66.6 | 33.1 | $87.2 | 31.0 | $65.4 | -25.0 |
| 18 | Court Receipts | $3.5 | -9.8 | $1.9 | -47.1 | $1.9 | 0.7 | $2.0 | 8.0 |
| 19 | Other Income | $50.7 | 423.4 | $53.0 | 4.5 | $52.2 | -1.6 | $51.8 | -0.8 |
| 20 | Total Other | $440.9 | 15.3 | $519.1 | 17.7 | $549.9 | 5.9 | $515.0 | -6.3 |
| 21 | **Gross General Fund Revenue** | **$14,310.1** | **11.2** | **$17,432.2** | **21.8** | **$17,427.1** | **0.0** | **$17,401.4** | **-0.1** |

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

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## Cash Fund Revenue

Table 12 summarizes the forecast for cash fund revenue subject to TABOR. Typically, the largest cash fund revenue sources subject to TABOR are motor fuel taxes and other transportation-related revenue, gaming taxes, and severance taxes. The end of this section also presents the forecasts for marijuana tax revenue, Federal Mineral Lease payments, and the outlook for the Unemployment Insurance Trust Fund. These forecasts are presented separately because they are not subject to TABOR limitations.

**FY 2020-21**. Figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled $2.24 billion in FY 2020-21, a decrease of 0.2 percent from the prior fiscal year.

**FY 2021-22 through FY 2023-24.** Total cash fund revenue subject to TABOR in the current FY 2021-22 is expected to total $2.60 billion. Revenue will increase by $364 million, or 16.3 percent, from FY 2020-21, with nearly 85 percent of the increase attributable to severance tax collections. Cash fund revenue growth is expected to moderate to 4.5 percent and 3.3 percent in FY 2022-23 and FY 2023-24, respectively, as severance tax revenue gains slow. Relative to March, multiple cash fund forecasts were revised downwards, while severance tax revenue expectations were revised upwards significantly. Continued price pressures in energy markets boosted severance tax collections. Meanwhile, higher gasoline prices have depressed demand for gasoline, lowering gas tax collections.

**Table 12**
**Cash Fund Revenue Subject to TABOR**
*Dollars in Millions*

| | Actual FY 2020-21 | Estimate FY 2021-22 | Estimate FY 2022-23 | Estimate FY 2023-24 | CAAGR* |
|---|---|---|---|---|---|
| Transportation-Related | $1,155.8 | $1,231.0 | $1,263.7 | $1,402.0 | |
| Percent Change | -3.5% | 6.5% | 2.7% | 10.9% | 6.6% |
| Severance Tax | $14.7 | $325.0 | $367.6 | $254.8 | |
| Percent Change | -88.8% | 2113.5% | 13.1% | -30.7% | 158.9% |
| Gaming Revenue[1] | $101.8 | $115.5 | $115.9 | $116.7 | |
| Percent Change | 47.2% | 13.4% | 0.3% | 0.7% | 4.7% |
| Insurance-Related | $21.0 | $24.3 | $21.9 | $21.7 | |
| Percent Change | -15.7% | 15.5% | -9.9% | -0.9% | 1.0% |
| Regulatory Agencies | $89.1 | $90.0 | $80.0 | $85.0 | |
| Percent Change | 9.9% | 1.0% | -11.1% | 6.3% | -1.6% |
| 2.9% Sales Tax on Marijuana[2] | $15.5 | $12.6 | $12.2 | $12.5 | |
| Percent Change | 16.2% | -18.9% | -3.2% | 2.4% | -7.0% |
| Other Cash Funds[3] | $841.4 | $804.9 | $858.8 | $915.5 | |
| Percent Change | 16.2% | -4.3% | 6.7% | 6.6% | 2.9% |
| **Total Cash Fund Revenue** | **$2,240.0** | **$2,604.4** | **$2,721.5** | **$2,810.3** | |
| **Subject to the TABOR Limit[3]** | -0.2% | 16.3% | 4.5% | 3.3% | 7.9% |

*Totals may not sum due to rounding.*
** CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.*
*[1]Gaming revenue in this table does not include 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.*
*[3]Includes transfers from the Unclaimed Property Trust Fund to the General Fund per SB 19-261 and HB 20-1381. Revenue to this fund is TABOR exempt, but becomes subject to TABOR when transferred out of the fund.*

**Table 13**
**Transportation Revenue by Source**
*Dollars in Millions*

| | Actual FY 2020-21 | Estimate FY 2021-22 | Estimate FY 2022-23 | Estimate FY 2023-24 | CAAGR* |
|---|---|---|---|---|---|
| **Highway Users Tax Fund** | | | | | |
| Motor and Special Fuel Taxes | $593.6 | $647.0 | $662.9 | $670.1 | 4.1% |
| Percent change | -4.9% | 9.0% | 2.5% | 1.1% | |
| Road Usage Fees | $0.0 | $0.0 | $15.0 | $91.1 | |
| Percent change | NA | NA | NA | 506.7% | |
| Total Registrations | $400.2 | $372.9 | $331.2 | $371.9 | -2.4% |
| Percent change | 4.8% | -6.8% | -11.2% | 12.3% | |
| *Registrations* | 234 | *$239.1* | *$231.6* | *$226.4* | |
| *Road Safety Surcharge* | *$137.8* | *$102.0* | *$66.8* | *$105.8* | |
| *Late Registration Fees* | *$28.3* | *$31.7* | *$32.8* | *$39.7* | |
| Other HUTF Receipts[1] | $48.1 | $60.3 | $81.9 | $87.4 | 22.0% |
| Percent change | -23.7% | 25.5% | 35.8% | 6.6% | |
| **Total HUTF** | **$1,041.9** | **$1,080.2** | **$1,091.1** | **$1,220.5** | 5.4% |
| Percent change | -2.6% | 3.7% | 1.0% | 11.9% | |
| State Highway Fund (SHF)[2] | $18.4 | $21.0 | $22.4 | $22.4 | 6.8% |
| Percent change | -33.2% | 13.9% | 6.7% | 0.3% | |
| Other Transportation Funds | $95.5 | $129.8 | $150.2 | $159.1 | 18.5% |
| Percent change | -5.8% | 35.9% | 15.7% | 5.9% | |
| *Aviation Fund*[3] | *$16.9* | *$41.1* | *$44.9* | *$43.1* | |
| *Multimodal Transp. Options Fund*[4] | *$0.0* | *$0.0* | *$6.8* | *$7.6* | |
| *Law Enforcement-Related*[5] | *$6.9* | *$7.0* | *$7.1* | *$7.1* | |
| *Registration-Related*[6] | *$71.6* | *$81.8* | *$91.5* | *$101.4* | |
| **Total Transportation Funds** | **$1,155.8** | **$1,231.0** | **$1,263.7** | **$1,402.0** | 6.6% |
| Percent change | -3.5% | 6.5% | 2.7% | 10.9% | |

*Totals may not sum due to rounding.*
**CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.*
*[1]Includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.*
*[2]Includes only SHF revenue subject to TABOR.*
*[3]Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.*
*[4]Retail delivery fee revenue credited to the fund under SB 21-260.*
*[5]Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.*
*[6]Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and POST Board registration fees.*

**Transportation-related revenue** subject to TABOR ended FY 2020-21 down 3.5 percent, falling for the second consecutive year as fuel tax revenues continued to decline from reduced commuter traffic and travel activity. Revenue is expected to end FY 2021-22 up 6.5 percent as travel activity has resumed. While the spike in energy prices is expected to weigh on motor fuel consumption over the next year, increased travel activity and new fee revenue will contribute to growth through the forecast period. However, growth in FY 2022-23 will be lower than previously anticipated due to legislation that delayed new road usage fees to April 2023. Revenue is expected to increase 2.7 percent in FY 2022-23 and 10.9 percent in FY 2023-24. The forecast for transportation-related revenue is presented in Table 13.

Most fuel taxes and vehicle registration fees are credited to the **Highway Users Tax Fund** (HUTF) and disbursed to the Department of Transportation, the State Patrol, the Division of Motor Vehicles, and to county and municipal governments for transportation purposes. In FY 2020-21, HUTF revenue decreased for the second consecutive year, falling 2.6 percent on sagging fuel consumption. Fuel tax receipts are expected to rebound in FY 2021-22, but stay below pre-pandemic peak levels until FY 2022-23. Although fuel consumption is expected to grow through the forecast period, improving vehicle fuel efficiency and permanent shifts to remote work for some will dampen expected growth over the long term. From FY 2022-23 through the forecast period, registration fee revenue will contract by more than previously anticipated due to 2022 legislation that further lowered a temporary road safety surcharge reduction.

**Senate Bill 21-260** temporarily lowered the road safety surcharge, created a road usage fee on gasoline and diesel fuel, created retail delivery fees, and made other transportation-related fee adjustments that impact state revenue subject to and exempt from TABOR. Fee revenues in the outlook were further affected by **House Bill 22-1351**, that delayed the aforementioned road usage fee implementation and further lowered the road safety surcharge. Lastly, **House Bill 22-1254** made both upward and downward changes to fee revenues and the HUTF that will influence the outlook during the forecast period and beyond.

**Severance tax** revenue, including interest earnings, totaled $14.7 million in FY 2020-21, a decline from $131.7 million in the prior year. After decreasing over the past two fiscal years, revenue is expected to increase to $325.0 million in FY 2021-22. Severance tax revenue is expected to increase again in FY 2022-23 as market pressures keep oil and gas prices near historic levels into 2023. Collections are expected to decline in FY 2023-24 as prices decline and ad valorem tax credit utilization increases. Severance tax revenue is more volatile than other revenue sources due to the boom-bust nature of the oil and gas sector and Colorado's tax structure. The forecast for the major components of severance tax revenue is shown in Table 14.

Severance tax collections from **oil and natural gas** totaled $0.6 million in FY 2020-21 and are forecast to increase in FY 2021-22 to $310.0 million. Compared to March, expectations for oil and gas severance tax revenue were revised upward significantly based on impressive, and surprising, revenue collections in April 2022, which were the largest ever received by a considerable margin. Despite relatively minor increases in production, elevated energy prices have resulted in exceptionally strong collections from oil and gas producers. Collections are forecast to increase again in FY 2022-23 to $351.8 million before declining in FY 2023-24 along with a forecasted decrease in energy prices.

After falling precipitously in early 2020, oil prices have surged to about $110 per barrel in May 2022. Similarly, natural gas prices have risen to about $8.15 per million BTU in May 2022, after they fell below $2 per million BTU for much of 2020. Despite the sharp rise in prices, production in Colorado has been slow to come back online. Many wells are shut and only 15 rigs are active in the state, down from around 30 during 2019. Oil prices are forecast to average about $99 per barrel over 2022, and $93 per barrel over 2023. Natural gas prices are forecast to average $7.40 per million BTU over 2022, and $4.75 over 2023.

**Table 14**
**Severance Tax Revenue Forecast by Source**
*Dollars in Millions*

| | Actual FY 2020-21 | Estimate FY 2021-22 | Estimate FY 2022-23 | Estimate FY 2023-24 | CAAGR* |
|---|---|---|---|---|---|
| Oil and Gas | $0.6 | $310.0 | $351.8 | $239.2 | 650.3% |
| Percent Change | -99.5% | 54631.5% | 13.5% | -32.0% | |
| Coal | $1.9 | $2.8 | $2.9 | $3.0 | 16.3% |
| Percent Change | -27.4% | 47.6% | 2.9% | 3.5% | |
| Molybdenum and Metallics | $2.2 | $2.4 | $2.5 | $2.4 | 2.9% |
| Percent Change | -5.7% | 7.0% | 3.5% | -1.5% | |
| **Total Severance Tax Revenue** | **$4.7** | **$315.2** | **$357.2** | **$244.7** | 273.3% |
| Percent Change | -96.0% | 6603.1% | 13.3% | -31.5% | |
| Interest Earnings | $10.0 | $9.9 | $10.4 | $10.2 | 0.6% |
| Percent Change | -32.8% | -1.3% | 5.8% | -2.5% | |
| **Total Severance Tax Fund Revenue** | **$14.7** | **$325.0** | **$367.6** | **$254.8** | 158.9% |
| Percent Change | -88.8% | 2113.5% | 13.1% | -30.7% | |

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

After declining by 27.4 percent in FY 2020-21, **coal severance tax** revenue is expected to increase in FY 2021-22 by nearly 50 percent to $2.8 million. HB 21-1312 phased out certain tax credits for coal production in the state, which will contribute to collections growth through FY 2023-24. Coal prices have similarly seen increased price pressure as a result of the war in Ukraine, which has contributed to collections. Beyond the forecast period, collections are expected to resume their previous decline as electricity generation continues to transition away from coal to renewable sources and natural gas.

**Metal and molybdenum** mines are expected to pay $2.4 million in severance taxes on the value of minerals produced in FY 2021-22 and $2.5 million in FY 2022-23. In 2021, prices for molybdenum increased nearly 100 percent, and are forecast to remain near this historic high for the next couple of years, increasing the value of production in the state.

Finally, **interest earnings** on severance tax revenue are expected to total $9.9 million in FY 2021-22 and $10.4 million in FY 2022-23. The forecast for interest earnings has been revised upward to reflect higher collections leading to a larger principal balance and rising interest rates.

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

In March 2020, Colorado casinos were closed by executive order and were allowed to reopen with limited capacity and limited game offerings in June 2020. Gaming revenue gradually improved over the latter half of calendar year 2020 and into 2021. Additionally, voters passed Amendment 77, and voters in Black Hawk, Central City, and Cripple Creek passed ordinances to remove bet limits and permit more games. As restrictions were removed in May 2021, revenue surged over the spring months and continued to grow over the second and third quarters of 2021. Boosted by expanded gaming activity from Amendment 77 and pent-up demand following the pandemic-induced downturn, tax revenue is expected to grow by 35.2 percent in FY 2021-22 and remain at this elevated level through the forecast period.

Most gaming revenue is subject to TABOR. Revenue attributable to gaming expansions enacted under Amendment 50 and Amendment 77 (extended gaming), is TABOR-exempt. Senate Bill 22-216 modified the allocation of limited and extended gaming revenue through the forecast period. The bill set limited gaming revenue subject to TABOR at about $114.0 million. Combined with fee and interest revenue, gaming revenue subject to TABOR is expected to increase by 13.4 percent in FY 2021-22 to $115.5 million. Through the forecast period, gaming revenue subject to TABOR is expected to grow 0.3 percent in FY 2022-23 and 0.7 percent in FY 2023-24.

**Sports betting** was legalized in the state after the passage of Proposition DD at the November 2019 election. Betting launched on May 1, 2020, growing rapidly through the latter half of 2020 and into 2021. Revenue collected from sports betting activity includes licensing fees, set at between $1,200 and $2,000 per operator, and a master license charged biannually, an operations fee, and tax revenue, which is set at 10 percent of casinos' net sports betting proceeds. As voter-approved revenue, sports betting tax revenue is not subject to the TABOR limit; however, fee revenues are subject to TABOR. Sports betting revenue subject to TABOR was up 5.6 percent through the first 10 months of FY 2021-22, reaching $2.4 million over this span. Sports betting revenue subject to TABOR is included in the Other Cash Funds forecast.

In FY 2020-21, sports betting taxes exempt from TABOR totaled $8.1 million. Betting activity continues to grow and in FY 2021-22, revenue was up more than 65 percent through April year-to-date, at about $10.5 million.

**Marijuana tax revenue** totaled $424.5 million in FY 2020-21, a 22.2 percent increase from the prior fiscal year. Marijuana tax revenues are forecast to decline in FY 2021-22 by 12.2 percent to $372.5 million. Marijuana collections increased dramatically during and after the COVID-19 induced recession, and appear to be returning to more normal levels as travel and activity restrictions faded. Despite this decline, revenue in FY 2021-22 will remain about 7.3 percent higher than FY 2019-20 levels. Revenue is forecast to grow throughout the forecast period, reaching $401.8 million in FY 2023-24. The majority of the revenue from the marijuana industry is voter-approved revenue exempt from TABOR; however, the 2.9 percent state sales tax is subject to the state's revenue limit. Tax revenue from marijuana sales is shown in Table 15.

The special sales tax is the largest source of marijuana revenue and is imposed at a rate of 15 percent of the retail price of marijuana. The special sales tax generated $288.2 million in FY 2020-21. Revenue from the special sales tax is expected to decline to $258.5 million in FY 2021-22, a 10.3 percent decrease from the prior year. Expectations for FY 2021-22 were revised down slightly from the March forecast based on weaker than expected collections. Revenue is expected to grow through the rest of the forecast period, reaching $267.6 million in FY 2022-23 and $285.0 million by FY 2023-24. The state distributes 10 percent of the special sales tax to local governments and retains the rest in the Marijuana Tax Cash Fund, the General Fund, and the State Public School Fund.

**Table 15**
**Tax Revenue from the Marijuana Industry**
*Dollars in Millions*

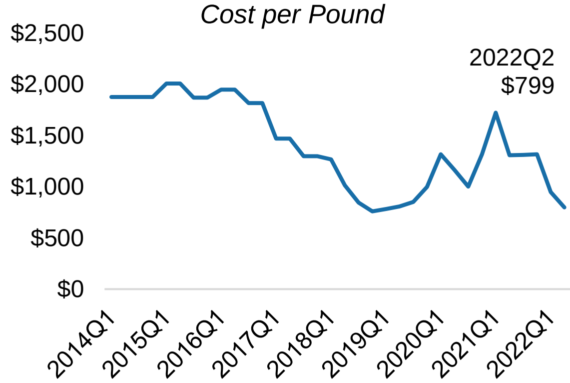
| | Actual FY 2020-21 | Estimate FY 2021-22 | Estimate FY 2022-23 | Estimate FY 2023-24 | CAAGR* |
|---|---|---|---|---|---|
| **Proposition AA Taxes** | | | | | |
| Special Sales Tax | $288.2 | $258.5 | $267.6 | $285.0 | -0.4% |
| State Share of Sales Tax | $259.4 | $232.7 | $240.8 | $256.5 | |
| Local Share of Sales Tax | $28.8 | $25.9 | $26.8 | $28.5 | |
| 15% Excise Tax | $120.8 | $101.5 | $99.9 | $104.4 | -4.7% |
| **Total Proposition AA Taxes** | **$409.0** | **$360.0** | **$367.5** | **$389.4** | 1.8% |
| Percent Change | 22.5% | -12.0% | 2.1% | 6.0% | |
| **2.9 Sales Tax (Subject to TABOR)** | | | | | |
| 2.9% Sales Tax on Medical Marijuana | $13.8 | $11.1 | $10.6 | $10.8 | -7.9% |
| 2.9% Sales Tax on Retail Marijuana | $1.6 | $1.4 | $1.4 | $1.5 | -0.4% |
| TABOR Interest | $0.1 | $0.1 | $0.1 | $0.1 | |
| **Total 2.9% Sales Tax** | **$15.5** | **$12.6** | **$12.2** | **$12.5** | -7.0% |
| Percent Change | 16.2% | -18.9% | -3.2% | 2.4% | |
| **Total Marijuana Tax Revenue** | **$424.5** | **$372.5** | **$379.7** | **$401.8** | **-1.8%** |
| Percent Change | 22.2% | -12.2% | 1.9% | 5.8% | |

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

The excise tax is the second-largest source of marijuana revenue and is dedicated to the BEST Fund for school construction. After strong growth in FY 2020-21, marijuana excise tax revenue will decline in FY 2021-22 on slowing demand and declining wholesale prices. Revenue from marijuana excise taxes is expected to total $101.5 million in FY 2021-22, $99.9 million in FY 2022-23, and $104.4 million in FY 2023-24. The excise tax is based on the calculated or actual wholesale price of marijuana when it is transferred from the cultivator to the retailer.

There is considerable uncertainty about the calculated price due to a lack of available information. The wholesale price fell to $799 per pound in the second quarter of 2022 as shown in Figure 5. After facing upward pressure in 2020 due to increased demand and constrained supply, the wholesale price has declined since. The wholesale price is a significant determinant of excise tax revenue, and remains both an upside and downside risk to the forecast.

**Figure 5**
**Calculated Average Wholesale Marijuana Rate**
*Cost per Pound*




*Source: Colorado Department of Revenue.*

The 2.9 percent state sales tax rate applies to medical marijuana and marijuana accessories purchased at a retail marijuana store. The medical marijuana sales tax generated $13.8 million in FY 2020-21, and is expected to generate $11.1 million in FY 2021-22. Retail marijuana dispensaries remitted $1.6 million in sales tax in FY 2020-21. Collections are expected to decline in FY 2021-22 to $1.4 million and to remain around this level throughout the forecast period. Revenue from the 2.9 percent sales tax is deposited in the Marijuana Tax Cash Fund and is subject to TABOR.

**Table 16**
**Federal Mineral Lease Revenue Distribution**
*Dollars in Millions*

| | Actual FY 2020-21 | Estimate FY 2021-22 | Estimate FY 2022-23 | Estimate FY 2023-24 |
|---|---|---|---|---|
| **Total FML Revenue** | **$82.7** | **$123.2** | **$155.3** | **$127.3** |
| **Bonus Payments** (portion of total revenue) | **$2.5** | **$3.7** | **$4.7** | **$3.8** |
| Local Government Permanent Fund | $1.2 | $1.8 | $2.3 | $1.9 |
| Higher Education FML Revenue Fund | $1.2 | $1.8 | $2.3 | $1.9 |
| **Other** (non-bonus) **FML Revenue** | **$80.2** | **$119.5** | **$150.6** | **$123.5** |
| State Public School Fund | $38.8 | $57.7 | $72.8 | $59.7 |
| Colorado Water Conservation Board | $8.0 | $12.0 | $15.1 | $12.4 |
| DOLA Grants | $16.0 | $23.9 | $30.1 | $24.7 |
| DOLA Direct Distribution | $16.0 | $23.9 | $30.1 | $24.7 |
| School Districts | $1.4 | $2.0 | $2.6 | $2.1 |
| Higher Education FML Revenue Fund | $1.2 | $1.8 | $2.3 | $1.9 |

*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.*

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

As shown in Table 16, FML revenue totaled $82.7 million in FY 2020-21, a 31.8 percent increase from FY 2019-20. In FY 2021-22, FML revenue is forecast to increase 49 percent to $123.2 million. Producers are expected to increase production in the near future due to higher natural gas prices. Natural gas prices fell below $2 per million BTU in 2020, but are forecast to average $7.40 per million BTU over 2022 and $4.75 per million BTU over 2023. Declining natural gas prices in 2023 are expected to result in declining FML revenues in FY 2023-24.

After ending FY 2020-21 with a deficit of $1.0 billion, the balance of the **Unemployment Insurance (UI) Trust Fund** has improved in FY 2021-22. Forecasts for UI revenue, benefit payments, and year-end balances are shown in Table 17. Revenue to the UI Trust Fund is not subject to TABOR and is therefore excluded from Table 8. Revenue to the Employment Support Fund, which receives a portion of the UI premium surcharge, is subject to TABOR and is included in the revenue estimates for other cash funds in Table 12.

UI benefits paid continue to decline after seeing an unprecedented increase during the pandemic recession. As a consequence, the fund was nearly depleted on June 30, 2020, and became insolvent on August 18, 2020, triggering a move to the highest premium rate schedule beginning January 1, 2022.

When the balance of the UI Trust Fund falls below zero, the federal government requires that another revenue source be found to continue funding the UI program. Colorado began borrowing from the Federal Unemployment Account (FUA) to fund benefit payments in August 2020. FUA loans were extended interest-free until September 6, 2021, at 2.28 percent during the remainder of 2021 and a rate of 1.59 percent in 2022. Colorado made an interest payment of $1.5 million in September 2021 from Coronavirus Relief Funds. As of June 14, 2022, Colorado has $133.1 million in federal loans outstanding, down from $1.013 billion in March 2022. Colorado is one of six states with outstanding FUA loans, which range from Colorado's $133.1 million to California's $17.7 billion.

This forecast incorporates adjustments to fund revenues and loan balances enacted with **Senate Bill 20-207** and **Senate Bill 22-234**. Senate Bill 22-207 suspends the solvency surcharge for 2021 and 2022, and, beginning in 2022, incrementally increases the chargeable wage base to $17,000 in 2022, $20,400 in 2023, and $23,800 in 2024. Senate Bill 22-234 continues the suspension of the solvency surcharge for 2023, and allocates American Rescue Plan Act funds for repayment of FUA loans and interest. Pursuant to Senate Bill 22-234, $580 million was used to repay outstanding FUA loans in May 2022, while $20 million was set aside for the required September 30, 2022, interest payment on remaining outstanding loans.

The amount of UI benefits paid is expected to decline in FY 2021-22, to $501.0 million, and to $414.0 million in FY 2022-23, before increasing to $456.7 million in FY 2023-24. The solvency surcharge is expected to be applied in FY 2023-24 as the June 30, 2023, fund balance is expected to remain below the 0.7 percent annual private wages threshold required to turn it off. Fund revenues are expected to increase through the forecast period, allowing continued repayment of federal loans outstanding and an improvement in the UITF balance.

