



March 2020 | Legislative Council Staff

Economic & Revenue Forecast

Presentation to the Joint Budget Committee

March 16, 2020

Economic Outlook



COVID-19

- News is changing by the hour
- We are at an inflection point, but do not know how far the economy will fall or how long it will last
- Early, aggressive measures will help to contain the spread of the coronavirus...
- ...giving the economy a chance to reboot by the end of the year

The global price of oil fell last week

West Texas Intermediate Crude Oil

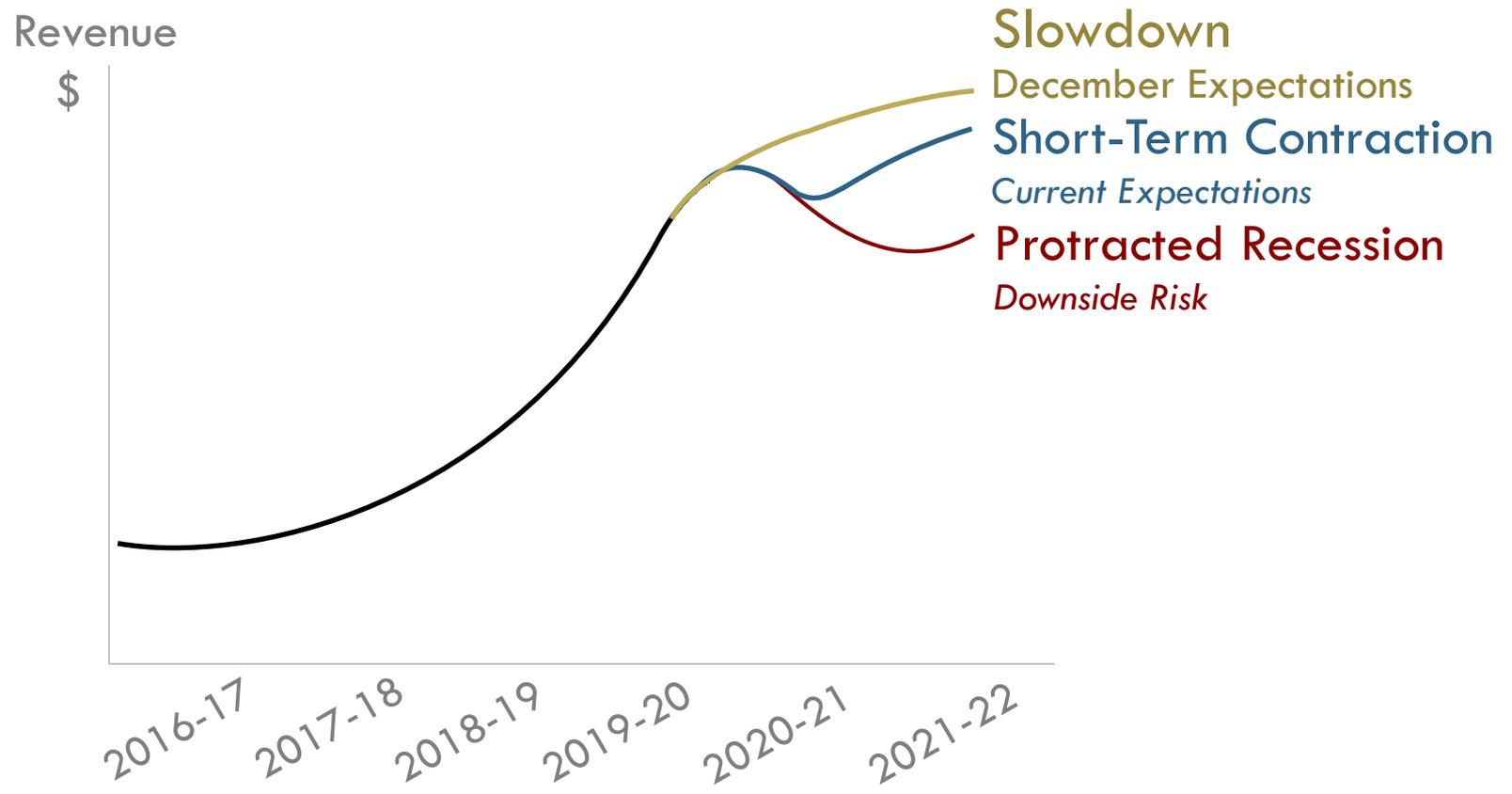
Price per barrel



General Fund Budget Outlook



State Revenue Scenarios



This figure is for illustrative purposes and does not reflect actual state revenue collections.