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

| | Actual FY 2020-21 | Estimate FY 2021-22 | Estimate FY 2022-23 | Estimate FY 2023-24 | CAAGR* |
|---|---|---|---|---|---|
| Beginning Balance | $412.2 | ($1,014.2) | ($133.1) | $443.1 | |
| Plus Income Received | | | | | |
| UI Premium | $600.2 | $801.0 | $990.2 | $1,192.8 | 25.3% |
| Solvency Surcharge | $0.0 | $0.0 | $0.0 | $156.2 | |
| Interest | $0.7 | $0.0 | $0.0 | $8.0 | |
| Other** | | $581.1 | | | |
| **Total Revenues** | $600.9 | $1,382.0 | $990.2 | $1,357.0 | 31.2% |
| Percent Change | 7.6% | 130.0% | -28.4% | 37.0% | |
| Less Benefits Paid | ($2,027.3) | ($501.0) | ($414.0) | ($456.7) | -39.2% |
| Percent Change | 59.8% | -75.3% | -17.4% | 10.3% | |
| Accounting Adjustment | $0.0 | $0.0 | $0.0 | $0.0 | |
| **Ending Balance** | **($1,014.2)** | **($133.1)** | **$443.1** | **$1,343.4** | |
| Solvency Ratio | | | | | |
| Fund Balance as a Percent of Total Annual Private Wages | -0.72% | -0.09% | 0.27% | 0.78% | |

*Totals may not sum due to rounding.*
**CAAGR: Compound average annual growth rate for FY 202-21 to FY 2023-24.*
***Other income includes Coronavirus Relief Funds and Title XII Repayment Funds applied to federal loans outstanding.*

## Economic Outlook

The U.S. and Colorado economies continue to grow as the pandemic recedes as the key determinant of the economic trajectory. New and elevated risks to the economic recovery have materialized, with inflation and the associated monetary policy response emerging as the primary threats. In addition to wage pressures from the tight labor market, and inflation resulting from pandemic-induced supply chain disruptions and strong global demand, the war in Ukraine has added to these pressures by disrupting crude oil, agricultural, and metals markets.

While the tight labor market is producing sizable wage gains, many households are increasingly drawing down savings or taking on second jobs, as inflationary pressures outpace rising wages for most. With inflation increasing the price of everyday goods such as food and gasoline, the pinch on household budgets is broadly felt, especially among lower income households. The severity of inflation, combined with deteriorating sentiment among investors and businesses, is increasingly likely to require a forceful monetary policy response.

The Federal Reserve continued to tighten monetary policy, hiking interest rates by a combined 1.50 percentage points across three hikes in March, May, and June. Additional increases are expected throughout the year. While this forecast assumes tighter monetary policy will result in a smooth transition to lower inflation with slowing economic growth, these policy maneuvers could also trigger volatility in financial markets or weaker economic performance than anticipated. Thus, the risk of sustained inflation throughout the forecast period is elevated, as is the risk of recession, while geopolitical conflict, inflation, and monetary policy tightening challenge economic growth.

The labor market has recovered in record time compared with previous recessions, with employment reaching or exceeding pre-pandemic levels in most sectors. Competition for workers remains strong, but plentiful job opportunities, rapid wage growth, declining pandemic-related health concerns and care constraints, and inflation-eroded financial cushions are expected to continue to draw workers back into the labor market, easing labor shortages. Tighter monetary policy is expected to cool demand for workers, and with near-record job openings, there may be room to rein in inflationary pressures without decreasing employment levels.

Pandemic-related impacts on many areas of economic activity are easing as populations across the country and globe edge toward herd immunity, high levels of vaccination, and pandemic fatigue. The pandemic is expected to have geographically- and industry-isolated impacts throughout the forecast period, with the caveats of ongoing supply chain challenges in Asia and the ever-present risk of the emergence of a more virulent variant or disease.

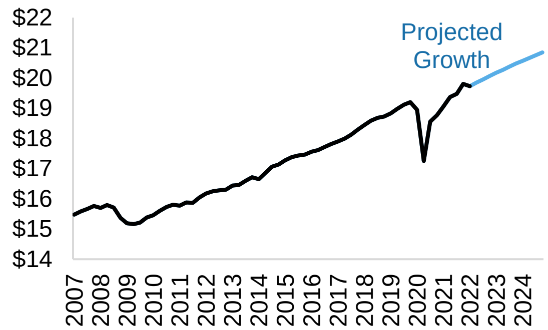
Tables 18 and 19 on pages 65 and 66 present histories and expectations for key indicators for the U.S. and Colorado economies, respectively.

## Gross Domestic Product

The most commonly cited indicator of total economic activity in the U.S. is real gross domestic product (GDP), an estimate of the inflation-adjusted value of all final goods and services produced in the U.S. Real GDP declined by an average of 3.4 percent in 2020, as the severe contraction during the first half of the year pulled annual levels of economic activity well below those experienced in 2019 (Figure 6). In 2021, real GDP grew by 5.7 percent, the largest increase since 1984, with consumer-driven gains as the economy roared back from pandemic lows.

In the first quarter of 2022, real GDP contracted at an annual rate of 1.5 percent. The contraction represented the worst quarter since the second quarter of 2020. The war in Ukraine worsened ongoing international supply chain problems. Supply constraints and attendant inflation have emerged as the primary threat to the economic expansion, with a tight labor market, elevated crude oil prices, and tighter monetary policy also expected to slow growth through the remainder of 2022 and beyond.

**Figure 6**
**U.S. Real Gross Domestic Product**
*Trillions of Dollars*




*Source: U.S. Bureau of Economic Analysis and Legislative Council Staff June 2022 forecast. Data reflect seasonally adjusted annual rates.*

- Real U.S. GDP will slow in 2022, growing 2.4 percent over year-ago levels as inflation erodes the potential for expansion. Economic output is projected to increase at rates of 2.1 percent in 2023 and 1.9 percent in 2024.

**Consumption spending has rebounded.** Consumer spending, as measured by personal consumption expenditures, accounts for more than two-thirds of total economic activity. It accounted for a majority of the decline in GDP during the pandemic recession and has largely fueled the recovery so far. After growing by 11.4 percent and 12.0 percent in the first and second quarters of 2021, consumer spending slowed in the latter half of last year, growing by 2.0 percent and 2.5 percent in the third and fourth quarters, respectively.

Consumer spending continued to accelerate in the first quarter of 2022, increasing by 3.1 percent, as spending for durable goods (automobiles, furniture, and appliances) was offset by a decrease in demand for nondurable goods (food and gasoline). Spending for services also increased at a healthy rate, growing by 4.8 percent.

**Business investment remains low.** After declining for the first two quarters in 2021, business investment, as measured by gross private domestic investment, rebounded sharply in the second half of 2021, growing by 36.7 percent in the final quarter of the year. Business investment managed to increase slightly in the first quarter of 2022, coming off a historical high in the previous quarter, growing by 0.5 percent. Residential investment was relatively flat in the first quarter as rising mortgage rates dampened demand for new and existing housing units. Business investment in nonresidential structures continued to decline for the fourth consecutive quarter, but was offset by solid investments in business equipment and intellectual property products.

**Exports of goods and services rebound.** After declining by 5.3 percent in the third quarter of 2021, exports grew by 23.6 percent in the fourth quarter, reflecting increases in both goods, led by consumer goods, and services, led by travel. Net exports continued to be a slight drag on economic activity, as imports also increased. Ongoing impacts of the COVID-19 pandemic on economies across the globe continue to mute export activity. Exports of services remain below pre-pandemic levels by 18 percent, likely reflecting dampened international tourist activity. Fourth quarter goods exports recovered to pre-pandemic levels for the first time. However, net exports decreased in the first quarter of 2022 as demand for U.S. exports slowed and imports jumped more than 18 percent at a seasonally adjusted annual rate.

**Colorado's economic growth in perspective.** Prior to the pandemic-induced recession, Colorado had enjoyed more than a decade of strong economic growth, outpacing most other states in the nation across economic indicators, including employment, personal income, and GDP growth. Coming off very strong growth, growth rates for the state may slip closer to the nationwide average. Additionally, after a decade of rising rents and double-digit appreciation in home prices, high housing costs may impede job growth in many regions of the state.

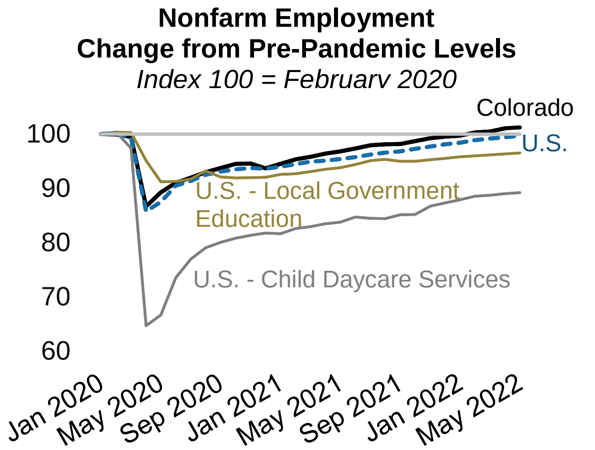
## Labor Markets

The labor market continues to recover, with employment reaching or exceeding pre-pandemic levels in most sectors while the hardest-hit industries still lag. Competition for workers remains strong, but plentiful job opportunities, rapid wage growth, declining health concerns and care constraints, and inflation-eroded financial cushions are pushing and pulling workers back into the labor market, helping to ease labor shortages. Tighter monetary policy is expected to cool labor demand, but with near-record job openings there is room to reign in inflationary pressures without decreasing employment levels. The most recent data suggests employment levels in Colorado have exceeded pre-pandemic levels, and will reach pre-COVID trend levels in early 2023.

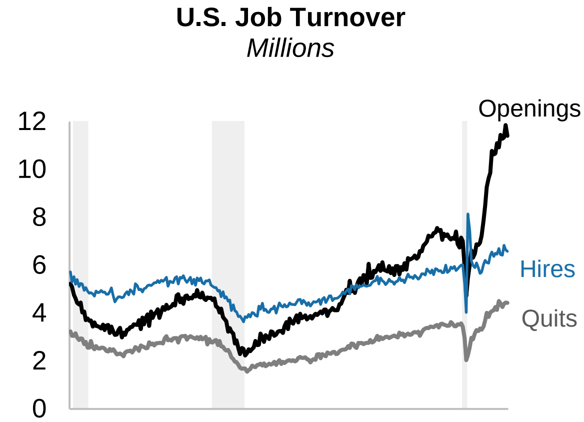
- After increasing by 2.8 percent in 2021, U.S. nonfarm employment is expected to increase by 3.8 percent in 2022 and 2.2 percent in 2023. The U.S. unemployment rate is expected to decline from 5.4 percent in 2021 to 3.6 percent in 2022 and to fall below pre-pandemic rates, averaging 3.4 percent in 2023.

- In Colorado, after growing by 3.5 percent in 2021, nonfarm employment is expected to outpace national trends by growing 4.1 percent in 2022 before slowing to 2.1 percent growth in 2023. The Colorado unemployment rate is expected to decline from 5.4 percent in 2021 to 3.5 percent in 2022 before falling further to 3.2 percent in 2023.

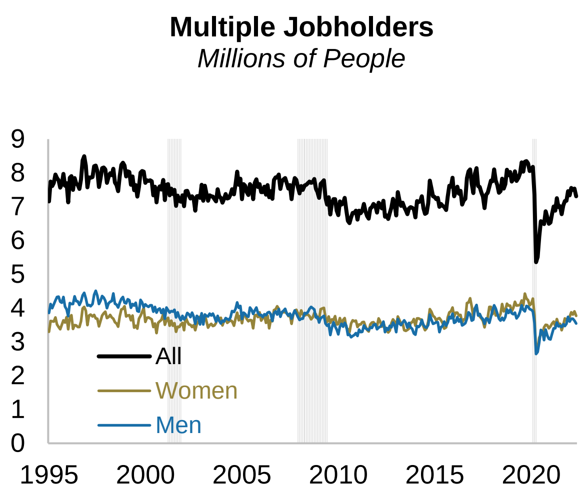
**Figure 7**
**Selected U.S. and Colorado Labor Market Indicators**



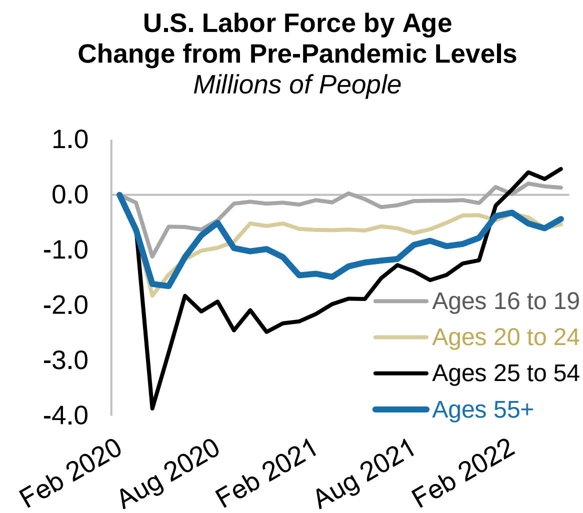

*Source: Bureau of Labor Statistics. Data are seasonally adjusted and through May 2022.*




*Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS). Data are seasonally adjusted and through April 2022.*




*Source: Bureau of Labor Statistics, Current Population Survey. Data are not seasonally adjusted and are through May 2022.*




*Source: U.S. Bureau of Labor Statistics with Legislative Council Staff calculations. Data are seasonally adjusted and through May 2022.*

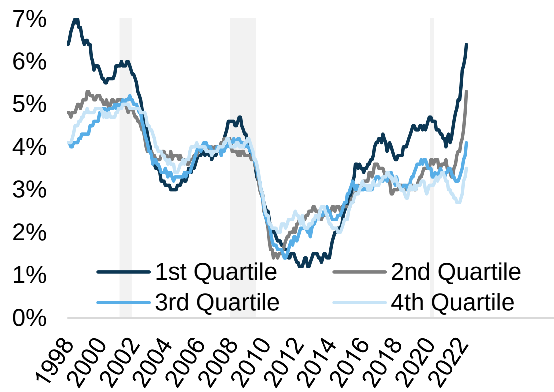
**Competition for workers remains high against constrained labor supply.** Just over two years after the recovery began, employment has nearly recovered to pre-recession levels nationally, and more than recovered in Colorado. However, work has been slow to normalize in some sectors, with notable employment gaps remaining in lower-wage sectors reliant on in-person work. Employment in child care and local public schools, for example, remains down by 10.8 percent and 3.5 percent, respectively, in May 2022 compared to February 2020 levels (Figure 7, top left). Recent employment gains and strong wage growth in some lagging sectors may signal ongoing market adjustments to close these gaps, particularly in the private sector where employers can raise wages more quickly.

The "Great Reconsideration" continues to churn labor markets, with historically high quits, hires, and job openings (Figure 7, top right). Job openings per unemployed worker declined slightly in April, to 1.92, well above prior peaks. The presence of ample job opportunities leaves room for the Federal

Reserve to chart a course of monetary policy that cools inflation without reducing employment levels. Labor force participation rates edged up by 0.1 percentage points in May, with increases for prime-age workers, especially women, up 0.4 percentage points, and for older workers, up 0.1 percentage points, as inflation and financial market volatility threaten retirement earnings (Figure 7, bottom right). Health concerns and care constraints continue to abate, while workers' savings are eroding with time and inflation. These factors are pushing the prime-age labor force participation rate above pre-pandemic levels, while workers are slowly increasing hours and taking on additional jobs (Figure 7, bottom left). However, elevated mortality during the pandemic, continued limits on immigration, and a long-term trend of declining birth rates will continue to constrain labor supply growth, both nationally and in Colorado.

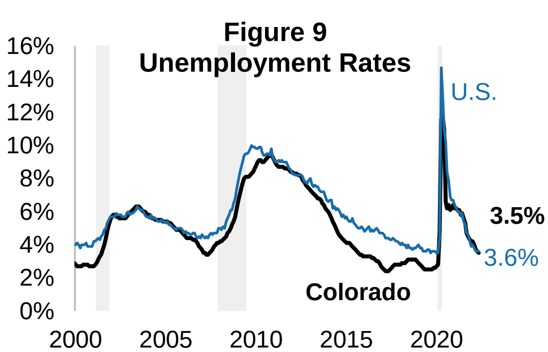
**Nominal wage growth remains high, led by lowest-wage workers.** According to the most recent data from the Atlanta Federal Reserve Wage Tracker, which tracks changes in 12-month moving averages of nominal wages (not adjusted for inflation) based on the U.S. Current Population Survey, nominal wage growth was 4.7 percent in April, compared with a pre-pandemic average of 2.6 percent. Growth varied across industries, ranging from highs of 5.6 percent and 5.2 percent in leisure and hospitality, and trade and transportation, respectively, to lows of 4.2 percent and 3.9 percent in education and health, and public administration, respectively. Wages for earners in the lowest (first) quartile are up by 6.4 percent in April 2022, with those in the highest (fourth) wage quartile up by 3.5 percent (Figure 8). While wages are rising at a blistering pace not seen in several decades, compensation for many workers is not keeping up with inflation, eroding workers' purchasing power. In Colorado, nominal private average hourly earnings are up 9.2 percent year-to-date through May 2022 compared with the same period last year, while real average hourly earnings are up just 0.8 percent.

**Figure 8**
**Nominal Hourly Wage Growth**




*Source: Federal Reserve Bank of Atlanta Growth Tracker*

**Figure 9**
**Unemployment Rates**




*Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Data are through May 2022.*

**Nationwide job growth moderates as employment nears pre-pandemic levels.** Nationwide job gains moderated in May to the slowest pace in hiring in more than a year. Nonfarm employment increased by a still-robust 390,000, bringing the national recovery rate of jobs lost during the pandemic to 96.3 percent (Figure 9, top left). Job growth was mostly broad-based, with the exception of retail trade, which shed 61,000 jobs in May. The increase in employment was accompanied by an increase in the labor force participation rate, which ticked up to 62.3 percent, helping to ease labor shortages; however, labor force participation is still down by 1.1 percentage points since February 2020. The unemployment rate was unchanged at 3.6 percent. Total nonfarm employment remained down by 822,000, or 0.5 percent, from its pre-pandemic level, with leisure and hospitality, health care, and state and local government accounting for the missing jobs.

Supplemental data from questions added to the Bureau of Labor Statistics' household survey beginning in May 2020 provide further information about lingering impacts of the pandemic on U.S. workers. In May 2022, 7.4 percent of the employed population teleworked because of the pandemic, down from 13.0 percent in February 2022, and from 35.4 percent in May 2020. In May 2022, 1.8 million people reported that they were unable to work because their employer closed or lost business due to the pandemic, and 455,000 were prevented from looking for work due to the pandemic.

**Colorado's employment recovery continues to outpace that of the nation.** The state added 5,400 jobs in May and has regained 410,300 jobs since losing 374,500 between February and April 2020, for a recovery rate of 109.6 percent. While the state's employment exceeds its February 2020 level, it is down 96,500 jobs compared to the level of employment that would have been expected with the pre-COVID trend of 4,900 jobs added per month on average. Year-over-year, statewide job growth was 4.6 percent, with the largest job gains in leisure and hospitality, up by 12.5 percent (37,800 jobs) since May 2021. The sector ended May 2022 just 6,700 jobs below February 2020 levels. Federal government employment, down 2.9 percent, (1,600 jobs) compared with year-ago levels is the only sector with year-over-year employment losses.

Colorado's unemployment rate ticked down to 3.5 percent in May, identical to the national rate, and the lowest rate since February 2020's 2.8 percent. The unemployment rate has fallen from the peak rate of almost 12.0 percent in May 2020 to its current 3.5 percent in just 24 months, compared to the 58 months required to fall to the same level from the peak unemployment rate (9.4 percent) during the Great Recession.

Colorado's labor force participation rate increased to 69.4 percent in May, the second highest among the 50 states behind Nebraska (70.0 percent) and just ahead of North Dakota (69.3 percent), helping to relieve labor shortages. Ranked lowest to highest, Colorado has the nation's 28th lowest unemployment rate, equal to West Virginia. At 1.9 percent, Nebraska has the lowest rate. The highest rate continues to belong to New Mexico (5.1 percent).

**Gaps in jobs recovery remain for certain areas, demographic groups, and industries.** Counties in the Pueblo and southern mountain region continue to experience relatively high rates of unemployment. In May 2022, the state's highest unemployment rates were in Huerfano (5.4 percent) and Pueblo (4.9 percent) counties, while the lowest rate belongs Baca County (1.4 percent) on the southeast plains. While recovery gaps have largely closed across gender, ethnicity, and educational attainment, black Coloradans continue to experience high rates of unemployment, with a twelve-month average of 13.0 percent through May 2022, 9.0 percent higher than pre-recession levels. This compares with a twelve-month average unemployment rate of 3.5 percent for white Coloradans, 1.1 percent above pre-recession levels. Employment in the Greeley area continues to lag below pre-pandemic levels, while the Grand Junction and Colorado Springs areas continue to lead other regions in jobs recovered since February 2020.

**Figure 10**
**Change from Pre-Pandemic Levels in Colorado Employment by Industry**
*Change from February 2020 to May 2022*

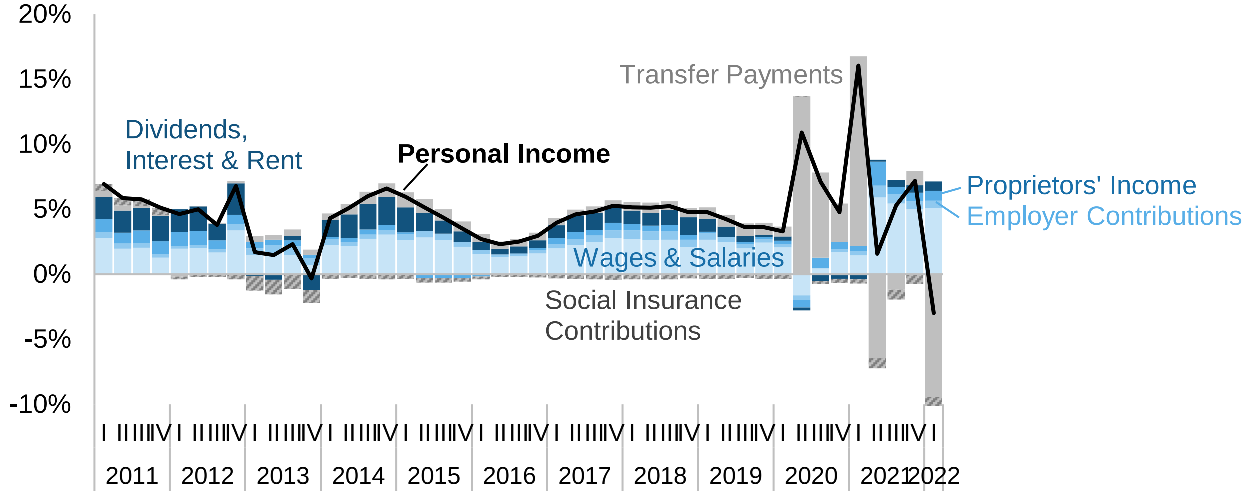

*Source: U.S. Bureau of Labor Statistics with Legislative Council Staff calculations. Data are seasonally adjusted.*

As shown in Figure 10, the accommodation and food services sector is 6,100 jobs down since February 2022, for a 95.6 percent recovery rate. Health care and social assistance, arts, entertainment and recreation, and federal, state, and local government employment still lag pre-pandemic levels, with public sector job losses concentrated in education. The mining and logging sector has continued to shed jobs since the pandemic's onset, and is down an additional 3,700 jobs since April 2020, for a total of 6,100 jobs lost since February 2020. Private industry sectors with the fastest recovery rates include finance and insurance; transportation and utilities; and professional, scientific, and technical services. Total nonfarm employment exceeds pre-pandemic levels by 35,800 jobs, with professional, scientific, and technical services employment up by 29,900.

## Personal Income

Personal income measures revenue to households from most sources, including wage income, business ownership, investments, and government support. As a barometer of household financial strength, personal income signals consumers' current and future contributions to economic activity, as well as their contributions to the state income and sales tax receipts that undergird the state budget. A history of contributions to quarter-over-quarter growth in personal income is shown in Figure 11.

**Figure 11**
**U.S. 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 shown at seasonally adjusted annualized rates.*

Over the last year, the growth trajectory in the most important components of personal income has reversed from the first year of the pandemic. Initially, most sources of income deteriorated as businesses shut down and dismissed workers. At the same time, incomes were bolstered with extraordinary federal government supports through direct economic impact payments to households, expanded unemployment insurance programs, and Paycheck Protection Program business loans. Over the second year of the pandemic, households faced headwinds as government supports wore off. Yet at the same time, a tightening national labor market buttressed wage and salary contributions to personal income sufficiently to overcome lost government contributions.

The first quarter of 2022 saw the first year-over-year decline in U.S. personal income since before the pandemic. As shown in Figure 11, personal income fell at an annualized rate of 3.0 percent. Notably, wage and salary incomes contributed 5.1 percent to personal income growth, but these were more than offset by a negative 9.4 percent contribution from transfer payments.

Persistent strength in wage and salary earnings suggests that personal income growth will rebound, and incomes are expected to grow at healthy rates through 2022. However, households must now contend with rapidly rising prices for most goods and services. While most sources of income are expected to grow at rates consistent with a healthy expansion, inflationary pressures and the reduction in transfer payments are expected to leave many households with reduced purchasing power relative to last year.

- The drop-off in federal support will slow personal income growth in 2022, when total personal income will increase 3.7 percent nationally and 4.0 percent in Colorado over year-ago levels. Personal income will reaccelerate in 2023, growing 5.5 percent and 5.7 percent nationally and in Colorado, respectively.

- Robust wage and salary growth is expected to continue, with increases of 8.8 percent in 2022 and 6.3 percent in 2023 for the U.S., and 9.4 percent in 2022 and 6.1 percent in 2023 in Colorado.

## Consumer Activity

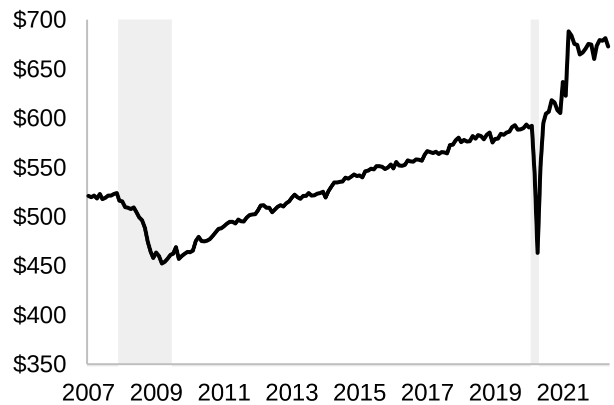
The main driver of the U.S. economy, consumer spending, saw a steep decline with the onset of the pandemic. In the subsequent recovery, goods consumption rebounded quickly while consumers were hesitant to resume many in-person services. As effects of the pandemic wane, consumption of activities and services is returning to pre-pandemic levels. Consequently, goods consumption has been more subdued over the last year. Data indicate that consumer activity remains strong despite geopolitical risks, pronounced inflation, rising interest rates, and equity market corrections. Additionally, households continue to report strong financial situations and higher spending expectations over the next year. Spending activity has been supported by withdrawn savings, wealth accumulation, a strong labor market, and personal income growth.

**Real U.S. consumer spending starts 2022 at robust pace as demand for services continues to resurge.** In the first quarter of 2022, inflation-adjusted (real) personal consumption expenditures rose at a 3.1 percent annual rate according to the most recent estimates of economic activity from the U.S. Bureau of Economic Analysis. The strong pace of consumer spending partially offset negative contributions to economic output in other areas. Spending rose as demand for services increased, while spending on goods remained flat. Real services spending exceeded its pre-recession peak for the first time in the first quarter of 2022. Overall, real spending on services rose at an annual rate of 4.8 percent in the first quarter with broad-based gains in housing, health care, financial services, and leisure and hospitality, among other services. Services are expected to continue to bolster consumer spending through the forecast period.

In contrast, consumer spending on goods is expected to slow over the forecast period following heightened spending during the pandemic due to lockdowns, low interest rates, and strong personal income growth. In the first quarter of 2022, real spending on durable goods rose quarter-to-quarter, but remained down year-to-year. Despite stronger spending on motor vehicles and parts quarter-to-quarter, real spending in the automotive sector remains below last year's second quarter peak. In the first quarter of 2022, consumers also spent less on other nondurable goods, including food and beverages, clothing, and gasoline.

**Real U.S. retail trade sales remain challenged due to inflation, supply disruptions, and a transition back to services.** Retail trade encompasses industries that primarily sell retail goods. Sales grew through April to begin the year, but fell significantly in May, reversing earlier gains. Sales remained below the most recent peak in March 2021 (Figure 12). Inflationary pressures have outpaced real spending gains

**Figure 12**
**Real U.S. Retail and Food Service Sales**
*Billions of 2022 Dollars*

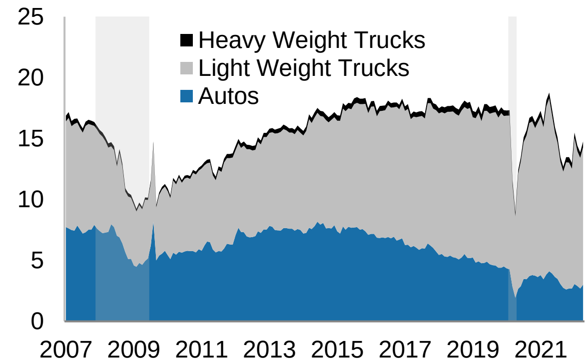



*Source: U.S. Census Bureau. Adjusted for inflation using the CPI-U index for all U.S. urban areas. Seasonally adjusted data through April 2022.*

in many retail categories. Indeed, overall inflation over the past year has outpaced nominal sales growth in several industry sectors including motor vehicles and parts, furniture and home furnishings, electronics and appliances, building materials, food and beverages, and general merchandise stores. For some key consumer goods like motor vehicles that make up a large percentage of retail trade, supply-chain disruptions have pushed up prices and limited product availability. Unit sales of motor vehicles, for instance, continue to lag pre-pandemic levels (Figure 13). Unit sales of automobiles and light weight trucks peaked in mid-2021.

Nominal sales growth over the past year was led by gasoline stations, up 38.5 percent year-to-date, food and drinking services (+24.3 percent), miscellaneous stores (+22.6 percent), and clothing retailers (+13.6 percent). Two retail categories posted a contraction in sales year-over-year including motor vehicles and parts dealers and sports and hobby stores. Inflation, historically low consumer sentiment, and slowing economic activity are expected to dampen real retail sales growth through the year. While resurging sales at food and drinking establishments will partially offset downward pressure from other sectors, durable goods categories could experience softening with persistent supply-chain disruptions, rising interest rates, and the waning effects of fiscal stimulus.

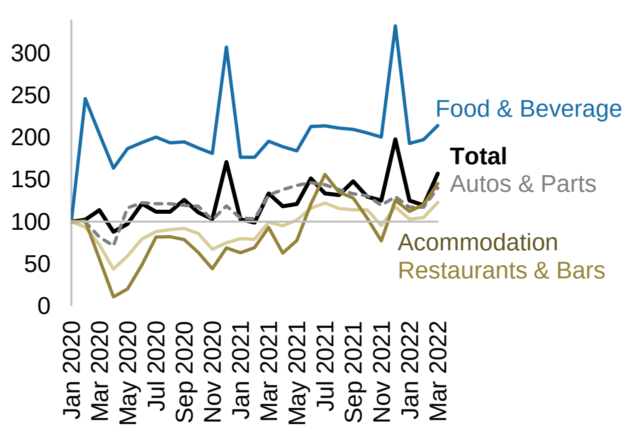
**Figure 13**
**U.S. New Vehicle Sales**
*Thousands of Units*




*Source: U.S. Bureau of Economic Analysis, Supplemental Estimates. Seasonally-adjusted annual rates through April 2022.*

**Retail sales activity indicates consumer spending in Colorado remains strong.** Colorado's nominal retail sales started the year up nearly 18 percent year-over-year in March, and nearly 20 percent year to-date, well above regional price inflation over the past year. Retail sales have continued to climb steadily since the pandemic-induced recession (Figure 14). In March, retail sales were about 60 percent higher than pre-pandemic levels recorded in January 2020. Retail sales have been bolstered by increased travel and a return to many taxable services that were suppressed during the pandemic, including restaurants, hotels, event venues, and recreational activities. Each of these industries has sustained sales activity above pre-pandemic levels since late 2021.

**Figure 14**
**Colorado Retail Sales**
*Index January 2020 = 100*




*Source: Colorado Department of Revenue. Data are not seasonally adjusted and are through March 2022.*

Typically, retail trade comprises about half of the state's retail sales activity. Through the first quarter of 2022, growth in the state's retail trade softened, increasing by 11 percent year-to-date. Notably, motor vehicles and parts sales slowed in the state after surging nearly 21 percent in 2021. Through the first three months of the year, motor vehicles and parts sales were up 6.4

percent year-to-date. Slower growth was also recorded for food and beverage stores that had surged during the pandemic as consumers substituted home consumption for restaurant dining. However, sales at gasoline stations were up more than 46 percent year-to-date on the heels of rapid gas prices increases.

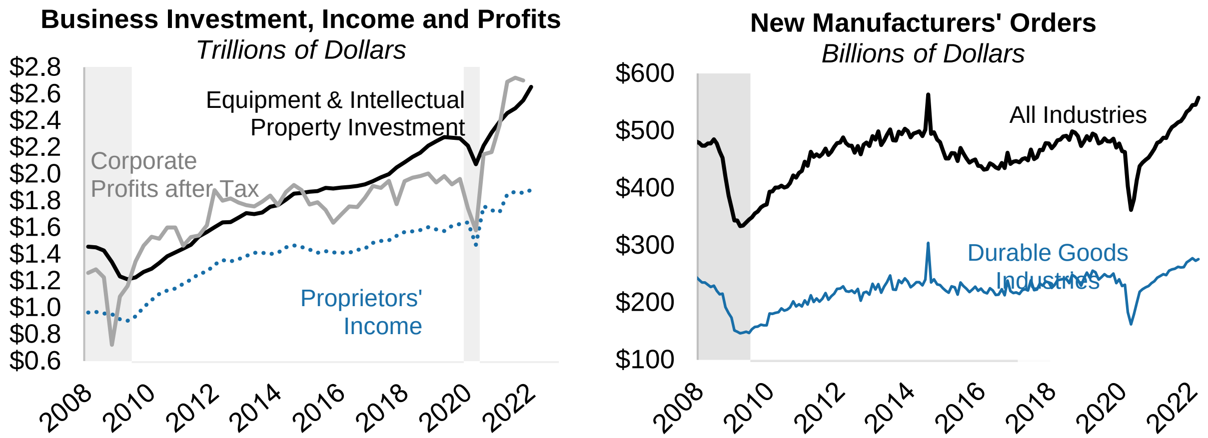
**Year-ahead household spending expectations strong.** According to the New York Fed's Survey of Consumer Expectations, year-ahead household spending expectations in the U.S. rose to a series high in April on positive labor market prospects and low job-loss expectations. Additionally, several measures indicated strengthening household financial situations, including stable household income growth and improved optimism about meeting minimum debt payments. On the downside, households experienced tighter credit access compared with a year ago that is expected to continue in the year ahead. Households' inflation expectations were mixed in the most recent survey. While the survey found that year-ahead inflation expectations dropped to 6.3 percent from 6.6 percent in March, expectations about inflation over a three-year horizon rose 0.2 percentage points to 3.9 percent.

**Consumer activity expected to improve through the forecast period.** Consumer activity in Colorado is expected to improve over the forecast period despite current headwinds. Nominal sales growth, however, could mask inflationary pressures that erode gains in real spending activity. Over the year ahead, consumers will need to adjust to waning federal stimulus, higher interest rates, inflation, and continued supply chain disruptions. While risks related to the pandemic are fading, the conflict in Ukraine, asset prices, and inflation pose downside risks to the forecast. Additionally, persistently low consumer sentiment is also a downside risk that could begin to dampen household spending behavior.

## Business Activity

While business activity has surged above pre-pandemic levels according to most indicators, supply chain disruptions, labor shortages, geopolitical instability, and historically high input prices threaten business activity in 2022. Rising wages and prices will erode business profits in the year ahead, while obstructed supply chains will stall production activity. Business incomes, including corporate profits and nonfarm proprietors' incomes, climbed to record highs in 2021 (Figure 15, left). Business investment in equipment and software also climbed in 2021, signaling ongoing business growth and development through the end of the calendar year. The recovery in business activity from the pandemic-induced recession has been uneven across industries. Goods-based industries, including domestic manufacturing, accelerated rapidly on strong demand, while many service industries—namely, tourism, travel, and in-person leisure and hospitality industries—continue to lag.

**Figure 15**
**Selected U.S. Indicators of Business Activity**



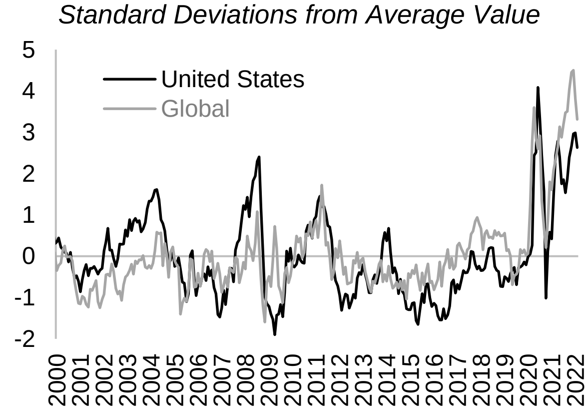

Source: U.S. Bureau of Economic Analysis. Data through the first quarter of 2022.

Source: U.S. Census Bureau. Data through March 2022.

**Supply chain distributions and labor shortages will slow business growth in 2022.** Supply-chain disruptions will continue to threaten growth for many industries in 2022 as pandemic-related shutdowns stall deliveries and slow manufacturing activity across the globe. While pandemic-related distortions are easing as COVID cases fall across the globe, the war in Ukraine poses new challenges and uncertainties. Earlier this year, the Federal Reserve Bank of New York published an index of U.S. and global supply chain pressures (Figure 16). Both U.S. and global indices had remained elevated through February, prior to the Russian invasion of Ukraine.

**Domestic manufacturing activity remains strong on elevated demand for goods.** Spurred by pandemic-related shifts toward goods consumption, manufacturing activity remains strong nationally and in the Colorado region. Yet, supply chain disruptions and labor shortages are constraining production activity for many goods and threaten industry profits and growth. The Federal Reserve Bank of Kansas City produces a monthly manufacturing index for the Tenth District region, which includes Colorado and several surrounding states. The index is based on surveys of manufacturers and is a diffusion index, representing the share of respondents reporting increases or reductions in various indicators of manufacturing activity. The composite index combines indicators to provide an overall picture of manufacturing activity. The April 2022 release suggests an ongoing expansion at index highs (Figure 17).

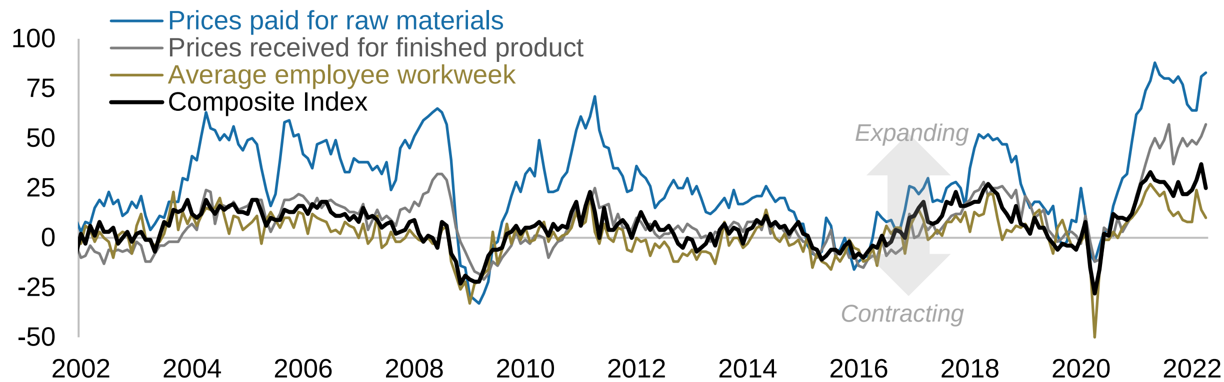
**Figure 16**
**Global Supply Chain Pressure Index**
*Standard Deviations from Average Value*




Source: Federal Reserve Bank of New York. Data are through February 2022.

All subcomponents of the index suggest an expansion in activity as well as mounting price pressures, including an ongoing lengthening of the average hourly workweek. The vast majority of survey respondents indicated price pressures for raw inputs, and many manufacturers report increasing prices on final goods.

**Figure 17**
**Tenth District Manufacturing Index**
*Diffusion Index*




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

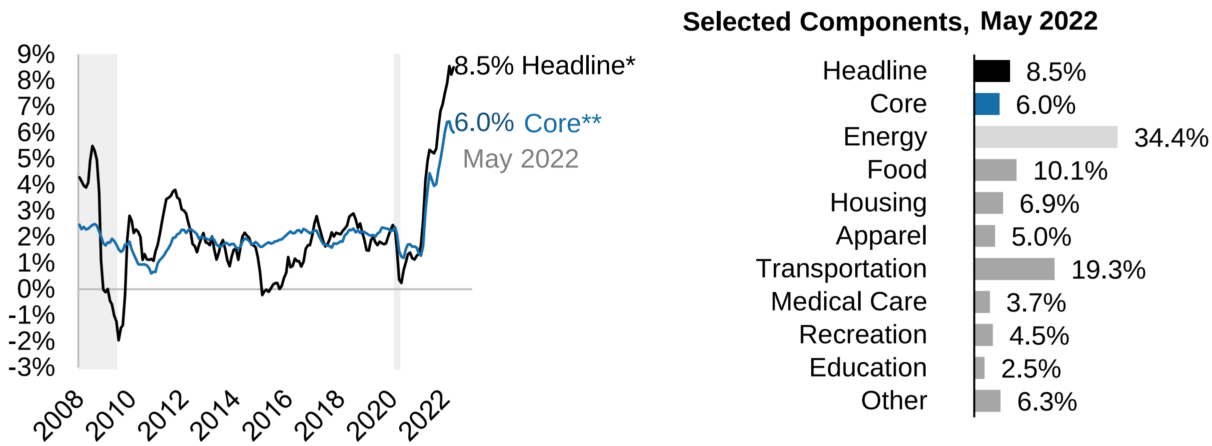
**Service sectors expected to see gains as the pandemic eases, though challenges remain.** As pandemic-related restrictions ease further in the months ahead, and on low COVID-19 case counts, the service sector is expected to see additional gains for industries most impacted by the pandemic, including restaurants and bars, hotels, travel, and arts and recreation industries. Yet, challenges remain for these industries, including labor shortages, the risk of future surges in COVID-19 cases, and high fuel prices, which are expected to dampen consumer spending and travel activity.

**Business dissolutions and new business filings in Colorado.** The pandemic has taken a toll on many businesses in the state, with data from the Secretary of State's Office indicating that business dissolutions accelerated in the fourth quarter of 2021. Dissolutions totaled 40,413 in 2021, up 7.7 percent above year-ago levels. The rise in dissolutions is not necessarily a leading indicator of what is to come, but instead a reflection of the recent recession and ongoing pandemic; a spike in dissolutions lagged the end of the Great Recession by over a year.

## Monetary Policy and Inflation

**Inflationary pressures are mounting.** Prices continue to rise across the United States and the rest of the world. As measured by the U.S. city average consumer price index (CPI-U), the average change in the price of goods and services faced by consumers has reached levels not seen since the early 1980s. Energy and transportation prices drove the most daunting price increases for the nation in May 2022, the most recent data available, while food, shelter, and apparel prices are likewise up substantially over 2021 levels. As shown in Figure 18, prices have accelerated steadily from the pandemic trough of about 0.25 percent in May 2020. In May 2022, headline inflation was 8.5 percent, meaning that on average consumer prices in May 2022 were 8.5 percent higher than they were in May 2021. Core inflation, which excludes energy and food prices, was 6.0 percent, down slightly from March and April rates.

**Figure 18**
**U.S. City Average 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. **Core inflation excludes food and energy prices.*

**What's driving inflation?** In recent months, inflation has been driven by four main factors:

- **Higher energy prices.** Energy prices are the most volatile inflationary component. Gasoline prices rose from historical lows in 2020 to historical highs in 2022, as rising global demand for crude oil clashed against supply disruptions, especially since the February invasion of Ukraine, and transportation difficulties. For more information, see the energy section on page 58.

- **Higher global demand for goods.** As the economy has recovered from pandemic lows, consumer activity has rebounded—until recently driven primarily by spending on goods as spending on services recovered more slowly. Unprecedented federal fiscal stimulus and low interest rates supported significant consumer activity and borrowing.

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

- **Geopolitical tensions.** The invasion of Ukraine has spurred additional inflationary pressures. The conflict further disrupted supply chains, and international sanctions placed on Russia have constrained the supply of certain goods. Most notably, the prices of oil, gas, and agricultural commodities, such as wheat and sunflower oil, spiked in the wake of the invasion.

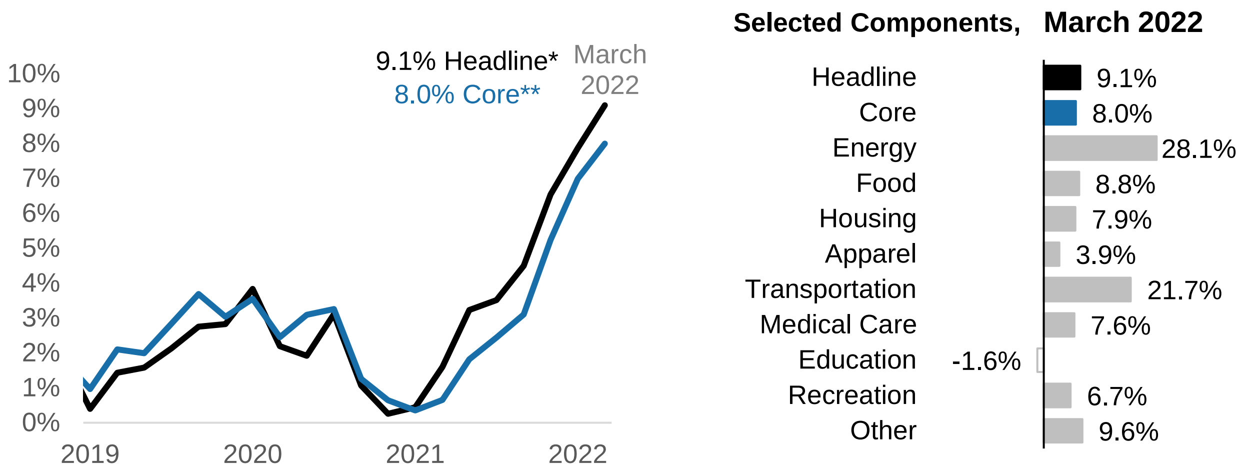
**How long will inflationary pressures last?** Some price pressures are still expected to be temporary, although more persistent than previously forecast. Supply chain disruptions are expected to persist well into 2022, maintaining elevated price pressures in the transportation component due to high gasoline and vehicle prices in particular. These pressures are expected to eventually decline, as supply chains diversify, production and manufacturing activity increases to meet demand, and the impact of the pandemic continues to soften. Additionally, demand pressure may abate as many consumers are expected to delay or shift their consumption activity in response to high prices for fuel and other goods, such as vehicles and trucks, and as services activities continue to normalize. The war in Ukraine raises risks to the inflation outlook, with damage to infrastructure in the area and the impact of sanctions on the global economy likely to outlast the on-the-ground conflict.

- Headline inflation for U.S. urban consumers is expected to rise by 7.7 percent in 2022 and 4.4 percent in 2023. Similarly, headline inflation in the Denver-Aurora-Lakewood combined statistical area is forecast at 7.9 percent in 2022 and 4.6 percent in 2023.

**Additional monetary policy tightening expected throughout 2022.** In response to accelerating inflation and its unexpected persistence, members of the Federal Open Market Committee of the Federal Reserve System have begun tightening monetary policy. The Federal Reserve increased its benchmark interest rate, the federal funds rate, by a combined 1.50 percentage points across three hikes in March, May, and June. The Federal Reserve is expected to increase this rate several more times throughout 2022. Additionally, the Federal Reserve has begun tapering asset purchases. As a result, short- and longer-term interest rates are expected to continue to rise in 2022, raising the cost of borrowing, tempering demand, and, in turn, helping to ease inflationary pressures. There is significant uncertainty regarding when these changes will begin to ease price pressures, and whether the Federal Reserve can engineer a soft landing amidst supply chain disruptions and shifting geopolitical tensions. Rapid tightening in monetary policy raises new demand-side risks as access to credit for would-be borrowers, including homebuyers, becomes scarce. Inflation is expected to remain well above the Federal Reserve's target of 2 percent into 2023.

**Colorado inflationary pressures exceed the national average in early 2022.** After remaining below the national average for all of 2021, Colorado's inflation rate began to exceed the national rate in January 2022. Figure 19 shows the recent path of inflation as measured by the Denver-Aurora-Lakewood CPI-U index and inflation among select components. In March 2022, headline inflation reached 9.1 percent, while core inflation reached 8.0 percent. Food, energy, and housing prices have been the driving force behind inflation in recent months. Of note, housing inflation remained below its historical average for much of 2020 and 2021, despite especially strong home price appreciation. It appears that these double digit price increases have begun to show up in the Denver-Aurora-Lakewood CPI measure, with the housing component increasing 7.9 percent over the twelve months ending in March 2022. Housing is the largest component of the "basket" of goods and services used to calculate the consumer price index, representing 44.4 percent of all components for Colorado (42.4 percent for the U.S. city average index). The recent changes in monetary policy will likely put downward pressure on the housing market. However, home price appreciation is expected to remain strong throughout 2022 and to put upward pressure on overall inflation.