The impacts of COVID-19 will constrain General Fund collections in FY 2019-20 and FY 2020-21

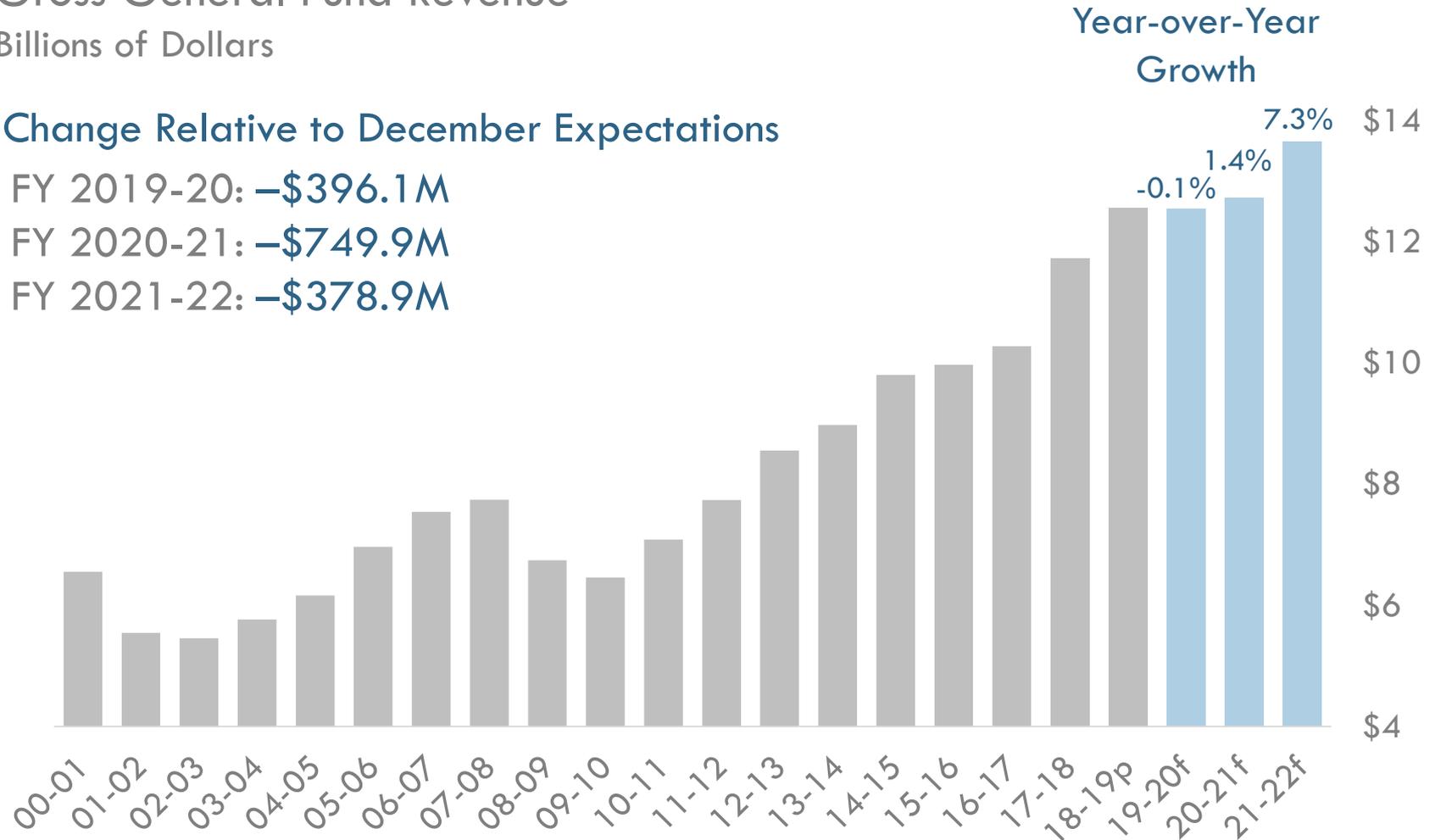
Gross General Fund Revenue
Billions of Dollars

Change Relative to December Expectations

FY 2019-20: **-\$396.1M**

FY 2020-21: **-\$749.9M**

FY 2021-22: **-\$378.9M**



Source: Colorado Office of the State Controller and Legislative Council Staff March 2020 forecast.