**Figure 19**
**Denver-Aurora-Lakewood Consumer Price Index (CPI-U) Inflation**
*Percent Change in Prices, Year-over-Year*




*Source: U.S. Bureau of Labor Statistics. A bi-monthly series of Denver-Aurora-Lakewood CPI data became available starting in 2018. *Headline inflation includes all products and services. **Core inflation excludes food and energy prices.*

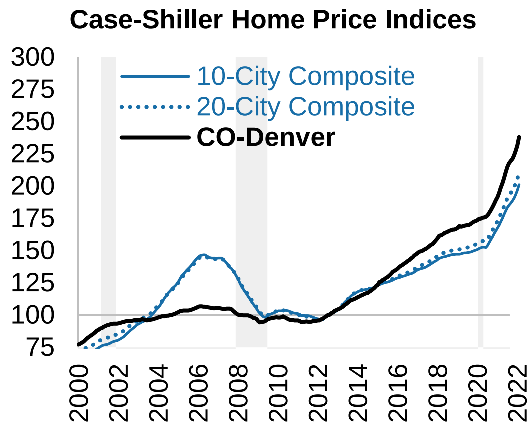
## Real Estate and Construction Activity

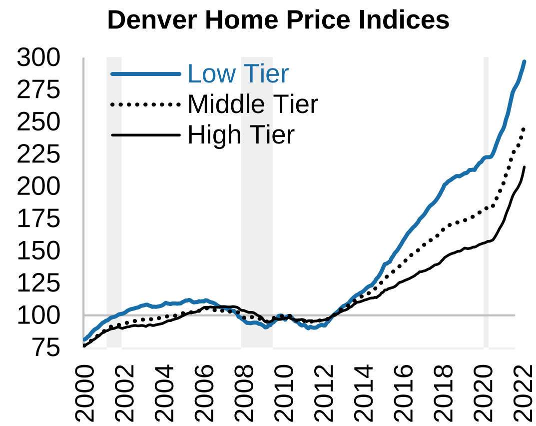
**Residential real estate remains strong, but key industry indicators are signaling a slow pull back.** Housing prices around the country skyrocketed in 2021, a product of high household savings, low interest rates, demographic contributors, pandemic distortions, and demand that has substantially outstripped supply. Many homebuyers accumulated considerable savings during 2020, when opportunities for discretionary spending were choked by public health restrictions. This, along with pandemic-inspired relocations, has increased competition for national housing stock limited by rising construction costs and supply chain disruptions, exacerbated by several years of home starts lagging household growth. The impacts of those supply and demand mismatches on the housing market have been severe. The Case-Shiller 20-city composite home price index increased by 21.2 percent over the 12 months ending in March 2022, considerably outpacing even the fastest periods of home price appreciation during the 2000s (Figure 20, left).

Colorado's home prices are likewise soaring, by an average of 20.3 percent in 2021, slightly outpacing national rates of appreciation. In Denver, increases have been fairly consistent across homes priced at different levels (Figure 20, right). While real estate values have surged statewide, the Federal Housing Finance Agency reports the fastest rates of appreciation in Pueblo (+25.2 percent), Colorado Springs (+23.3 percent), and Grand Junction (+22.1 percent), compared with slower rates of growth in Boulder (+16.7 percent), Fort Collins (+18.7 percent) and Greeley (+17.9 percent) over the year ending in the first quarter of 2022.

However, record high home prices and rising mortgage rates have started to indicate a slowdown in leading industry indicators. According to the Census Bureau the number of new homes sold in the U.S. declined by almost 17 percent from March to April of this year, the third consecutive month.

**Figure 20**
**Selected Home Price Indicators**
*Index 100 = July 2012*




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

Home price appreciation is expected to slow during the forecast period, as supply chain issues are resolved, homebuilding increases, the savings glut is spent down, and interest rates rise. After reaching a record low of 2.7 percent in December 2020, rates for a 30-year fixed mortgage have seen a dramatic rise since December 2021, reaching 5.3 percent in May 2022. High home prices coupled with rising borrowing costs are expected to squeeze many would-be homebuyers, especially first-time buyers, out of a wide array of markets across the United States. In Colorado, housing affordability is eroding even in previously affordable communities, and high housing costs are expected to shape net migration in the state.

After booming in 2020 and 2021, single family homebuilding in Colorado is showing signs of slowing down. After increasing nearly 20 percent in 2020 and another 3.5 percent in 2021, homebuilders pulled 10,600 single family permits in the first quarter of 2021, down 1.8 percent from the same period one year earlier. Multifamily homebuilding, however, continued its ascent, with builders pulling permits to construct nearly 9,500 multifamily units in the first quarter of 2022, an increase of 51.8 percent from the same quarter in 2021. Low apartment vacancy rates and rising rents continue to drive demand for multifamily permits.

Builders face considerable headwinds in responding to strong price growth and low inventory, including construction supply chain disruptions; a shortage of skilled labor; and increasing lumber and materials costs. Lumber prices were nearly three times pre-pandemic levels in May 2022, pushed up on increased demand as people working from home seek to remodel. Home losses from the Marshall Fire in late December, as well as losses from natural disasters in other states, are expected to compound these pressures on home construction costs and exacerbate the existing backlog of pandemic-related delays in homebuilding.

- Builders have responded to strong price growth and low inventory. Residential construction activity is expected to remain at elevated levels, growing by 2.7 in 2022, and contracting by 2.2 percent in 2023.

**Nonresidential construction activity faces an uphill climb.** Nonresidential construction activity peaked at the start of the pandemic and quickly receded, contracting by 7.0 percent between February 2020 and December 2021. Declines in activity were broad-based, with education, office, lodging, and recreational projects all sustaining large hits that have not yet reversed. Both public and private investors have pulled back, though public investment appears poised to accelerate following adoption of the federal Infrastructure Investment and Jobs Act (IIJA). Commercial construction has been a relative bright spot, up 16.8 percent in 2021, after bottoming out in December 2020.

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

- The value of nonresidential construction starts in Colorado is expected to grow by 9.7 percent in 2022 before contracting 4.0 percent in 2023 and rebounding by 9.3 percent in 2024.

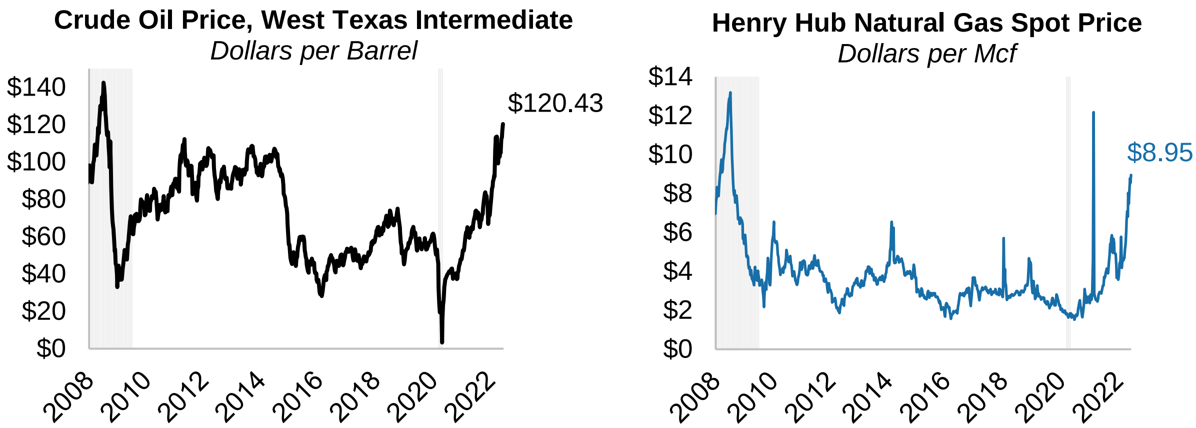
## Energy Markets

**Inadequate supply and geopolitical tensions spur energy price increases.** The COVID-19 pandemic, and now the war in Ukraine, have sent shockwaves through energy markets, resulting in intense price and production volatility. With initial lockdowns, the onset of the COVID-19 pandemic dramatically reduced demand for oil and gas, pushing fuel prices down significantly, leading producers to cut production in response. As the economy began to normalize, demand for oil and gas rebounded faster than supply, causing consistent upward price pressure throughout 2021 and early 2022. According to the U.S. Energy Information Administration, global liquid fuel production finally caught up to global consumption in early 2022, which is expected to alleviate some of the price pressure in energy markets.

Prior to the pandemic, the weekly average price of a barrel of West Texas Intermediate crude oil was around $55 (Figure 21, left). The drop in demand pushed prices to a low of $3.32 for the week of April 24, 2020. Following this trough, oil prices have risen rapidly and more-or-less consistently, reaching about $120 per barrel in mid-June 2022. Additionally, the war in Ukraine has caused spikes in the daily price of oil as high as $124. As of May 10, 2022, the U.S. Energy Information Administration forecast the price of oil to remain above $100 per barrel through June 2022 and above $90 through 2023.

Natural gas prices have been similarly volatile in the wake of the COVID-19 recession and war in Ukraine. Prior to the pandemic, natural gas prices hovered around $2.51 per million BTU. By June 2020, prices had fallen to $1.63 per million BTU. Following this decline, prices have generally been on the rise, reaching $8.95 per million BTU as of the week of June 10, 2022 (Figure 21, right).

**Figure 21**
**U.S. Energy Prices**




*Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted. Oil price data are through the week of June 17, 2022; natural gas price data are through the week of June 10, 2022.*

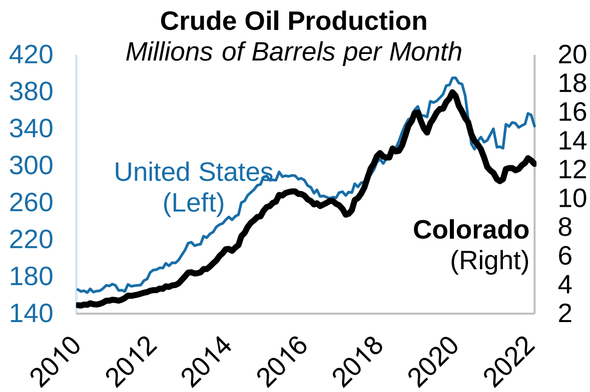
The price of gasoline has likewise skyrocketed in 2022 (Figure 22). Average gasoline prices fell below $2.00 per gallon in April 2020 as demand for oil and gas collapsed amid COVID-19 restrictions. Since this trough, prices rose consistently in 2021 before increasing dramatically in 2022, reaching an average price of $4.62 per gallon by the end of May. High energy prices impact consumers at the gas pump, but also result in higher consumer prices more broadly since oil and gas are inputs for nearly all goods and services.

**Oil and gas production remain below pre-pandemic levels.** Oil and gas production in both the U.S. and Colorado declined at the onset of the COVID-19-related recession in early 2020 (Figure 23, left). Nationally, oil and gas production leveled off in mid-2020, while production in Colorado continued to decline through early 2021. Production of oil in both the U.S. and Colorado has rebounded, but remains well below pre-recession levels. According to the Energy Information Administration, natural gas production will reach pre-recession levels in the third quarter of 2022, while oil production is not expected to fully recover until the third quarter of 2023. The number of active oil and gas drilling rigs in Colorado fell from over 20 before the recession to a low of 4 in November 2020, but has rebounded to 15 in May 2022 (Figure 23, right).

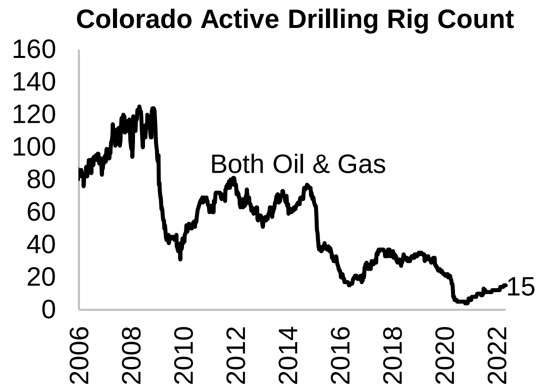
**Figure 22**
**U.S. Regular Gasoline Price**
*Dollars per Gallon*


*Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted. Gasoline price data are through the week of May 30, 2022*

**Figure 23**
**Select Energy Market Indicators**




*Source: U.S. Energy Information Administration. Data are shown as a three-month moving average and are not seasonally adjusted. Data are through February 2022.*




*Source: Baker Hughes. Data are not seasonally adjusted. Data are through May 2022.*

## Global Economy and International Trade

Inflationary concerns, ongoing supply chain disruptions, and the war in Ukraine are weighing on the global economic outlook, while concerns about the lingering effects of the pandemic on economic disparities, poverty, and economic development persist. Global economic growth is expected to slow through the forecast period.

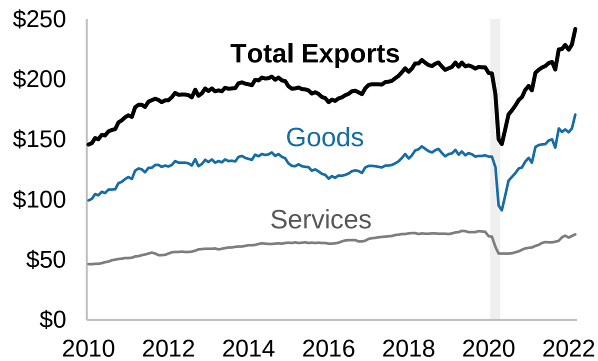
**The International Monetary Fund continues to downgrade its global outlook.** The International Monetary Fund (IMF) revised its 2022 forecast for global economic output downward in April as the war in Ukraine escalated and China continued to respond to COVID-19 outbreaks with strict lockdowns. The IMF revised its outlook for 2022 and 2023 downward by 0.8 percentage points and 0.2 percentage points, respectively, and is projecting 3.6 percent growth each year. The global economy continues to be challenged by lingering effects of the pandemic, inflation, and supply-chain disruptions that have been exasperated by the war. The IMF projected the Ukrainian economy will contract by 35 percent in 2022. Likewise, Russia's economy will shrink by 8.5 percent as a result of economic sanctions. Beyond the direct impacts of the war and sanctions, both countries are significant contributors to global wheat, corn, energy, noble gases, and metals commodities that have tangibly elevated concerns about food and energy security, inflation, and production in many of the world's markets. The IMF notes that for many countries, the flexibility for fiscal responses to these challenges is muted following the pandemic. Further, persistent inflationary pressures could force strong monetary policy responses that could also constrain growth.

The IMF continues to view risks to the forecast as weighted to the downside, and notes renewed uncertainty in the face of geopolitical challenges. Among previous risks identified by the IMF, the organization noted heightened concern in credit markets, along with the risk of permanent fragmentation of cross-border payment systems, reserve currencies, and other disruptions to the global financial system due to the war. Continuing downside risks included inflation, pandemic resurgence, and slowing growth in China.

**Slower economic growth and the war in Ukraine expected to weigh on trade.** In April, the IMF reduced further its 2022 outlook for global trade, revising growth expectations down 1.0 percentage point to 5.0 percent. Global output and trade typically move hand-in-hand, with slower output translating to fewer imports and exports of goods and services. The agency also noted that trade in services remains sluggish, largely due to subdued tourism. Additionally, trade in goods will be slower than anticipated due to the impacts of the war. Currently, the IMF expects spillover from the war will be isolated for the most part to products and services traded with Ukraine and Russia. Over the longer term, the agency continues to expect more moderate demand for goods despite the war, representing a return to trend after pandemic related spikes. More moderate trade in goods should be offset somewhat by a return to trade in services.

**U.S. trade volume rises rapidly through April 2022.** U. S. trade volumes improved over the latter half of 2021 and ended the year up 22 percent according to data from WiserTrade. Through April 2022, the nation continued to post rapid growth in the dollar value of both exports and imports of goods, up 19 percent and 22 percent year-to-date, respectively. Trade volumes rose in part from transactions with Canada and Mexico, with exports up nearly 18 percent, and imports up 25 percent year-to-date through April. Trade with both countries is headed by commodities related to motor vehicles and energy, both of which have experienced rapid price increases over the past year. Crude oil is the nation's largest imported commodity, and about 60 percent comes from Canada. The dollar value of imports of Canadian crude oil was up nearly 81 percent year-to-date in April 2022, largely due to coinciding price increases. In the face of commodity shortages, businesses reportedly stocked up on key inputs in anticipation of further disruptions. Despite COVID lockdowns in China, imports from the country were up more than 19 percent through the first four months of the year, led in part by electronic products.

**Figure 24**
**U.S. Monthly Exports**
*Billions of Dollars*




*Source: U.S. Bureau of Economic Analysis (balance of payments basis). Data are through March 2022 and are seasonally adjusted but not adjusted for inflation.*

**Colorado trade volumes increase along with prices, boosted by exports of tech products and beef.** Like the nation, the dollar value of Colorado's exports and imports rose sharply over the first four months of 2022. Colorado's exports rose more than 19 percent year-to-date, while imports surged by nearly 36 percent. Imports of crude oil were up about 73 percent year-to-date and comprised about one third of the growth in imports over the past year. Like the nation, imports to the state were led by crude oil and electronic products.

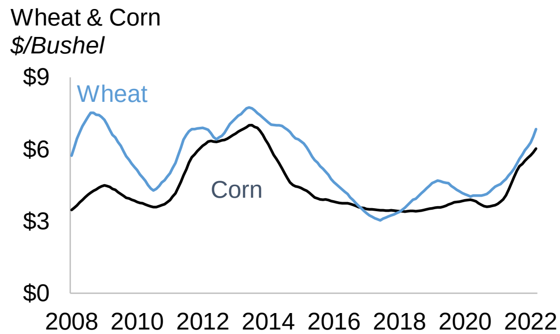
Colorado's exports also increased through the first four months of the year. Colorado benefited from stronger exports of aircraft and other high-tech products, as well as beef and energy products. Exports of aircraft and parts from the state nearly tripled from the first four months of 2021 to the first four months of 2022, comprising more than one-fifth of the increase in exports over the year. Canada, Mexico, China, South Korea, and Malaysia remain Colorado's largest export markets.

## Agriculture

Conditions in Colorado's agricultural economy continue to improve for many producers, although rising input costs weigh on profits, and the persistent drought continues to plague farmers and ranchers throughout the state. Farm income and agricultural credit conditions continued to strengthen in the first quarter in the Federal Reserve's Tenth District, which includes Colorado[2], bolstered by continued strength in agriculture commodity markets and rapid growth in land values, in spite of a slight increase in farm loan interest rates.

**Russian invasion of Ukraine continues to roil agricultural markets.** Turmoil in Ukraine and Russia has multiplied risk in agricultural markets, already disrupted by the pandemic recovery, supply-chain issues, labor shortages, rising costs for farmers, increased demand for renewable fuels, and adverse weather, and is driving further grain price increases, as the region accounts for a significant share of global wheat, corn, and sunflower oil, as well as fertilizer and energy, exports. In April, Colorado corn prices continued to top multi-year highs at $7.12 per bushel, while Colorado wheat reached $9.62 per bushel, the highest price on record going back to 1949 (Figure 25).

**Figure 25**
**Prices Received for Colorado Grain Crops**



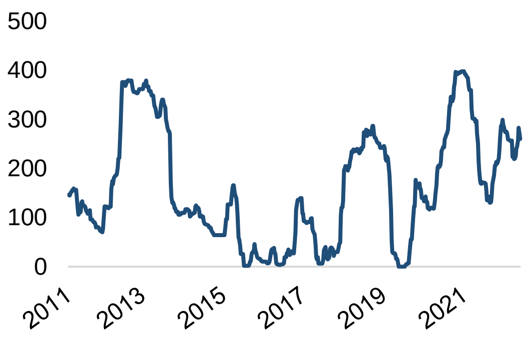

*Source: National Agricultural Statistics Service. Data shown as twelve-month moving averages. Data through March 2022.*

**Crop producers see profit windfall along with higher costs of production.** While higher grain prices are driving higher profits for some crop farmers, livestock farmers will face higher feed prices, and crop farmers will face higher energy and fertilizer costs. Farm production expenses, already on the rise, increased sharply in early 2022, with fertilizer and diesel expenses up 90 percent and 60 percent, respectively, year-over-year in February, and feed expenses up by 15 percent during the same period.

**Grain price increases contribute to food price inflation.** Higher agricultural commodity prices are feeding price inflation for food products, which at 9.4 percent year-over-year in April 2022 is well above longer-term trends. Food-at-home prices are up by 10.8 percent, compared to a 20-year historical average of just 2.0 percent. Prices are increasing rapidly in major categories like cereals, fats and oils, and meat, poultry, and fish, as well as in smaller categories such as pet food. A nationwide outbreak of highly pathogenic avian influenza has impacted almost 40 million birds and reduced the U.S. egg-layer flock, driving a 22.6 percent year-over-year increase in egg prices. Because consumers purchase food more frequently than other products, price increases in these products can significantly impact inflation expectations as well as household budgets.

[2] 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.

**Figure 26**
**Drought Severity and Coverage Index, Colorado**




*Source: U.S. Drought Monitor. Data through May 31, 2022.*

**Drought conditions continue.** Drought conditions statewide are little changed on balance over the past three months, with improved conditions along the front range offset by deteriorating conditions in the northeastern plains and throughout the southern part of the state. According to the U.S. drought monitor, 83.5 percent of the state was in moderate to extreme drought on June 7, 2022, with 13 percent of the state in the extreme or exceptional drought categories. The Drought Severity and Coverage Index (DSCI) is one measure of drought levels in Colorado, with values ranging from 0 to 500, and higher values indicating more of the state is in the worst stage of drought. As shown in Figure 26, Colorado's drought conditions are substantially improved from early 2021, which was a period of severe drought conditions compared to historical standards, but remain worse than in most years since 2013.

## Summary

The Colorado and national economies continue to expand, with healthy employment gains and improving consumer spending indicating continued growth. The labor market has recovered in record time relative to prior recessions, and the national and state unemployment rates are in retreat. However, the economic outlook has worsened since March 2022. While risks associated with a resurgent COVID-19 pandemic have receded, high inflation and the attendant, increasingly forceful, monetary policy response have emerged as primary threats to the economic expansion. Inflationary pressure has diverse causes, including pent-up demand, a household savings glut, supply chain challenges, tight labor markets, and, most recently, energy and food market disruptions associated with the war in Ukraine. Their combined effect is erosive to household finances, wiping away income gains for many, while posing challenges for business hiring and investment. The coming months will illuminate the inflation response to monetary policy, as well as any persistent impacts for households and businesses. This forecast anticipates continued, slowing, expansion, but the path forward has become more tenuous.

## Risks to the Forecast

Several factors could result in either stronger or weaker economic activity than forecast. Risks to the forecast remain elevated and skewed to the downside with evolving monetary policy, the war in Ukraine, and ongoing pandemic-related uncertainty.

**Downside risks.** The war in Ukraine continues to pose a sizable risk for increased inflation and reduced economic activity. Tight labor markets and high commodity prices may provide the kindling for a wage-price spiral that could result in even stronger and more durable inflation than forecast. In this instance, more aggressive monetary policy tightening is likely, which could strangle economic growth. Anticipation of monetary policy missteps elevates the risk of financial market instability, dampening economic activity. The pandemic's trajectory remains a risk to economic activity. Overseas lockdowns and additional business closures could exacerbate supply chain disruptions, and elevated health concerns could dampen in-person service industry activity. Finally, unusual weather patterns, including persistent drought and related natural disasters such as wildfires, have become more frequent and pose geographically specific threats to impacted areas. They also pose potential systemic threats to real estate, insurance, and finance industries depending on their severity.

**Upside risks.** A resolution to the war in Ukraine and an accompanying drop in commodity prices pose an upside risk to the forecast. Additionally, a near-term post-pandemic boom in spending on services could stimulate business expansion and boost economic growth more than expected. Similarly, sooner-than-expected easing in supply chain disruptions or faster-than-expected resolution of labor market imbalances could enable a stronger economic recovery than expected. Over the longer term, pandemic-related shifts toward remote work, technological change, and simpler, more localized supply chains could result in stronger productivity gains and economic growth.

**Table 18**
**National Economic Indicators**

| Calendar Years | 2017 | 2018 | 2019 | 2020 | 2021 | Legislative Council Staff Forecast 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|
| Real GDP (*Billions*) [1] | $18,079.1 | $18,606.8 | $19,032.7 | $18,384.7 | $19,427.3 | $19,893.5 | $20,311.3 | $20,697.2 |
| Percent Change | 2.3% | 2.9% | 2.3% | -3.4% | 5.7% | 2.4% | 2.1% | 1.9% |
| Nonfarm Employment (*Millions*) [2] | 146.6 | 148.9 | 150.9 | 142.1 | 146.1 | 151.6 | 155.0 | 158.1 |
| Percent Change | 1.6% | 1.6% | 1.3% | -5.8% | 2.8% | 3.8% | 2.2% | 2.0% |
| Unemployment Rate [2] | 4.4% | 3.9% | 3.7% | 8.1% | 5.4% | 3.6% | 3.4% | 3.3% |
| Personal Income (*Billions*) [1] | $16,850.2 | $17,706.0 | $18,424.4 | $19,627.6 | $21,092.8 | $21,873.2 | $23,076.3 | $24,183.9 |
| Percent Change | 4.7% | 5.1% | 4.1% | 6.5% | 7.5% | 3.7% | 5.5% | 4.8% |
| Wage and Salary Income (*Billions*) [1] | $8,474.7 | $8,900.5 | $9,323.5 | $9,444.1 | $10,343.8 | $11,254.1 | $11,963.1 | $12,549.2 |
| Percent Change | 4.7% | 5.0% | 4.8% | 1.3% | 9.5% | 8.8% | 6.3% | 4.9% |
| Inflation [2] | 2.1% | 2.4% | 1.8% | 1.2% | 4.7% | 7.7% | 4.4% | 3.0% |

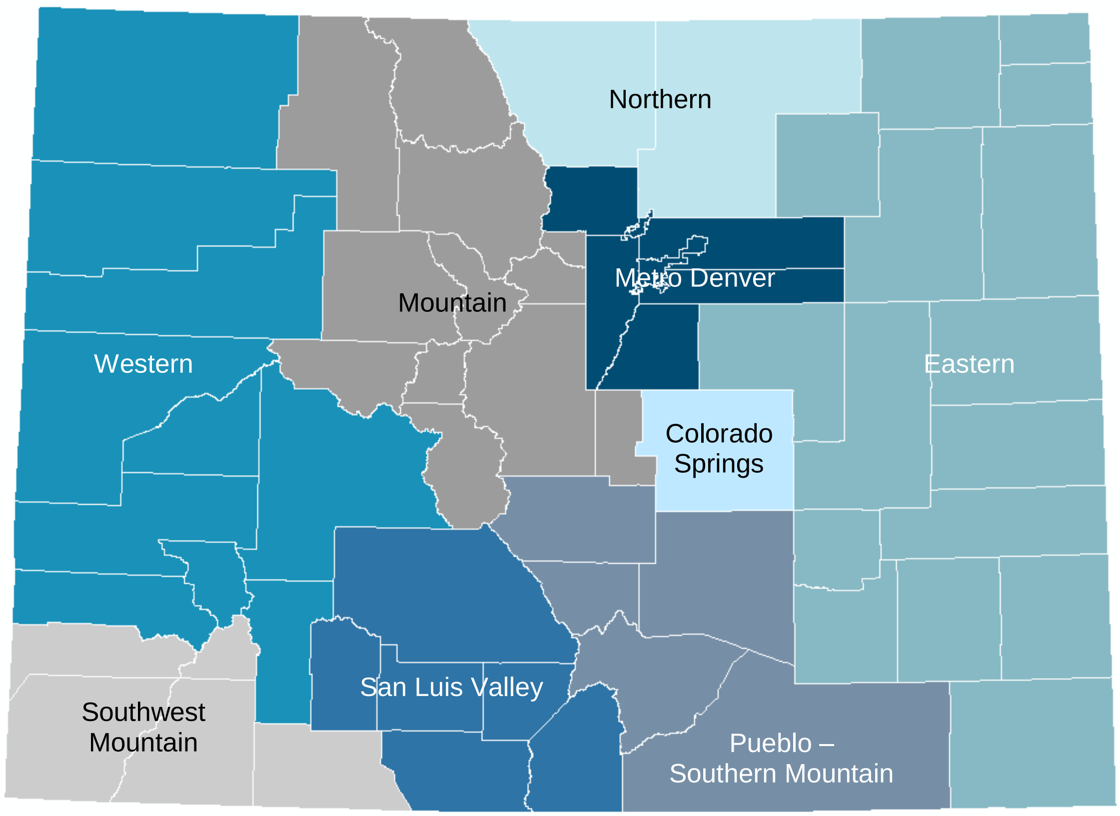
*Sources*
*[1]U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation and shown in 2012 dollars. Personal income and wages and salaries not adjusted for inflation.*
*[2]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).*

**Table 19**
**Colorado Economic Indicators**

| Calendar Years | 2017 | 2018 | 2019 | 2020 | 2021 | Legislative Council Staff Forecast 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|
| Population (*Thousands, as of July 1*) [1] | 5,617.4 | 5,697.2 | 5,758.5 | 5,773.7 | 5,812.1 | 5,876.0 | 5,946.5 | 6,017.9 |
| Percent Change | 1.3% | 1.4% | 1.1% | 0.3% | 0.7% | 1.1% | 1.2% | 1.2% |
| Nonfarm Employment (*Thousands*) [2] | 2,660.0 | 2,726.9 | 2,790.0 | 2,651.3 | 2,745.3 | 2,857.9 | 2,917.9 | 2,973.3 |
| Percent Change | 2.2% | 2.5% | 2.3% | -5.0% | 3.5% | 4.1% | 2.1% | 1.9% |
| Unemployment Rate [2] | 2.6% | 3.0% | 2.6% | 6.9% | 5.4% | 3.5% | 3.2% | 3.2% |
| Personal Income (*Millions*) [3] | $309,658 | $331,955 | $350,390 | $370,392 | 401,123 | $417,168 | $440,946 | $462,553 |
| Percent Change | 6.9% | 7.2% | 5.6% | 5.7% | 8.3% | 4.0% | 5.7% | 4.9% |
| Wage and Salary Income (*Millions*) [3] | $160,963 | $170,904 | $182,944 | $187,128 | 205,233 | $224,524 | $238,220 | $249,655 |
| Percent Change | 6.5% | 6.2% | 7.0% | 2.3% | 9.7% | 9.4% | 6.1% | 4.8% |
| Housing Permits (*Thousands*) [1] | 40.7 | 42.6 | 38.6 | 40.5 | 56.5 | 58.1 | 56.8 | 57.1 |
| Percent Change | 4.4% | 4.8% | -9.4% | 4.8% | 39.7% | 2.7% | -2.2% | 0.6% |
| Nonresidential Construction (*Millions*) [4] | $6,154.9 | $8,146.4 | $5,166.7 | $5,462.3 | $5,602.9 | $6,146.4 | $5,900.5 | $6,449.3 |
| Percent Change | 2.8% | 32.4% | -36.6% | 5.7% | 2.6% | 9.7% | -4.0% | 9.3% |
| Denver-Aurora-Lakewood Inflation [5] | 3.4% | 2.7% | 1.9% | 2.0% | 3.5% | 7.9% | 4.6% | 3.1% |

*Sources*
*[1]U.S. Census Bureau. 2020 population numbers reflect the 2020 Census, while other numbers reflect July 1 estimates. Residential housing permits are the number of new single- and multifamily housing units permitted for building.*
*[2]U.S. Bureau of Labor Statistics.*
*[3]U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.*
*[4]F.W. Dodge.*
*[5]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index.*
*Note: Legislative Council Staff has discontinued the Colorado retail trade forecast due to data limitations.*

## Colorado Economic Regions




### A Note on Data Revisions

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

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

## Metro Denver Region

Of the nine economic regions identified in this forecast, Colorado's diverse seven-county metro Denver region holds the largest share of the state's population, representing more than 60 percent of the state's workers. The impacts of the pandemic and related recession continue to influence the region's labor market. Leisure and hospitality industries remain impacted most, weighing on the rebound to pre-pandemic jobs levels. Reflecting ongoing elevated demand and low inventories, area home prices continue to soar alongside residential construction activity. Nonresidential construction activity ticked up in the second half of 2021 and through the first quarter of 2022. Economic indicators for the region are summarized in Table 20.

**Table 20**
**Denver Metro Region Economic Indicators**
Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties

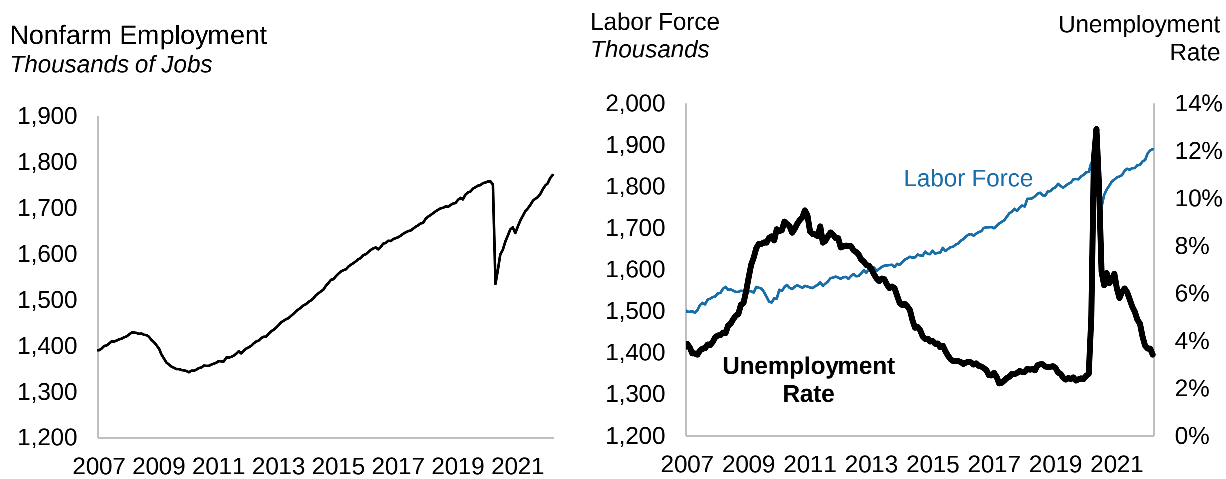
| | 2018 | 2019 | 2020 | 2021 | YTD 2022 |
|---|---|---|---|---|---|
| Employment Growth[1] | | | | | |
| Denver-Aurora-Lakewood MSA | 2.6% | 2.3% | -5.0% | 3.5% | 5.4% |
| Boulder MSA | 2.9% | 2.3% | -5.6% | 3.5% | 6.1% |
| Unemployment Rate[2] | 2.9% | 2.5% | 7.0% | 5.4% | 3.7% |
| Housing Permit Growth[3] | | | | | |
| Denver-Aurora-Lakewood Single Family | 7.9% | -6.1% | 1.5% | 16.3% | 14.2% |
| Boulder Single Family | 15.7% | -9.5% | -6.2% | -34.4% | -48.1% |
| Nonresidential Construction Growth[4] | | | | | |
| Value of Projects | 46.7% | -37.1% | -10.8% | 2.1% | 24.5% |
| Square Footage of Projects | -10.7% | -8.1% | -7.2% | 27.6% | 36.9% |
| Level (*Thousands*) | 17,193 | 15,797 | 14,664 | 18,718 | 6,842 |
| Number of Projects | -18.4% | -11.7% | -0.4% | 13.6% | 10.6% |
| Level | 771 | 681 | 678 | 770 | 292 |
| Housing Market[5] | | | | | |
| Average Sale Price – Single Family | 8.2% | 2.7% | 8.0% | 19.9% | 15.4% |
| Inventory – Single Family | 7.2% | 11.2% | -38.2% | -46.4% | 9.2% |
| Home Sales – Single Family | -5.2% | 5.3% | 7.8% | 1.9% | -8.0% |
| Retail Sales Growth[6] | 4.9% | 8.9% | 0.1% | 17.4% | NA |

MSA = Metropolitan statistical area. NA= not available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through March 2022.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2022.
[3]U.S. Census Bureau. Growth in the number of residential building permits. Data through April 2022.
[4]F.W. Dodge. Data through April 2022.
[5]Colorado Association of Realtors. Data through April 2022.
[6]Colorado Department of Revenue. Data through December 2021.

**Labor market.** After declining 5.0 percent in 2020, nonfarm employment in the metro Denver region continued to recover in 2021, ending the year up 3.5 percent from the prior year. Through March of 2022, employment growth is up 5.5 percent from the same period last year, and job counts exceeded pre pandemic levels (Figure 27, left).

After spiking to 7.0 percent in 2020, the region's average unemployment rate dropped to 5.4 percent in 2021. The unemployment rate has steadily continued to tick down through the first three months of the year, though it remains significantly higher than the pre-pandemic rate of 2.3 percent (Figure 27, right). The number of workers in the labor force (those employed and those seeking employment) exceeded pre-pandemic levels in 2021 and continues to rise, a healthy sign of area labor market improvements. The metro Denver region's diverse economy supports multiple industries, promoting a faster recovery than most other regions in the state and nationally.

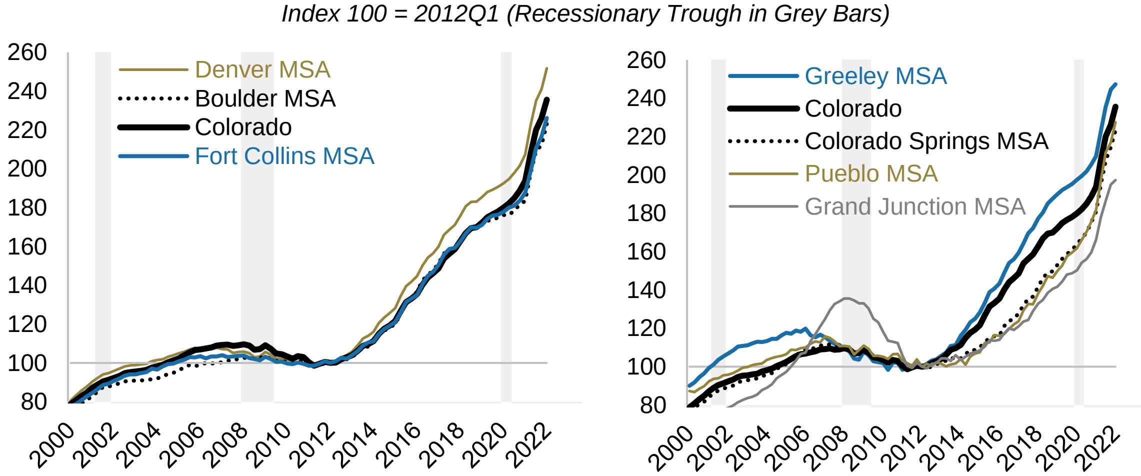
**Figure 27**
**Metro Denver Region Labor Market Activity**




Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted and shown through March 2022.

**Home prices.** Along with other regions of the state, home price appreciation in the metro Denver region accelerated through 2021 and into early 2022 (Figure 28). According to data from the Federal Housing Finance Agency, in the first quarter of the year, home prices were up 21.6 percent over year-ago levels in the Denver-Aurora-Lakewood metropolitan statistical area, and up 21.7 percent in Boulder, slightly outpacing national rates of appreciation of 19.4 percent. Historically low interest rates had propped up demand, while pandemic-related uncertainty had kept homeowners from putting their homes on the market. However, inventories have improved in recent months, and rising interest rates are expected to make purchasing a home more expensive for many buyers. Despite these headwinds, home prices are expected to remain elevated as demand for housing continues to outstrip limited supply.

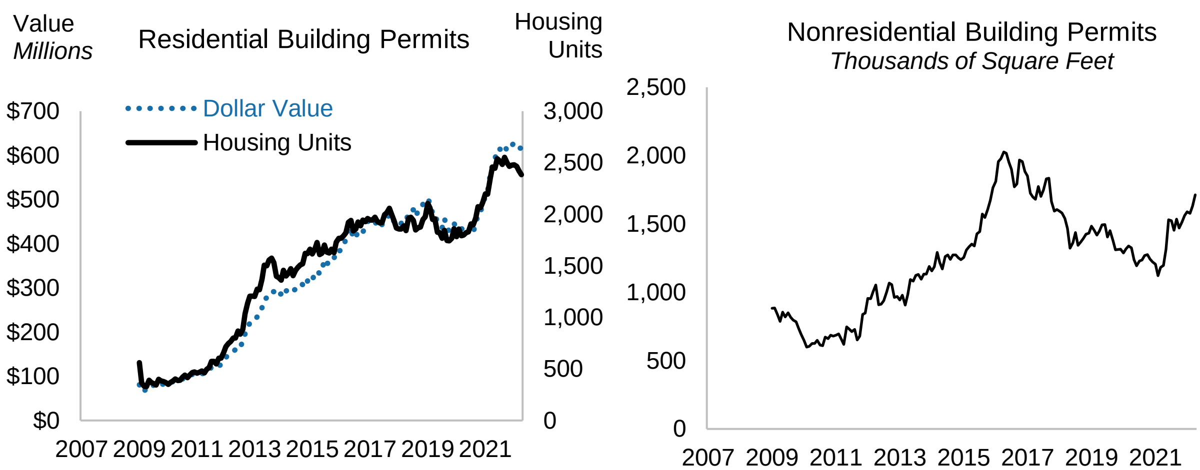
**Figure 28**
**FHFA All-Transaction Home Price Indices**
*Index 100 = 2012Q1 (Recessionary Trough in Grey Bars)*




Source: Federal Housing Finance Agency (FHFA). Data are seasonally adjusted and through 2022Q1.

**Residential construction.** To meet bourgeoning demand, metro Denver residential construction activity continued to accelerate throughout 2021, with permits for single-family homes increasing by 16.3 percent over year-ago levels (Figure 29, left). However, single-family permits in the Boulder MSA continued to decline in 2021, falling 34.4 percent compared to 2020. Residential permits for these areas are expected to continue to slow as rising mortgage rates begin to cause homebuyers to pull back demand for new residential units. In addition, population growth in the region is expected to slow relative to historical rates as housing costs price many families out of the region. Population growth is expected to be concentrated in the suburban and exurban areas of the region that offer relatively more affordable options and are seeing the highest levels of construction activity, including Douglas and Adams counties.

**Figure 29**
**Metro Denver Region Construction Activity**




Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through April 2022.

**Nonresidential construction.** The metro Denver nonresidential building activity continued to improve in 2021 but remained subdued relative to 2016 highs (Figure 29, right). Nonresidential construction activity slowed in Denver and Boulder counties, dragging down region-wide activity in the first half of the year over year-ago levels. The shift toward remote work and the continued business impacts of the pandemic are expected to put downward pressure on demand for commercial real estate in the region, slowing nonresidential construction activity in the years ahead. Future nonresidential building is expected to shift from office space and brick-and-mortar retail establishments to favor nonresidential development that supports e-commerce, such as warehousing space. The impacts of the federal infrastructure bill are expected to contribute to nonresidential construction activity beginning in 2023.

## Colorado Springs Region

The Colorado Springs region encompasses El Paso County, and is home to the state's second-largest city. The regional economy has recovered impressively from the pandemic-induced recession. Nonfarm employment levels surpassed pre-pandemic highs in November 2021, earlier than any other region, and robust job growth has continued since. The region's fast-growing population has contributed to a rapid rise in housing costs, even as construction activity has accelerated. Indicators for the Colorado Springs regional economy are presented in Table 21.

**Table 21**
**Colorado Springs Region Economic Indicators**
El Paso County

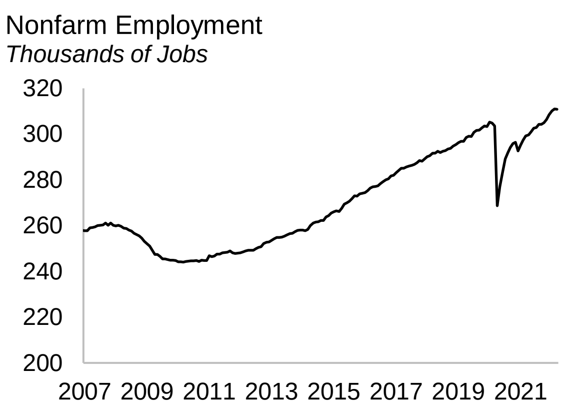
| | 2018 | 2019 | 2020 | 2021 | YTD 2022 |
|---|---|---|---|---|---|
| Employment Growth[1] | | | | | |
| Colorado Springs MSA | 2.2% | 2.5% | -2.7% | 3.5% | 4.5% |
| Unemployment Rate[2] | 3.6% | 3.1% | 6.9% | 5.6% | 3.7% |
| Housing Permit Growth[3] | | | | | |
| Total | 15.4% | -3.8% | 25.7% | 34.7% | 32.3% |
| Single Family | 9.6% | -4.1% | 24.4% | 0.7% | -14.0% |
| Nonresidential Construction Growth[4] | | | | | |
| Value of Projects | 20.9% | 0.5% | 47.1% | 0.0% | -33.5% |
| Square Footage of Projects | 9.3% | 5.3% | 124.5% | -50.0% | -33.9% |
| Level (*Thousands*) | 2,841 | 2,992 | 6,719 | 3,359 | 665 |
| Number of Projects | -1.3% | -31.1% | 16.3% | -28.3% | 37.6% |
| Level | 543 | 374 | 435 | 312 | 150 |
| Housing Market[5] | | | | | |
| Average Sale Price – Single Family | 9.9% | 5.8% | 13.2% | 18.2% | 16.4% |
| Inventory – Single Family | 3.0% | -9.8% | -34.7% | -30.0% | 24.6% |
| Home Sales – Single Family | -5.3% | 1.9% | 6.2% | 4.0% | 1.9% |
| Retail Sales Growth[6] | 9.2% | 6.5% | 8.6% | 18.3% | NA |

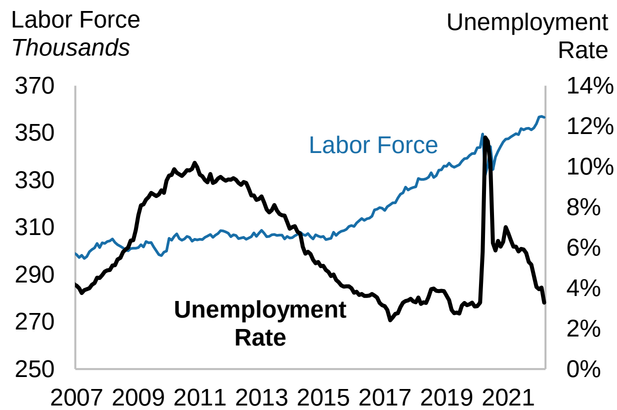
MSA = Metropolitan statistical area. NA= not available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through March 2022.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2022.
[3]U.S. Census Bureau. Growth in the number of residential building permits. Data through April 2022.
[4]F.W. Dodge. Data through April 2022.
[5]Colorado Association of Realtors. Data through April 2022.
[6]Colorado Department of Revenue. Data through December 2021.

**Labor market**. El Paso County is the state's most populous county, and projections from the State Demography Office indicate that its population will grow more quickly than Denver's and the state's over the next five years. Since the start of the pandemic-induced recession, Colorado Springs employers have added jobs at a faster rate than those in other regions (Figure 30, left). While pandemic job losses were severe in all parts of the state, Colorado Springs was relatively well-equipped to weather the storm, as the region's economy relies less on the sectors that were most severely affected – like oil and gas, leisure and hospitality, and tourism – than other regions. Key employers like those in national defense experienced fewer pandemic disruptions to business, while the addition of an Amazon fulfillment center in the summer of 2021 brought more jobs to the region. The region exceeded its seasonally adjusted pre-pandemic employment level in November 2021, three months before any other Front Range metropolitan area, and now has added nearly 6,000 jobs in excess of that level.

The growing population has contributed to a larger labor force (Figure 30, right), which kept the regional unemployment rate elevated even as employers added jobs during 2021. Thus far in 2022, labor force growth has slowed while employment gains have continued apace, causing the seasonally adjusted unemployment rate to plunge from 5.7 percent in September 2021 to 3.3 percent in March 2022. The unemployment rate will level out as employers are increasingly constrained by available labor, and as wages rise.

**Figure 30**
**Colorado Springs Labor Market Activity**



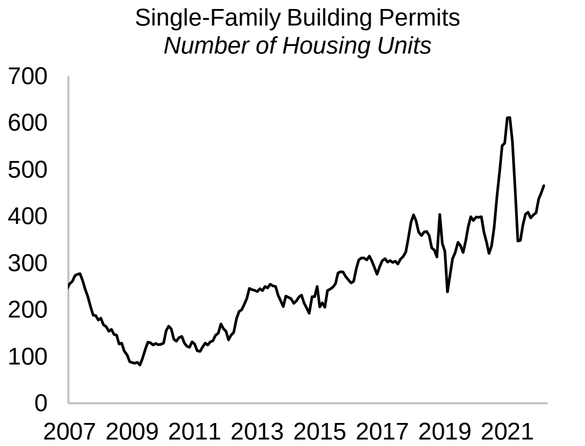

Source: U.S. Bureau of Labor Statistics; CES data (left) and LAUS data (right). Data are seasonally adjusted through March 2022.

**Housing market.** Home prices in Colorado Springs are surging. The Colorado Association of Realtors reports that median single family sale prices in El Paso County reached $489,000 in April 2022, up 15.1 percent in the last year and up by more than $130,000 from April 2020 levels. The average price rose at a faster 16.4 percent rate, relative to year-ago levels. Home prices remain below the statewide median, but the gap has narrowed, particularly for townhouses and condominiums.

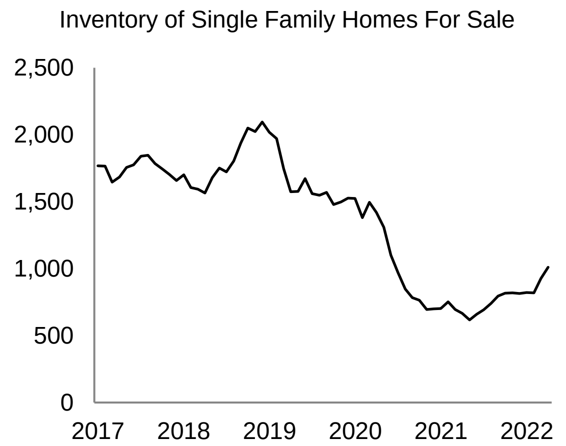
Strong demand is driving sustained growth in residential homebuilding. Permits issued to homebuilders increased by roughly 26 percent in 2020 and 35 percent last year, and are again on pace to post strong gains, up 32.3 percent through April 2022 compared with the same period in 2021. Single family permits are down 14.0 percent year-to-date after posting solid gains the prior two years (Figure 31, left), but strong multifamily activity has more than offset the decrease.

Despite the high levels of new construction, the supply of homes available to buyers remains well below pre-pandemic levels (Figure 31, right). The most important contributor to this change is the speed at which homes are being transacted. The Colorado Association of Realtors reports that single family homes remained on the market for an average of just 11 days in April 2022, versus 31 days in April 2019. Fierce competition among would-be homebuyers signals that demand is outstripping supply, weighing inventory down and pushing prices up even as construction continues apace.

**Figure 31**
**Colorado Springs Residential Construction and Inventory**



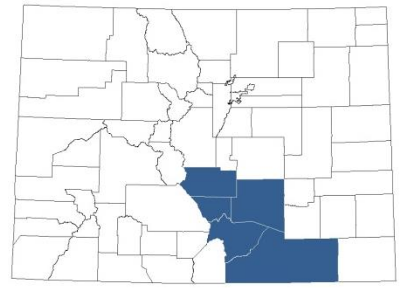

Source: U.S. Census Bureau. Data are shown as three-month moving averages through April 2022.




Source: Colorado Association of Realtors. Data are seasonally adjusted through April 2022.

**Nonresidential construction.** Nonresidential construction activity remains elevated, well above levels of activity observed at any point during the 2010s. Through April 2022, the number of nonresidential projects in Colorado Springs had increased over levels for the same period in 2021, but construction activity had fallen, year-over-year, in dollar value and square footage terms. Firms are expected to continue to grow their capital investments, but they face headwinds from inflation in construction materials, labor constraints, and rising interest rates. Public sector construction is expected to rise as funds distributed through the 2021 Infrastructure Investment and Jobs Act are distributed and spent.

## Pueblo – Southern Mountains Region



The Pueblo – Southern Mountains region encompasses five counties along the eastern slope of the Sangre de Cristo Mountains, and includes the City of Pueblo. The region was hit hard by the pandemic-induced recession and has taken longer to recover than other areas of the state. While construction activity has slowed after a surge last year, labor market data suggest significant improvements in regional employment to begin 2022. Indicators for the regional economy are presented in Table 22 and discussed below.

**Table 22**
**Pueblo Region Economic Indicators**
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

| | 2018 | 2019 | 2020 | 2021 | YTD 2022 |
|---|---|---|---|---|---|
| Employment Growth | | | | | |
| Pueblo Region[1] | 0.5% | 1.0% | -2.6% | 2.4% | 5.6% |
| Pueblo MSA[2] | 0.5% | 1.2% | -2.7% | 1.2% | 5.3% |
| Unemployment Rate[1] | 4.5% | 3.9% | 7.6% | 7.6% | 5.4% |
| Housing Permit Growth[3] | | | | | |
| Pueblo MSA Total | 30.2% | 3.8% | 18.4% | 24.0% | 3.6% |
| Pueblo MSA Single Family | 36.2% | 3.0% | 19.4% | 24.0% | 3.6% |
| Nonresidential Construction Growth[4] | | | | | |
| Value of Projects | 222.9% | 45.2% | 26.2% | 178.2% | -60.9% |
| Square Footage of Projects | 145.1% | -19.7% | 37.7% | 288.4% | -73.4% |
| Level (*Thousands*) | 397 | 318 | 438 | 1,702 | 123 |
| Number of Projects | 50.0% | 23.3% | 86.5% | 4.3% | -13.0% |
| Level | 30 | 37 | 69 | 72 | 20 |
| Housing Market[5] | | | | | |
| Average Sale Price – Single Family | 9.6% | 9.5% | 16.2% | 24.1% | 11.7% |
| Inventory – Single Family | -1.2% | -8.9% | -23.9% | -27.0% | 33.8% |
| Home Sales – Single Family | -3.8% | 0.3% | 14.1% | 7.3% | 9.8% |
| Retail Sales Growth[6] | 8.4% | 8.5% | 4.2% | 13.4% | NA |

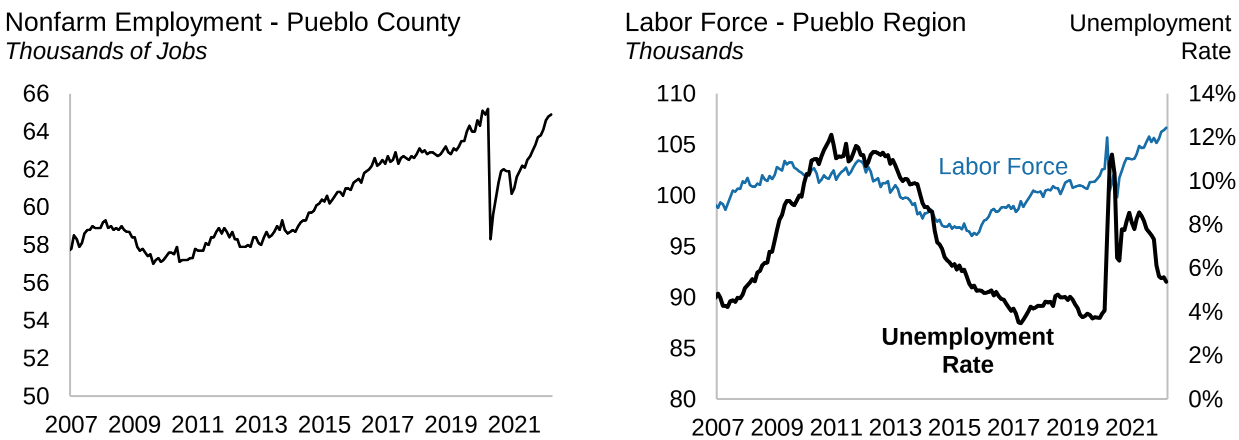
MSA = Metropolitan statistical area. NA = not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through March 2022.
[2]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through March 2022.
[3]U.S. Census Bureau. Growth in the number of residential building permits. Data through April 2022.
[4]F.W. Dodge. Data through April 2022.
[5]Colorado Association of Realtors. Data through April 2022.
[6]Colorado Department of Revenue. Data through December 2021.

**Labor market.** Employment in the region was severely impacted by the pandemic-induced recession, and the regional labor market has recovered more slowly than other areas of the state. Data suggest that employment is hovering at about its pre-pandemic peak level. Surveys of households in the Pueblo – Southern Mountains region indicate that seasonally adjusted regional employment surpassed the pre-recession peak in December 2021, though surveys of establishments in Pueblo County indicate that employment there remained below pre-recession peak levels through at least March (Figure 32, left).

The regional unemployment rate remains significantly higher than in other areas of the state (Figure 32, right). Surveys of households measured the seasonally adjusted unemployment rate at 5.2 percent in March 2022, exceeding all other regional rates by at least 1.8 percentage points. Regional unemployment has dropped considerably since last summer, and is expected to fall further as employers absorb the remaining labor market slack.

The regional labor force population continues to grow – an encouraging sign after long periods of stagnation and decline during much of the 2010s. Labor force growth is concentrated in Pueblo County. The State Demography Office estimates that Las Animas County's population has fallen annually for the last 20 years, and projects that populations in Custer, Fremont, and Huerfano counties will begin to decrease in 2022. The region has an older population and little in-migration, relative to the state as a whole.

**Figure 32**
**Pueblo Labor Market Trends**



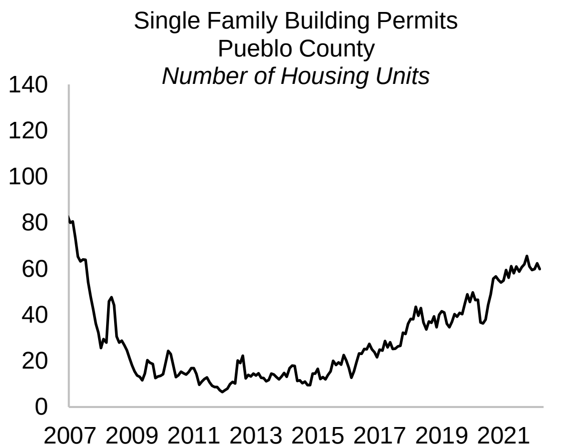

Source: U.S. Bureau of Labor Statistics; CES (left) for Pueblo County and LAUS (right) for LCS Pueblo – Southern Mountains Region. Data are seasonally adjusted and are through March 2022.

**Housing market.** Home prices in Pueblo continue to surge. The Colorado Association of Realtors indicates that median single family sale prices in Pueblo County reached $320,000 in April 2022, up from $275,000 in April 2021 and $199,000 in April 2019. Relative to other areas of the state, homes in Pueblo County remain on the market for longer: 45 days, on average, for single family homes as of April 2022. Data are sparse for other counties in the region, but the data available suggest similar patterns of appreciation in Fremont County, which includes Cañon City and Florence. Homes in the region remain less expensive than those further north, but the rapid appreciation has limited affordable options for local residents looking to purchase a home.

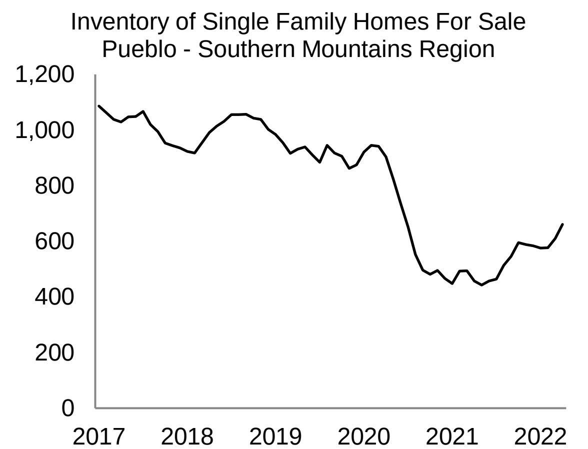
Given the region's slow population growth, home price increases likely reflect other demand-side factors, including improved household incomes for wealthier residents, low interest rates through early 2022, and faster appreciation among less expensive properties. Home prices are expected to moderate during the forecast period as interest rates rise.

Bolstered by buyer demand, homebuilding in Pueblo County remains at its highest level since the Great Recession (Figure 33, left). Despite strong construction, inventory of homes for sale remains well below pre-pandemic levels, as demand has risen and the number of existing homes listed for sale has dropped off (Figure 33, right).

**Figure 33**
**Pueblo – Southern Mountains Residential Construction and Inventory**




Source: U.S. Census Bureau. Data are shown as three-month moving averages through April 2022.




Source: Colorado Association of Realtors. Data are seasonally adjusted through April 2022.

**Nonresidential construction.** Nonresidential construction activity peaked last year, when builders added $420.1 million in new structures, headlined by the EVRAZ North America long rail mill that broke ground in Pueblo in July 2021. Nonresidential construction activity has slowed to begin 2022, but remains well above levels of activity observed at any point during the 2010s. Firms are expected to continue to grow their capital investments, but they face headwinds from inflation in construction materials and rising interest rates. Public sector construction is expected to rise as funds distributed through the 2021 Infrastructure Investment and Jobs Act are distributed and spent. Pueblo School District 60 began construction of the $27 million Nettie S. Freed K-8 Expeditionary School on Pueblo's North Side in May 2022, a project funded through a bond measure approved in 2019.

## Northern Region

Larimer and Weld counties comprise the diverse economies of the northern region. Following the recession, the labor market in the northern region began to heal quickly, but as the broader economic recovery has continued, the region has lagged behind the rest of the state. While the area has seen strong price appreciation for residential housing over the past couple years, residential construction slowed in early 2022. After suffering a significant disruption to nonresidential construction activity as a result of the pandemic-induced recession, activity appears to be coming back in early 2022. Economic indicators for the region are summarized in Table 23.

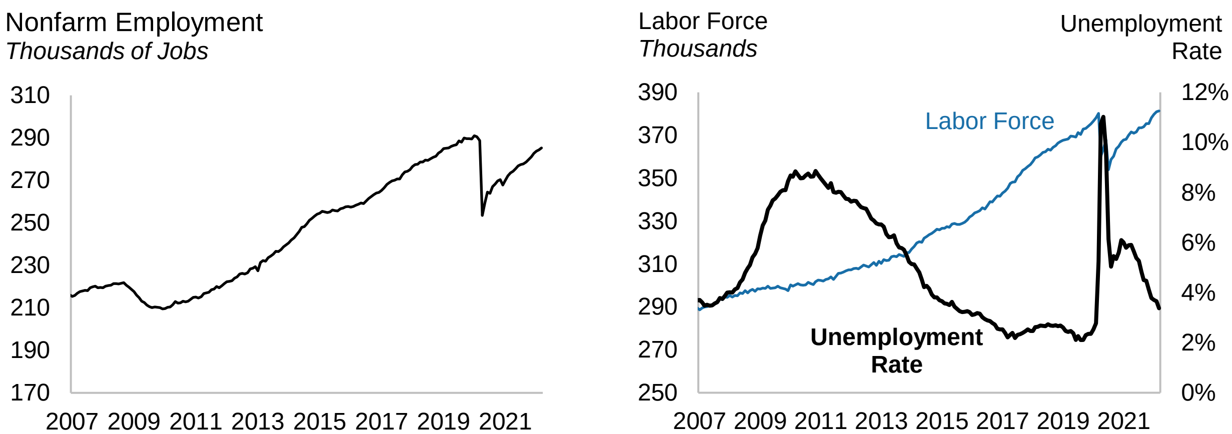
**Table 23**
**Northern Region Economic Indicators**
Weld and Larimer Counties

| | 2018 | 2019 | 2020 | 2021 | YTD 2022 |
|---|---|---|---|---|---|
| Employment Growth[1] | | | | | |
| Fort Collins-Loveland MSA | 2.6% | 2.2% | -4.7% | 3.5% | 5.2% |
| Greeley MSA | 4.7% | 3.6% | -7.1% | -0.4% | 3.7% |
| Unemployment Rate[2] | 2.7% | 2.3% | 6.3% | 5.1% | 3.6% |
| State Cattle and Calf Inventory Growth[3] | 9.5% | 8.0% | 1.9% | 4.0% | 2.3% |
| Natural Gas Production Growth[4] | 17.1% | 22.0% | 8.3% | -2.9% | 0.3% |
| Oil Production Growth[4] | 29.5% | 10.7% | -11.9% | -10.4% | 11.1% |
| Housing Permit Growth[5] | | | | | |
| Fort Collins-Loveland MSA Total | 8.4% | -18.2% | -0.3% | 13.3% | -6.4% |
| Fort Collins-Loveland MSA Single Family | -14.1% | -4.9% | 34.7% | -0.1% | -28.7% |
| Greeley MSA Total | 25.0% | -2.2% | 9.1% | 15.5% | 4.0% |
| Greeley MSA Single Family | 32.1% | -8.4% | 28.1% | 3.8% | 5.1% |
| Nonresidential Construction Growth[6] | | | | | |
| Value of Projects | 64.9% | -71.6% | 74.3% | -29.7% | 6.6% |
| Square Footage of Projects | -27.6% | -16.2% | 5.2% | -0.7% | 148.6% |
| Level (*Thousands*) | 2,892 | 2,424 | 2,549 | 2,531 | 1,548 |
| Number of Projects | 13.4% | -17.1% | -12.0% | -8.1% | 11.7% |
| Level | 322 | 267 | 235 | 216 | 67 |
| Housing Market[7] | | | | | |
| Average Sale Price - Single Family | 7.4% | 3.2% | 6.9% | 16.8% | 19.1% |
| Inventory - Single Family | 6.3% | 14.5% | -21.7% | -44.3% | -10.2% |
| Home Sales - Single Family | 0.8% | 2.7% | 9.8% | 2.3% | -10.7% |

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through March 2022.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2022.
[3]National Agricultural Statistics Service. Cattle and calves on feed through April 2022.
[4]Colorado Oil and Gas Conservation Commission. Data through February 2022.
[5]U.S. Census Bureau. Growth in the number of residential building permits. Data through April 2022.
[6]F.W. Dodge. Data through April 2022.
[7] Colorado Association of Realtors. Data through April 2022.

**Labor market.** The northern region's labor market saw some of the fastest job growth and lowest unemployment rates in the state leading up to 2020 (Figure 34). Following the recession, the region's labor market was quick to improve but has struggled to keep up with the rest of the state as the recovery has continued. Colorado overall has recovered all of the jobs lost during the recession, while the northern region has yet to fully recover, with a deficit of about 3,500 jobs compared to pre-recession levels. The northern region is one of the few areas of the state that has yet to recover to pre-recession employment levels. As of March 2022, the region's unemployment rate registered 3.4 percent, slightly elevated compared to the state's average of 3.3 percent. However, only one other region in Colorado, the Pueblo – Southern Mountains region, had a higher unemployment rate. Employment in northern region, particularly in Weld county, is likely facing headwinds as the oil and gas industry has yet to bounce back after the recession. Employment is not expected to fully recover until pandemic conditions improve and energy markets return to pre-crisis levels.

**Figure 34**
**Northern Region Labor Market Activity**




Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through March 2022.

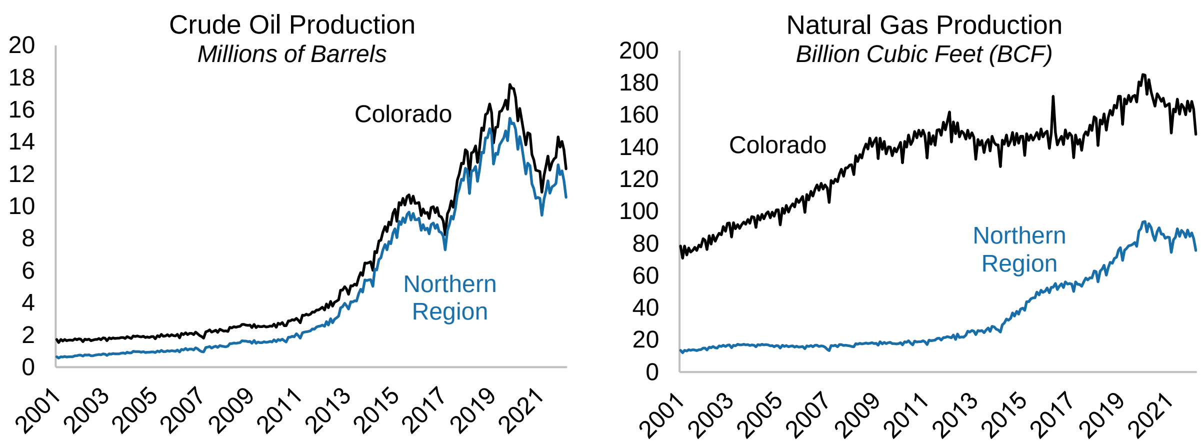
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through March 2022.

**Agriculture.** The northern region produces about a quarter of Colorado's agricultural value due to the heavy concentration of the livestock industry in Weld County. The region's agricultural sector faced significant headwinds in 2020, with supply chain disruptions, COVID-19 outbreaks in meat processing facilities, wildfires, and severe drought. The cattle and calf inventory grew only 1.9 percent through 2020, a slowdown from 8.0 percent growth in 2019. As the negative effects of COVID-19 have begun to abate and pasture conditions in the northeastern part of the state have modestly improved, cattle and calf inventories have rebounded, growing 4.0 percent in 2021, and 2.3 percent year-to-date as of March 2022. Increased commercial demand, resulting from restaurant openings and the return to in-person learning at area universities, is expected to spur additional growth throughout 2022.

**Energy sector.** Weld County's economic activity, largely driven by the oil and gas and agricultural industry, has faced headwinds as oil and gas production have yet to bounce back after the recession. The persistent oil and gas slump puts pressure on both the private sector, through lower industry income, and the public sector, through reduced property, severance, and sales taxes.

Oil production throughout the state declined in 2020 and early 2021 as a result of the collapse in demand and significant declines in prices (Figure 35). Oil production in the northern region fell by 11.9 percent in 2020 and another 10.4 percent in 2021. Year-to-date, as of February 2022, oil production has grown by 11.1 percent. Natural gas production, particularly in the northern region, did not suffer as badly as oil production. Production continued to grow in 2020, before shrinking by 2.9 percent in 2021. Year-to-date production grew by only about 0.3 percent in the first two months of the year. Higher than average prices throughout 2022 and increased demand for oil and gas in the near- and medium-term is expected to spur additional production in the region.

**Figure 35**
**Colorado Energy Production**



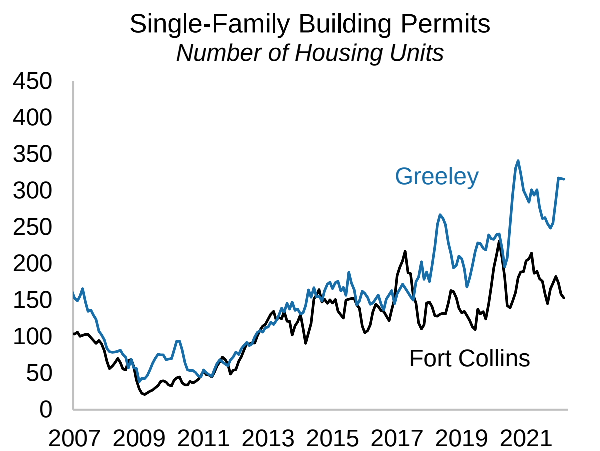

Source: Colorado Oil and Gas Conservation Commission. Monthly data through February 2022.

**Housing.** After strong growth in 2021, housing construction activity in the northern region has slowed in the early months of 2022. In a shift from year-ago trends, the majority of residential permit growth in 2021 was from multifamily units, rather than single-family homes. In 2021, total housing permits in the Fort Collins-Loveland area increased by 13.3 percent, while single-family permits decreased 0.1 percent. As of April 2022, year-to-date growth of total housing permits has declined by 6.4 percent in the Fort Collins-Loveland area. Total housing permits in the Greeley area increased by 15.5 percent in 2021, while single-family permits only increased by 3.8 percent over the same period (Figure 36, left). As of April 2022, year-to-date growth has slowed in the Greeley area, with total housing permits increasing by 4.0 percent.

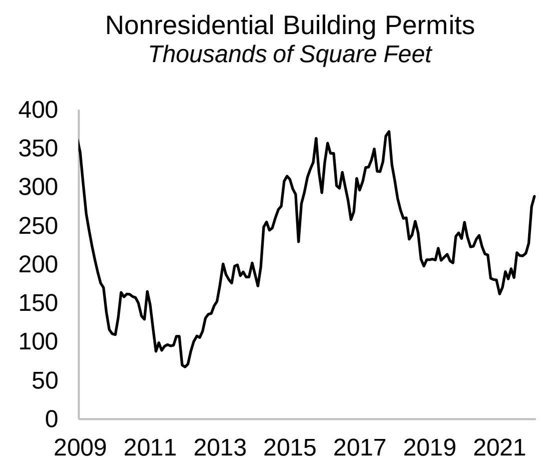
Average sale prices for single-family homes has accelerated significantly in the northern region, with prices rising 16.8 percent in 2021 and an additional 19.1 percent through April 2022. The housing market is expected to cool in the near term as a result of the Federal Reserve's monetary policy changes.

**Nonresidential construction.** The effects of the COVID-induced recession materialized for nonresidential construction in 2021 for the northern region, with value of new projects declining by 29.7 percent, the number of projects declining by 8.1 percent, and total square footage declining by 0.7 percent compared to 2020 (Figure 35, right). Through April 2022, nonresidential construction has picked up, with the value of projects increasing by 6.6 percent over the same period in 2021, the square footage of projects increasing by 148.6 percent, and the number of projects increasing 11.7 percent. Future commercial construction activity will depend in part on the recovery in energy prices and production, which may translate into more commercial projects in 2022.

**Figure 36**
**Northern Region Construction Activity**

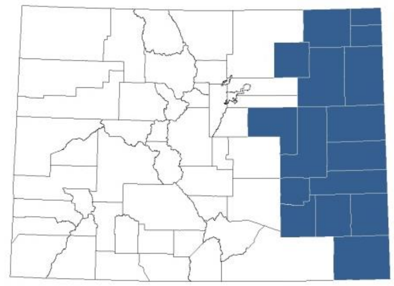



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through April 2022.




Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through April 2022.

## Eastern Region



The eastern region includes 16 rural counties on Colorado's eastern plains. Agriculture is the primary industry in the region, with local businesses and government operations supporting local farming and ranching communities. Out-migration and an aging population continue to put pressure on the labor force, in the state's most sparsely populated region. Rising production costs and debilitating drought conditions offset the boost from skyrocketing crop prices for the region's agricultural producers. Consistent with historical trends, labor markets continue to outperform those in most other regions of the state. Economic indicators for the region are presented in Table 24.

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

| | 2018 | 2019 | 2020 | 2021 | YTD 2022 |
|---|---|---|---|---|---|
| Employment Growth[1] | 2.1% | 1.0% | -4.3% | 2.0% | 4.2% |
| Unemployment Rate[1] | 2.7% | 2.4% | 4.2% | 4.2% | 3.1% |
| Crop Price Changes[2] | | | | | |
| Wheat ($/Bushel) | 34.6% | -7.0% | 6.3% | 37.7% | 56.4% |
| Corn ($/Bushel) | 2.8% | 9.3% | -4.6% | 53.8% | 32.0% |
| Alfalfa Hay (Baled, $/Ton) | 23.5% | 14.3% | -6.6% | 2.0% | -2.3% |
| Livestock[2] | | | | | |
| State Cattle and Calf Inventory Growth | 2.6% | 8.0% | 1.9% | 4.0% | 2.3% |
| Milk Production | 8.8% | 5.5% | 7.1% | 2.3% | -0.9% |
| Housing Permit Growth[3] | 43.4% | 0.2% | 22.3% | 21.7% | 24.2% |
| Housing Market[4] | | | | | |
| Average Sale Price – Single Family | 6.7% | 7.2% | 6.3% | 18.0% | 17.8% |
| Inventory – Single Family | 12.8% | 3.5% | -22.6% | -28.9% | 31.6% |
| Home Sales – Single Family | 5.1% | 0.6% | 4.2% | 9.9% | 5.6% |
| Retail Sales Growth[5] | 9.4% | 13.6% | 3.3% | 12.5% | NA |

NA = not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through March 2022.
[2]National Agricultural Statistics Service statewide data. Data through March 2022.
[3]F.W. Dodge. Data through April 2022.
[4]Colorado Association of Realtors. Data through April 2022.
[5]Colorado Department of Revenue. Data through December 2021.

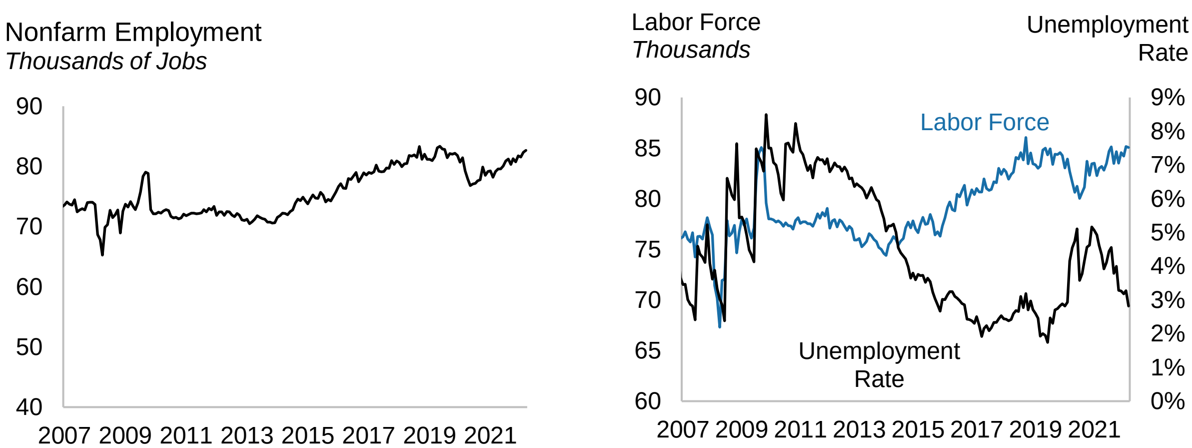
**Agriculture and livestock.** The eastern plains is the largest agricultural region in the state, and agriculture drives much of the region's economy. The continued economic recovery, supply-chain disruptions, rising costs for farmers, and adverse weather sent grain prices skyrocketing in 2021. Colorado corn and wheat prices reached multi-year highs in 2021, up 53.8 percent and 37.7 percent, respectively, from 2020. Recent turmoil in Russian and Ukraine, which are important producers and exporters of agricultural and energy products, compounded these issues, roiling global grain markets further in early 2022. Prices for corn and wheat have again risen at historic rates in 2022, up 32.0 percent and 56.4 percent, respectively, compared to the same period last year

While higher crop prices boost profits, the region's agricultural producers face ongoing recovery- and conflict-related supply chain disruptions contributing to shortages and higher prices for key agricultural inputs including fertilizers, pesticides, fuel, machinery, and trucking.

Adverse weather continues to affect agricultural producers as well. Drought continues to plague the eastern plains. According to the U.S. Drought Monitor, most of the region had fallen into severe drought as of May 31, 2022, and widening swaths of extreme and exceptional drought, particularly in the region's southeast corner. Shrinking river flows and groundwater levels in the eastern plains are of growing concern to the region's farmers, many of whom rely on irrigation for crops such as corn and wheat. A multi-state water compact governing the Republican River in northeastern Colorado will require the region's farmers to retire 25,000 irrigated acres of Colorado farmland in the coming years. Senate Bill 22-028 will provide $30 million to bolster efforts to comply with the water compact, including providing funding to buy and retire wells and irrigated acreage.

**Labor market.** The labor market in 2022 continues to recover, with employment up 4.2 percent through March, compared to the same period last year, and exceeding pre-pandemic levels (Figure 37, left). The region's unemployment rate fell to 2.8 percent in March, bringing the 2022 average to 3.1 percent, well below the statewide average of 3.3 percent, but above the rates for the Mountain and Southwest Mountain regions (Figure 37, right).

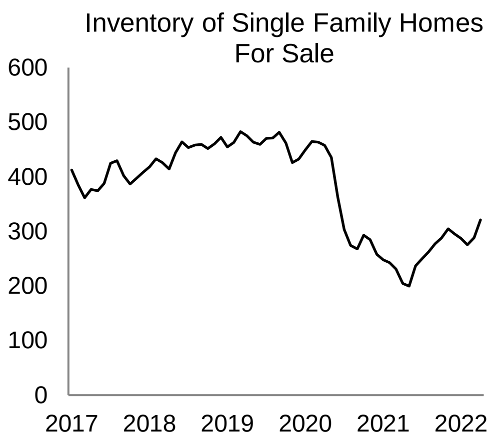
**Figure 37**
**Eastern Region Labor Market Activity**

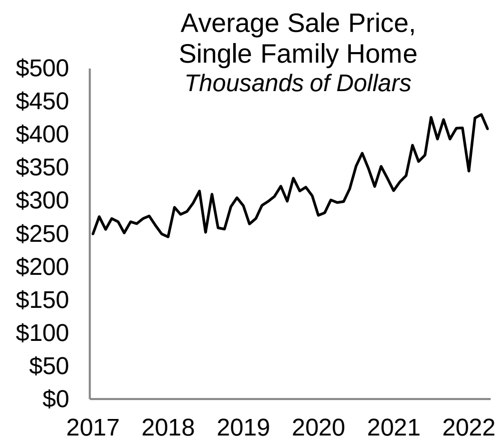



Source: U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2022. Includes Legislative Council Staff adjustments prior to 2010.

**Housing.** As elsewhere in the state and nation, counties across the eastern plains face housing shortages and affordability challenges. While counties bordering the front range metropolitan areas experience growth and rapid home price appreciation as people move from urban to suburban and exurban areas in search of more affordable housing, many rural counties in the eastern part of the region face housing affordability issues as well, associated with aging housing stock and few housing starts combined with low incomes. Housing inventory for sale has begun to recover after declining by over 20 percent in both 2020 and 2021. Inventory is up by 31.6 percent through April 2022, compared to the same period in 2021, but remains well below pre-pandemic levels (Figure 38, left). Supply and demand pressures throughout the region are contributing to rising home prices, which at just over $400,000 on average are up by 17.8 percent through April 2022 compared to the same period last year, a growth rate which is on par with that of the Northern region's 19.1 percent. (Figure 38, right).

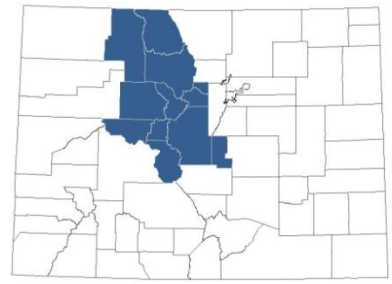
**Figure 38**
**Eastern Region Housing Market Activity**




Source: Colorado Association of Realtors. Data are seasonally adjusted and through April 2022.

## Mountain Region



The mountain region comprises twelve counties stretching from Poncha Pass north to the Wyoming border. The region is the state's most dependent on tourism, with a large share of workers employed in leisure and hospitality industries. The ongoing pandemic had severe impacts on the region; however, regional labor markets appear to be recovering quickly with encouraging employment growth and a low unemployment rate. The region has benefited from improved confidence, travel activity, and strong retail sales during the recovery, but has been challenged by rapidly rising home prices and sluggish nonresidential construction.

Nonresidential construction fell in 2021, a trend that continued through the first four months of 2022. For residential real estate, low inventory contributed to rapid price growth and slower sales in 2021, and sales dropped to start this year as well. Residential construction likewise started the year down. However, conditions appear favorable and permit activity is still expected to increase for the year. Economic indicators for the mountain region are presented in Table 25.

**Table 25**
**Mountain Region Economic Indicators**
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

| | 2018 | 2019 | 2020 | 2021 | YTD 2022 |
|---|---|---|---|---|---|
| Employment Growth[1] | 2.9% | 1.8% | -7.8% | 7.3% | 8.5% |
| Unemployment Rate[1] | 2.6% | 2.2% | 8.3% | 4.5% | 2.8% |
| Housing Permit Growth[2] | 68.0% | 12.0% | -34.0% | 30.7% | -7.6% |
| Nonresidential Construction Growth[2] | | | | | |
| Value of Projects | -78.0% | 40.6% | 84.5% | -55.2% | -64.5% |
| Square Footage of Projects | -65.1% | 29.2% | 20.9% | -20.8% | -81.1% |
| Level (Thousands) | 708 | 915 | 1,106 | 876 | 57 |
| Number of Projects | 17.7% | -37.0% | 69.6% | 9.0% | -31.8% |
| Level | 73 | 46 | 78 | 85 | 15 |
| Housing Market[3] | | | | | |
| Average Sale Price - Single Family | 2.5% | 12.6% | 19.1% | 33.1% | 20.2% |
| Inventory - Single Family | -7.4% | 5.1% | -30.7% | -43.2% | -21.8% |
| Home Sales - Single Family | -3.0% | -1.6% | 22.3% | 1.3% | -16.1% |
| Retail Sales Growth[4] | 7.3% | 12.1% | 3.8% | 21.0% | NA |

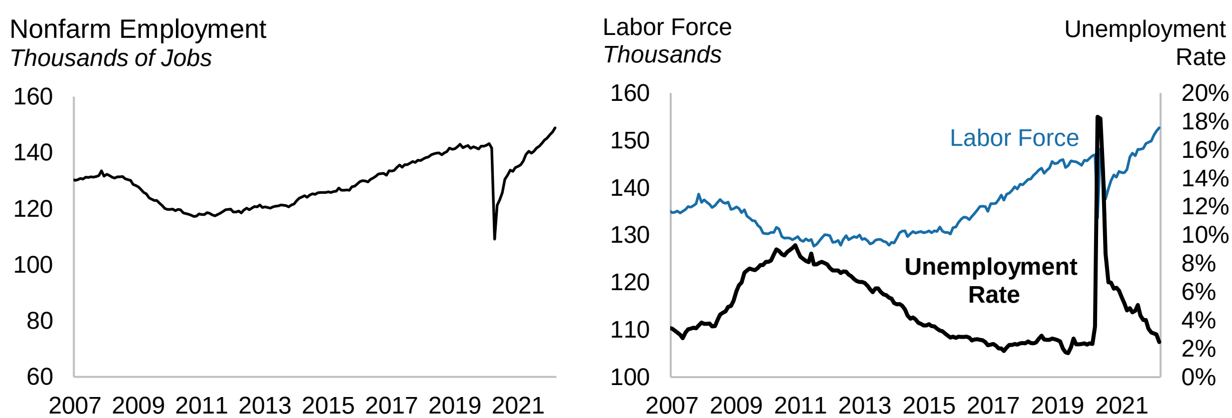
NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2022.
[2]F.W. Dodge. Data through April 2022.
[3]Colorado Association of Realtors. Data through April 2022.
[4]Colorado Department of Revenue. Data through December 2021.

**Labor market.** Revised labor market indicators for the mountain region showed faster improvement than initially expected during the latter half of 2021 and into 2022. The region was among the hardest hit early in the pandemic and recorded the state's highest unemployment rate; however, a rapid recovery in the leisure and hospitality sector, resurgent recreation industry, and dynamic business responses contributed to a rapidly falling unemployment rate. Data indicate that the mountain region recorded one of the state's lowest unemployment rates in March 2022. Data for the first three months of the year also showed marked improvement for the region's labor force, which rose 5.9 percent year-to-date over year-ago levels and followed better than expected growth over the latter half of 2021 (Figure 39, right). Growth in the labor force is welcome news for a region where there were concerns of worker shortages due to the lingering effects of the pandemic, reliance on outside workers, and an older population.

In the first quarter of 2022, the region recorded robust employment growth that followed an upwardly revised 7.1 percent employment growth rate in 2021. Encouragingly, data indicate the region started the year among of the top growing areas of the state. Contributing to better conditions, skier traffic improved significantly for the region's resorts after crowd limitations were removed and strong season pass sales boosted visits. Resorts were also aided by late season snow that helped compensate for dryer conditions over the final months of 2021. The latest data indicate that the region has regained all employment lost during the recession. Employment is expected to continue to grow through the remainder of 2022, albeit at a slower pace than recorded in 2021, as consumers continue to transition back to spending on travel and services and international travel regains its footing.

The trajectory of the pandemic remains a risk factor to the regional economy. However, pandemic setbacks appear increasingly short-lived and are likely shifting the timing of planned vacations rather than causing permanent cancellations. Other risks include a dryer than average summer season that could raise the risk of wildfire and lower river levels that impact several recreational industries. High gas and energy prices may also mute visitor travel through the summer and early indications are that inflationary pressures may have started dampening consumer spending in a number of areas.

**Figure 39**
**Mountain Region Labor Market Activity**



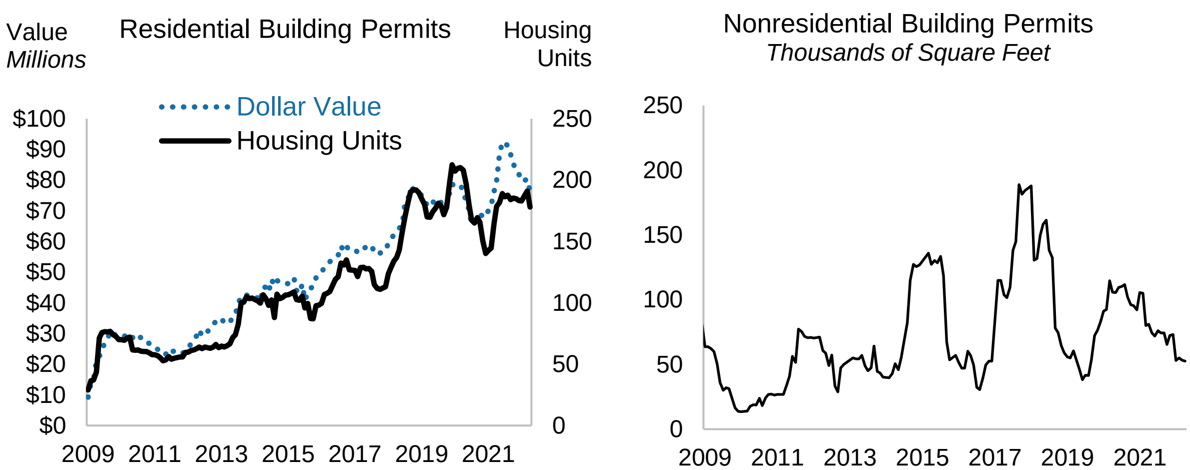

Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through March 2022. Includes Legislative Council Staff adjustments prior to 2010.

**Construction.** In contrast to other regions in the state, residential construction in the mountain region fell in 2020 despite strong sales and price growth. Although activity rebounded in 2021 as permitted units rose about 31 percent, permits started 2022 down 7.6 percent year-to-date due to a decline in April permits that offset stronger activity through the first three months of the year. Despite weakness in April, conditions for construction activity still appear favorable for the mountain region with strong price growth, low inventory, and the push for more housing in many mountain communities. Although higher interest rates will dampen demand for new homes in the region and may challenge financing for some projects, positive construction activity is still expected for the year.

The residential housing market continued to slow in the mountain region. In 2021, data indicate sales increased by just 1.3 percent. By year end, data from the Colorado Association of Realtors indicate that sales of single-family homes were down in Chaffee (-1.6 percent), Eagle (-15.7 percent), Grand (-2.8 percent), Jackson (-17.9 percent), Pitkin (-1.8 percent), and Routt (-5.3 percent) counties. Rapid price appreciation and low inventory likely dampened opportunities for many buyers. The market is expected to slow further in 2022. Through the first four months of the year, the inventory of single family homes fell further and sales were down by 16.1 percent year-to-date. Rising interest rates are expected to dampen the market in the year ahead and moderate price growth.

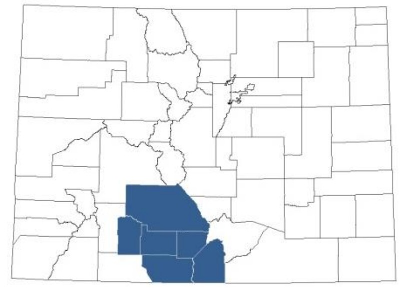
Through April 2022, nonresidential construction started the year slowly, with the value of projects and square footage falling compared to the same months in 2021. Nonresidential construction is on track to fall for the second consecutive year as businesses and investors wait for more certainty. It should be noted that nonresidential construction in smaller markets is highly variable and can be heavily influenced by a few large projects. Rising interest rates and construction costs are expected to impact financing activity for new projects and will weigh on activity compared with the prior year.

**Figure 40**
**Mountain Region Construction Activity**




Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through April 2022.

## San Luis Valley Region



Among the nine economic regions of the state identified in this forecast, the San Luis Valley has the state's smallest and oldest population with the lowest household incomes. The economy of the region's six counties is largely agricultural. Nonfarm employers include health and government services, including Adams State University, as well as a small but resilient tourism sector. The region's labor market continues to recover. While a recent trade agreement and state legislation may help offset ongoing supply chain disruptions, worsening drought conditions and continued water shortages plague agricultural producers. Economic indicators for the region are summarized in Table 26.

**Table 26**
**San Luis Valley Region Economic Indicators**
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

| | 2018 | 2019 | 2020 | 2021 | YTD 2022 |
|---|---|---|---|---|---|
| Employment Growth[1] | 2.9% | 1.0% | -4.5% | 3.3% | 5.8% |
| Unemployment Rate[1] | 4.0% | 3.6% | 6.3% | 5.7% | 3.9% |
| Barley[2] | | | | | |
| Acres Harvested | 53,000 | 52,000 | 47,000 | 47,000 | NA |
| Crop Value ($/Acre) | $660 | $672 | $709 | $538 | NA |
| Potatoes[2] | | | | | |
| Acres Harvested | 55,000 | 51,000 | 53,800 | 52,200 | NA |
| Crop Value ($/Acre) | $3,942 | $4,709 | $4,494 | $4,160 | NA |
| Housing Permit Growth[3] | 16.3% | -11.1% | 13.9% | 28.6% | -38.4% |
| Housing Market[4] | | | | | |
| Average Sale Price – Single Family | 11.9% | 8.1% | 18.7% | 30.5% | 20.0% |
| Inventory – Single Family | -9.5% | -28.7% | -25.3% | -44.0% | -9.0% |
| Home Sales – Single Family | 0.6% | -15.9% | 27.8% | 7.1% | -30.5% |
| Retail Sales Growth[5] | 10.1% | 5.0% | 8.8% | 17.1% | NA |
| National Park Recreation Visits[6] | -9.0% | 19.1% | -12.5% | 30.6% | 26.6% |

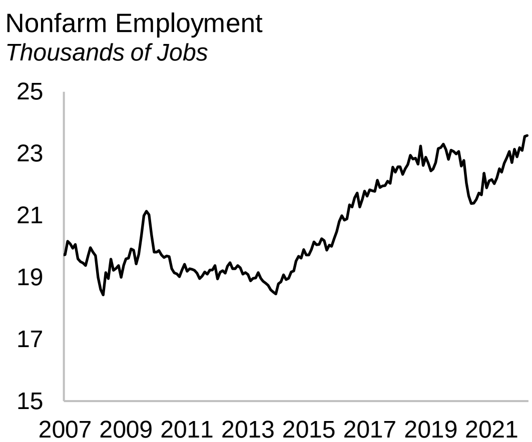
NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through March 2022.
[2]National Agricultural Statistics Service, statewide data. Data through March 2022.
[3]F.W. Dodge. Data through April 2022.
[4]Colorado Association of Realtors. Data through April 2022.
[5]Colorado Department of Revenue. Data through December 2021.
[6]National Park Service. Data through April 2022. Recreation visits for Great Sand Dunes National Park and Preserve.

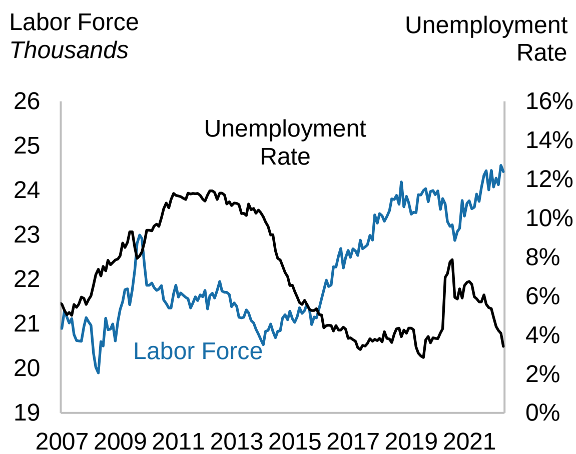
**Agricultural industry.** With over 70 varieties grown in the region, the San Luis Valley is the second biggest potato-producing region in the United States after Idaho. Other principal crops include lettuce, wheat, and barley, with hemp and quinoa acreages on the rise. Grazing and alfalfa hay are important in areas lacking sufficient access to water rights. Through May, the 2021-22 marketing year potato shipments are on par with the same period last year. After being mired in negotiations for several years, a recently completed trade agreement with Mexico is expected to boost potato shipments, offsetting headwinds due to weather and supply chain issues.

Weather and access to water remain significant concerns for San Luis Valley agriculture producers, with depleted runoff into streams, reservoirs, and irrigation canals. Although drought had almost completely receded from the region over the summer of 2021, conditions going into this summer have deteriorated. According to the U.S. Drought Monitor, all of the region is in severe or extreme drought, with the extreme drought area expanding in recent weeks, as of May 31, 2022. Senate Bill 22-028 will provide $30 million to help bolster efforts to recover the aquifers in the region's Rio Grande basin.

**Labor market.** Labor markets continue to improve in 2022, with employment in the region up 5.8 percent through March, compared to the same period in 2021 (Figure 41, left). Levels of employment have exceeded pre-pandemic levels, and unemployment has dropped to 3.4 percent in March, a rate not seen since January 2020, bringing the 2022 average to 3.9 percent (Figure 41, right).

**Figure 41**
**San Luis Valley Labor Market Activity**



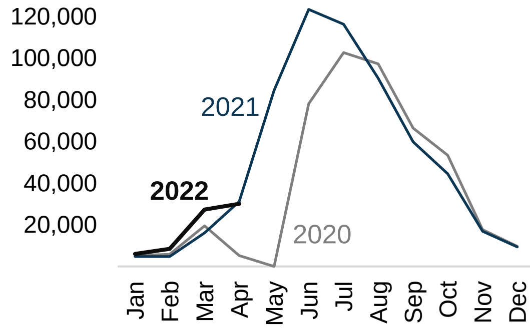

U.S. Bureau of Labor Statistics, LAUS (household survey).
Seasonally adjusted. Data through March 2022. Includes Legislative Council Staff adjustments prior to 2010.

**Housing and population.** Among the state's nine regions, the San Luis Valley has one of the slowest growing populations, registering a decline of 57 people, or 0.1 percent between 2010 and 2020. The region is among the most ethnically diverse, with over 50 percent of its population identifying as Hispanic, compared to the statewide share of 25 percent. With 20 percent of its population aged 65 and over, compared to the statewide share of 16 percent, the San Luis Valley economy faces labor force challenges, as well as shifting demands for housing and on health care and other services associated with an aging population.

After increasing by 28.6 percent in 2021, housing permits issued in the San Luis Valley are down by 38.4 percent through April 2022, compared to the same period in 2021. As in the state's other regions, housing markets in the San Luis Valley have been heating up, with declining inventory pushing up housing prices. Prices have risen by 20 percent through April 2022, compared to the same period in 2021, according to the Colorado Association of Realtors. At $364,000, the average single-family home sold in the area in April 2022 remains well below the statewide average price of $747,000.

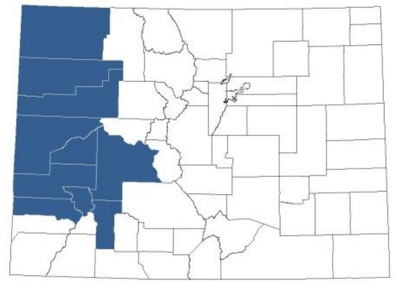
**Tourism.** Since spring 2020 pandemic-related park closures, visit s to the Great Sand Dunes National Park and Preserve have continued to recover, exceeded pre-pandemic levels in 2021, and are up 26.6 percent through April compared to the same period in 2021 (Figure 42).

**Figure 42**
**Visits to Great Sand Dunes National Park and Preserve**




*Source: National Park Service. Data through April 2022.*

## Western Region



The ten-county western region has a diverse economy. Key industries in the more northern counties of Mesa, Garfield, Moffat, and Rio Blanco include energy and agriculture, while the counties of Delta, Gunnison, Hinsdale, Montrose, Ouray, and San Miguel are more reliant on tourism, mining, and retiree-related spending. Compounding the negative impacts of the COVID-19 pandemic in the spring of 2020, summer wildfires engulfed large swaths of the region, shutting down popular tourist destinations altogether. As of early 2022, the region has emerged with a strong labor market and housing market. Alternatively, natural gas production has continued its decline that began in 2019, residential and nonresidential construction has struggled in early 2022, and outdoor recreation has also slowed. Economic indicators for the region are summarized in Table 27.

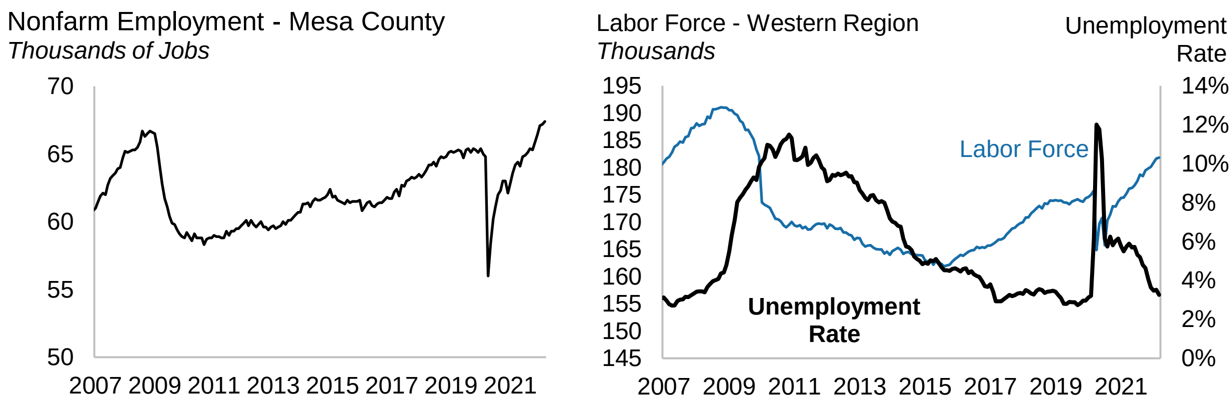
**Table 27**
**Western Region Economic Indicators**
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

| | 2018 | 2019 | 2020 | 2021 | YTD 2022 |
|---|---|---|---|---|---|
| Employment Growth[1] | | | | | |
| Western Region | 2.7% | 1.2% | -5.1% | 5.3% | 6.5% |
| Grand Junction MSA | 2.5% | 1.4% | -5.0% | 4.5% | 5.8% |
| Unemployment Rate[2] | 3.4% | 3.0% | 6.8% | 5.1% | 3.4% |
| Natural Gas Production Growth[3] | 5.2% | -0.9% | -7.8% | -8.3% | -3.5% |
| Housing Permit Growth[4] | 15.5% | -11.7% | 30.3% | 21.9% | -17.1% |
| Nonresidential Construction Growth[4] | | | | | |
| Value of Projects | 2.8% | 64.7% | -66.9% | 220.7% | -39.4% |
| Square Footage of Projects | 27.4% | 7.0% | -26.4% | 50.7% | -14.2% |
| Level (*Thousands*) | 608 | 651 | 479 | 722 | 137 |
| Number of Projects | 18.0% | 20.3% | 22.5% | 32.2% | 0.0% |
| Level | 59 | 71 | 87 | 115 | 27 |
| Housing Market[5] | | | | | |
| Average Sale Price - Single Family | 0.8% | 3.3% | 18.7% | 26.1% | 6.3% |
| Inventory - Single Family | -9.2% | -12.3% | -26.9% | -42.4% | -11.1% |
| Home Sales - Single Family | 3.3% | -7.2% | 12.4% | 1.6% | -13.5% |
| National Park Recreation Visits[6] | -5.8% | 2.3% | -0.1% | 12.7% | -19.4% |

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through March 2022.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2022.
[3]Colorado Oil and Gas Conservation Commission. Data through February 2022.
[4]F.W. Dodge. Data through April 2022.
[5] Colorado Association of Realtors. Data through April 2022.
[5]National Park Service. Data through April 2022. Recreation visits for Dinosaur National Monument, Colorado National Monument, Black Canyon of the Gunnison, and Curecanti National Recreation Area.

**Labor market.** Employment in the western region has since rebounded from the COVID-induced recession, exceeding the number of jobs seen before the recession as of late-2021 (Figure 43, left). The region's 3.1 percent unemployment rate as of March 2022 is one of the state's lowest, with only the mountain and eastern plains region with a lower rate (Figure 43, right). Additionally, through March 2022, the western region has seen one of the fastest employment growth of any region in Colorado, with an increase of 6.5% so far in 2022 over the same period in 2021. Faster than average employment growth, alongside a lower than average unemployment rate for the region, is a strong indicator for the region's labor market.

**Figure 43**
**Western Region Labor Market Activity**



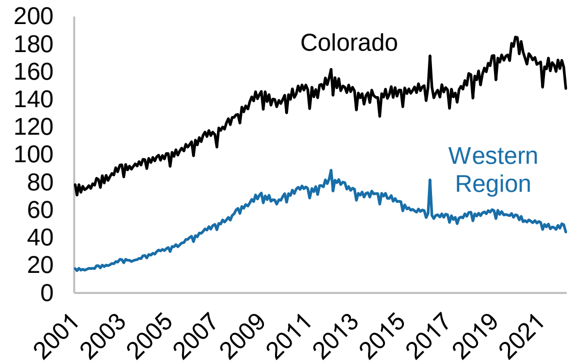

Source: U.S. Bureau of Labor Statistics; CES (left) and LAUS (right). Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2022.

**Construction.** The residential construction industry surged in 2020 and 2021, spurred by a shift in demand toward more rural areas and larger houses as a result of the pandemic. As of April 2022, the number of housing permits issued to builders has decreased by 17.1 percent over the same period in 2021. The slowdown in residential construction is at odds with the intense price appreciation for homes in the area. The average sale price for a single family home rose by nearly 19 percent in 2020 and by 26 percent in 2021. As of April 2022, home prices are up another 6.3 percent over the same period in 2021. Under normal circumstances, this sharp increase in prices should spur additional residential construction, however given the volatile nature of the current economy builders may be struggling with labor and building material shortages.

Nonresidential construction suffered a slowdown in 2020, but bounced back with strong growth in 2021. This growth was largely driven by significant investments in the Riverfront at Dos Rios development in Grand Junction, the new library building in Gunnison County, the expansion of the Gunnison-Crested Butte Airport, and an 80-megawatt solar project in the Delta-Montrose area. As of April 2022, nonresidential construction activity has struggled with a 39.4 percent decrease in the value of projects, and a 14.2 percent decline in the square footage of projects. The decline in nonresidential construction may be overstated when comparing to 2021, since the COVID-19 related restrictions created a backlog of projects that began in 2021.

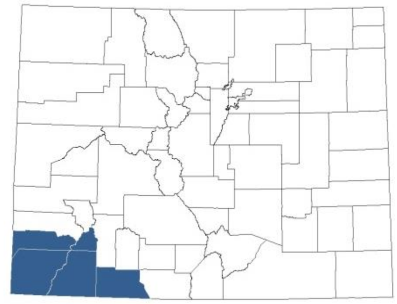
**Energy sector.** The region is home to the Piceance Basin, a sizable natural gas resource in the state. Natural gas production in the region has largely been in decline since 2012. After declining by 8.3 percent in 2021, natural gas production shrank by an additional 3.5 percent in 2022 year-to-date through February (Figure 44). Natural gas prices have moderated since spiking in early 2021 but are expected to remain well above 2020 prices through 2023.

**Figure 44**
**Natural Gas Production**
*Billion Cubic Feet (BCF)*




Source: Colorado Oil and Gas Conservation Commission. Monthly data through February 2022.

## Southwest Mountain Region



The southwest mountain region comprises five counties in the southwest corner of the state. The area's diverse economy receives significant contributions from agriculture, tourism, and natural gas extraction, as well as typical regional services like health care and social assistance. Like many regions of the state with a heavy reliance on tourism, the COVID-19 pandemic significantly impacted economic activity in the southwest mountains. While the trajectory of the pandemic remains a risk to the regional economy, impacts from the pandemic are waning as travel and spending activity have improved. The regional economy continues to expand, with recent data pointing to a strengthening labor market and a return to travel and tourism to the area. To start the year, the region has been challenged by ongoing drought conditions, a slowing residential real estate market, and slower home building activity. Economic indicators for the region are summarized in Table 28.

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

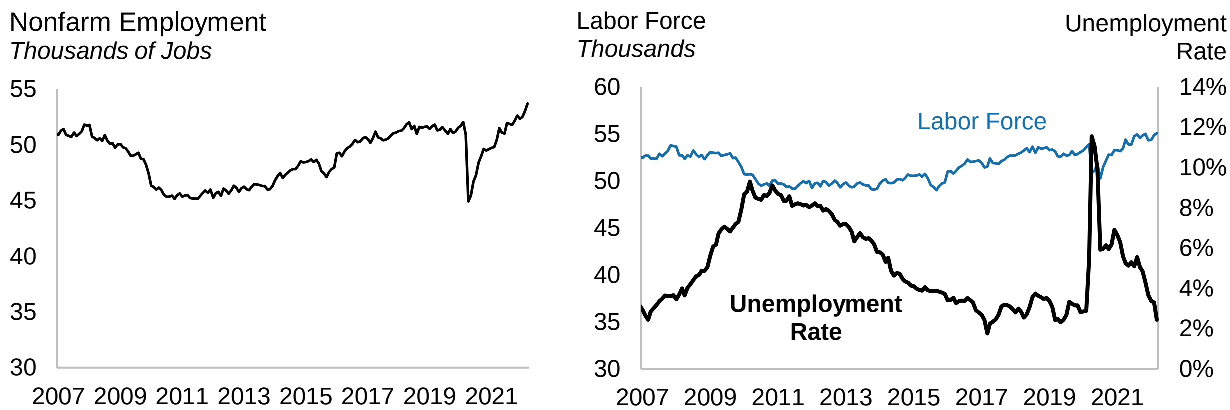
| | 2018 | 2019 | 2020 | 2021 | YTD 2022 |
|---|---|---|---|---|---|
| Employment Growth[1] | 1.7% | -0.3% | -5.1% | 5.3% | 6.2% |
| Unemployment Rate[1] | 3.2% | 2.9% | 6.7% | 5.2% | 3.0% |
| Housing Permit Growth[2] | 24.1% | -33.9% | 12.4% | 18.4% | -7.5% |
| Housing Market[3] | | | | | |
| Average Sale Price - Single Family | 7.1% | 7.3% | 16.0% | 25.4% | 23.1% |
| Inventory - Single Family | -3.7% | -10.4% | -29.3% | -47.5% | -19.7% |
| Home Sales - Single Family | -0.3% | -13.5% | 31.3% | -1.2% | -18.2% |
| Retail Sales Growth[4] | 2.6% | 5.6% | 10.3% | 20.1% | NA |
| National Park Recreation Visits[5] | -7.6% | -2.1% | -48.1% | 87.2% | 12.4% |

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2022.
[2]F.W. Dodge. Permits for residential units. Data through April 2022.
[3]Colorado Association of Realtors. Data through April 2022.
[4]Colorado Department of Revenue. Data through December 2021.
[5]National Park Service. Recreation visits for Mesa Verde National Park and Hovenweep National Monument. Data through April 2022.

**Labor market.** Revised labor market data indicate the southwest mountain region started 2022 with one of the state's lowest unemployment rates amid strong employment growth and fewer unemployed persons. Employment started the year up 6.2 percent year-to-date through March compared with the same months in 2021 as travel activity surged and workers returned to the labor force. The quick recovery in the region's labor force has helped businesses find workers and resume more normal business operations. Revised data indicate the region's labor force increased more than expected in 2021, growing by 3.7 percent compared with 2.2 percent statewide. Through March, data indicate the unemployment rate in the region fell to 3.0 percent year-to-date, nearing pre-pandemic lows.

**Retail sales.** Retail sales in the region increased more than 20 percent in 2021, faster than the 17.3 percent pace recorded statewide. Retail sales rose on rapid wage growth, high asset values, and federal stimulus, alongside increased demand for goods. Inflationary pressures over the past year also contributed to rapid price growth. Retail sales have been further boosted by a return to spending on the severely impacted leisure and hospitality industries. Retail sales have increased at a faster pace over the past two years than recorded during the peak of the last economic expansion in 2019.

**Figure 45**
**Southwest Mountain Region Labor Market Activity**



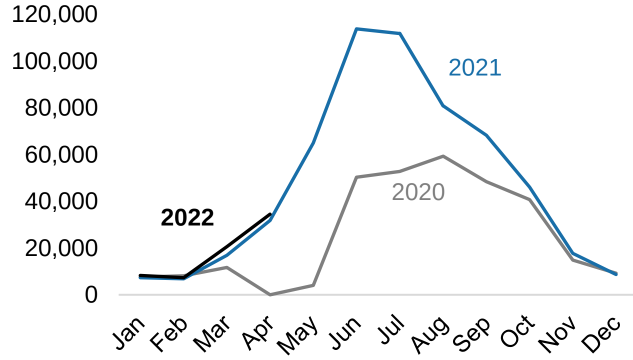

Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through March 2022.

**Housing.** Like national and statewide trends, the housing market in the southwest mountain region recorded robust construction activity emerging from the recession, which further accelerated through the first half of 2021. The number of residential construction permits issued to builders began to slow through the latter half of the year, but remained up 18.4 percent at year end. Permit activity slowed further to start 2022, with data indicating issuances were down 7.6 percent through the first four months of the year. Construction is expected to be impacted by rising interest rates that could reduce demand from potential buyers as well as affect project financing.

Home sales activity in the region was mixed in 2021, with declining sales in La Plata and Archuleta counties that was partially offset by increased sales in Dolores and Montezuma counties. Overall, sales dropped region-wide as inventory continued to decline, contributing to rapid home price appreciation. Inventory fell further through April 2022, and the average sales price of a single family home continued to rise, up 23 percent year-to-date compared with 15 percent average growth statewide. Amid inventory constraints, regional home sales started the first four months of the year down more than 18 percent from 2021 levels. Prices are expected to appreciate further this year, albeit at a slower rate, and home sales are expected to remain subdued.

**Tourism.** Figure 46 compares monthly visits to Mesa Verde National Park and nearby Hovenweep National Monument from 2020 to 2022. Through the pandemic, visits were down significantly due to reduced travel, wildfire danger, and park closures, but began to track more closely with pre-pandemic levels by the fourth quarter of 2020. In 2021, visitor levels tracked closely with pre-pandemic levels, with a small drop off in activity from July to October. Through the first four months of 2022, visits were up 12.4 percent year-to-date.

**Figure 46**
**Visits to Mesa Verde National Park and Hovenweep National Monument**




Source: National Park Service. *Data through April 2022

In 2020, passenger traffic was down more than 50 percent at the Durango-La Plata County airport, consistent with the broad reach of the pandemic on travel nationwide. However, passenger traffic ended 2021 up 1.7 percent over 2019 levels, exceeding 2019 levels of traffic each month since June. The recovery in air traffic marks a return for travel and tourism. Through April 2022, passenger traffic is tracking closely with 2019 levels, down just 1.1 percent year-to-date, but is up nearly 35 percent from 2021.

## Appendix: Historical Data

### National Economic Indicators

| Calendar Years | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP ($ *Billions*)[1] | $14,769.9 | $14,478.1 | $15,049.0 | $15,599.7 | $16,254.0 | $16,843.2 | $17,550.7 | $18,206.0 | $18,695.1 | $19,479.6 | $20,527.2 | $21,372.6 | $20,893.7 | $22,996.1 |
| Percent Change | 2.0% | -2.0% | 3.9% | 3.7% | 4.2% | 3.6% | 4.2% | 3.7% | 2.7% | 4.2% | 5.4% | 4.1% | -2.2% | 10.1% |
| Real GDP ($ *Billions*)[1] | $15,643.0 | $15,236.3 | $15,649.0 | $15,891.5 | $16,254.0 | $16,553.3 | $16,932.1 | $17,390.3 | $17,680.3 | $18,079.1 | $18,606.8 | $19,032.7 | $18,384.7 | $19,427.3 |
| Percent Change | 0.1% | -2.6% | 2.7% | 1.5% | 2.3% | 1.8% | 2.3% | 2.7% | 1.7% | 2.3% | 2.9% | 2.3% | -3.4% | 5.7% |
| Unemployment Rate[2] | 5.8% | 9.3% | 9.6% | 8.9% | 8.1% | 7.4% | 6.2% | 5.3% | 4.9% | 4.4% | 3.9% | 3.7% | 8.1% | 5.4% |
| Inflation[2] | 3.8% | -0.3% | 1.6% | 3.1% | 2.1% | 1.5% | 1.6% | 0.1% | 1.3% | 2.1% | 2.4% | 1.8% | 1.2% | 4.7% |
| 10-Year Treasury Note[3] | 3.7% | 3.3% | 3.2% | 2.8% | 1.8% | 2.4% | 2.5% | 2.1% | 1.8% | 2.3% | 2.9% | 2.1% | 0.9% | 1.5% |
| Personal Income ($ *Billions*)[1] | $12,477.6 | $12,080.4 | $12,594.5 | $13,339.3 | $14,014.3 | $14,193.7 | $14,976.6 | $15,685.2 | $16,096.9 | $16,850.2 | $17,706.0 | $18,424.4 | $19,627.6 | $21,092.8 |
| Percent Change | 3.8% | -3.2% | 4.3% | 5.9% | 5.1% | 1.3% | 5.5% | 4.7% | 2.6% | 4.7% | 5.1% | 4.1% | 6.5% | 7.5% |
| Wage & Salaries ($ *Billions*)[1] | $6,534.1 | $6,249.1 | $6,372.5 | $6,626.2 | $6,928.1 | $7,114.0 | $7,476.3 | $7,859.5 | $8,091.3 | $8,474.7 | $8,900.5 | $9,323.5 | $9,444.1 | $10,343.8 |
| Percent Change | 2.2% | -4.4% | 2.0% | 4.0% | 4.6% | 2.7% | 5.1% | 5.1% | 2.9% | 4.7% | 5.0% | 4.8% | 1.3% | 9.5% |
| Nonfarm Employment (*Millions*)[2] | 137.2 | 131.3 | 130.3 | 131.9 | 134.2 | 136.4 | 138.9 | 141.8 | 144.3 | 146.6 | 148.9 | 150.9 | 142.1 | 146.1 |
| Percent Change | -0.5% | -4.3% | -0.7% | 1.2% | 1.7% | 1.6% | 1.9% | 2.1% | 1.8% | 1.6% | 1.6% | 1.3% | -5.8% | 2.8% |

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

## Colorado Economic Indicators

| Calendar Years | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nonfarm Employment (*Thousands*) [1] | 2,349.6 | 2,244.3 | 2,221.0 | 2,257.4 | 2,311.7 | 2,380.5 | 2,463.5 | 2,541.2 | 2,601.5 | 2,660.0 | 2,726.9 | 2,790.0 | 2,651.3 | 2,745.3 |
| Percent Change | 0.8% | -4.5% | -1.0% | 1.6% | 2.4% | 3.0% | 3.5% | 3.2% | 2.4% | 2.2% | 2.5% | 2.3% | -5.0% | 3.5% |
| Unemployment Rate [1] | 4.9% | 7.9% | 9.2% | 8.7% | 8.0% | 6.7% | 5.0% | 3.7% | 3.1% | 2.6% | 3.0% | 2.6% | 6.9% | 5.4% |
| Personal Income ($ *Millions*) [2] | $210,029 | $199,352 | $205,866 | $223,493 | $236,759 | $249,513 | $271,410 | $284,837 | $289,673 | $309,658 | $331,955 | $350,390 | $370,392 | $401,123 |
| Percent Change | 3.9% | -5.1% | 3.3% | 8.6% | 5.9% | 5.4% | 8.8% | 4.9% | 1.7% | 6.9% | 7.2% | 5.6% | 5.7% | 8.3% |
| Per Capita Income ($) [2] | $42,953 | $40,093 | $40,781 | $43,655 | $45,614 | $47,391 | $50,762 | $52,346 | $52,401 | $55,277 | $58,486 | $61,089 | $64,050 | $69,006 |
| Percent Change | 2.1% | -6.7% | 1.7% | 7.0% | 4.5% | 3.9% | 7.1% | 3.1% | 0.1% | 5.5% | 5.8% | 4.5% | 4.8% | 7.7% |
| Wage & Salary Income ($ *Millions*) [2] | $116,710 | $112,228 | $113,670 | $118,414 | $124,947 | $129,521 | $138,626 | $146,578 | $151,165 | $160,963 | $170,904 | $182,944 | $187,128 | $205,233 |
| Percent Change | 3.7% | -3.8% | 1.3% | 4.2% | 5.5% | 3.7% | 7.0% | 5.7% | 3.1% | 6.5% | 6.2% | 7.0% | 2.3% | 9.7% |
| Retail Trade Sales ($ Millions) [3] | $74,760 | $66,345 | $70,738 | $75,548 | $80,073 | $83,569 | $90,653 | $94,920 | NA | NA | NA | NA | NA | NA |
| Percent Change | -0.8% | -11.3% | 6.6% | 6.8% | 6.0% | 4.4% | 8.5% | 4.7% | | | | | | |
| Housing Permits [4] | 18,998 | 9,355 | 11,591 | 13,502 | 23,301 | 27,517 | 28,698 | 31,871 | 38,974 | 40,673 | 42,627 | 38,633 | 40,469 | 56,524 |
| Percent Change | -35.5% | -50.8% | 23.9% | 16.5% | 72.6% | 18.1% | 4.3% | 11.1% | 22.3% | 4.4% | 4.8% | -9.4% | 4.8% | 39.7% |
| Nonresidential Construction ($ *Millions*) [5] | $4,114 | $3,354 | $3,147 | $3,923 | $3,695 | $3,624 | $4,351 | $4,991 | $5,988 | $6,155 | $8,146 | $5,167 | $5,462 | $5,603 |
| Percent Change | -21.8% | -18.5% | -6.2% | 24.7% | -5.8% | -1.9% | 20.1% | 14.7% | 20.0% | 2.8% | 32.4% | -36.6% | 5.7% | 2.6% |
| Denver-Aurora-Lakewood Inflation [1] | 3.9% | -0.6% | 1.9% | 3.7% | 1.9% | 2.8% | 2.8% | 1.2% | 2.8% | 3.4% | 2.7% | 1.9% | 2.0% | 3.5% |
| Population (*Thousands, July 1*) [4] | 4,889.7 | 4,972.2 | 5,029.2 | 5,121.9 | 5,193.7 | 5,270.8 | 5,352.6 | 5,454.3 | 5,543.8 | 5,617.4 | 5,697.2 | 5,758.5 | 5,773.7 | 5,812.1 |
| Percent Change | 1.8% | 1.7% | 1.1% | 1.8% | 1.4% | 1.5% | 1.6% | 1.9% | 1.6% | 1.3% | 1.4% | 1.1% | 0.3% | 0.7% |

NA = Not available.
[1]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for Denver-Aurora-Lakewood metro area.
[2]U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.
[3]Colorado Department of Revenue. Data are not available after 2015.
[4]U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building. 2010 and 2020 population numbers reflect the decennial Census, while other numbers reflect July 1 estimates.
[5]F.W. Dodge.