TABOR Outlook

Revenue Subject to TABOR

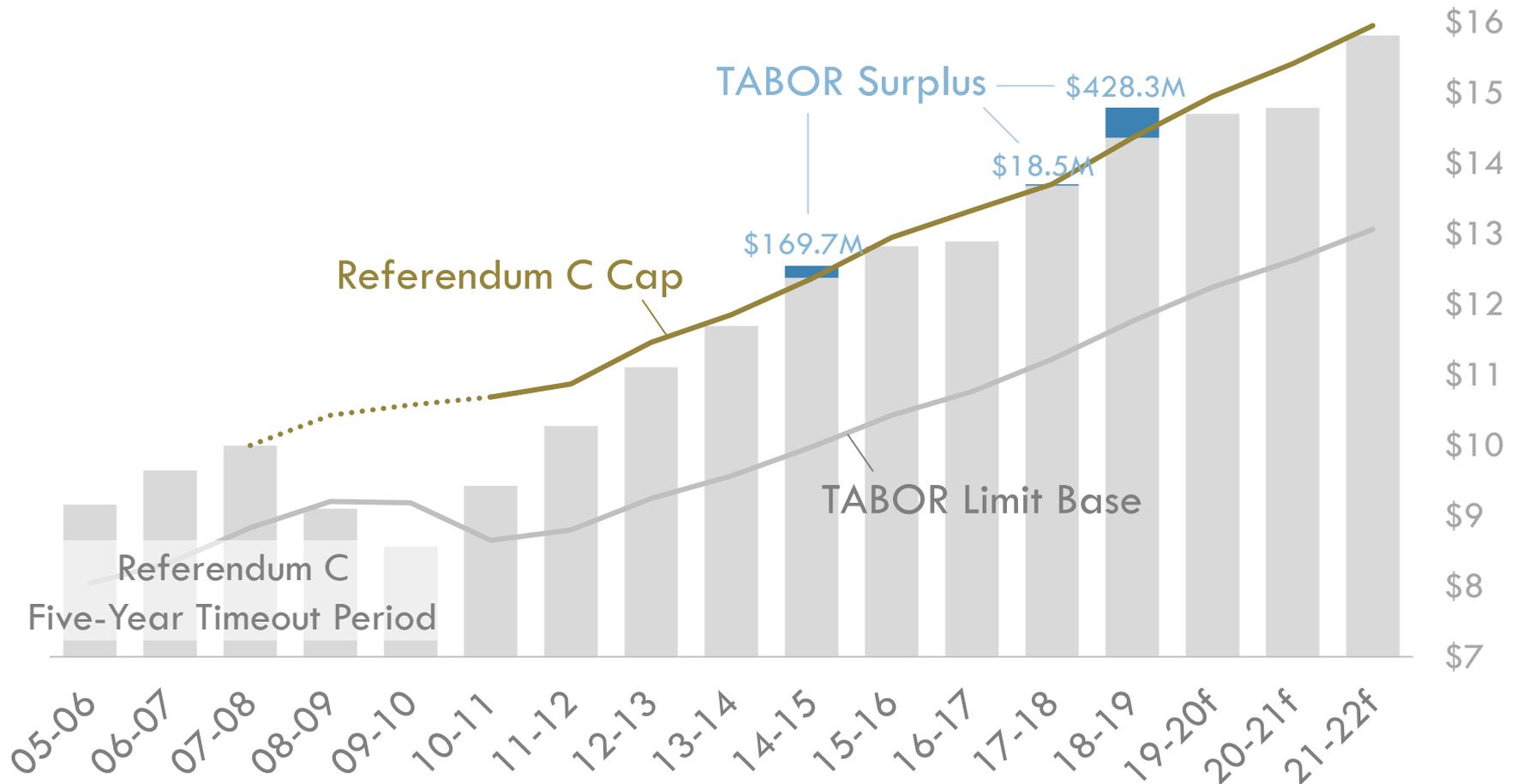
Dollars in Billions

Amount Below the Referendum C Cap

FY 2019-20: $-\$247.7M$

FY 2020-21: $-\$629.6M$

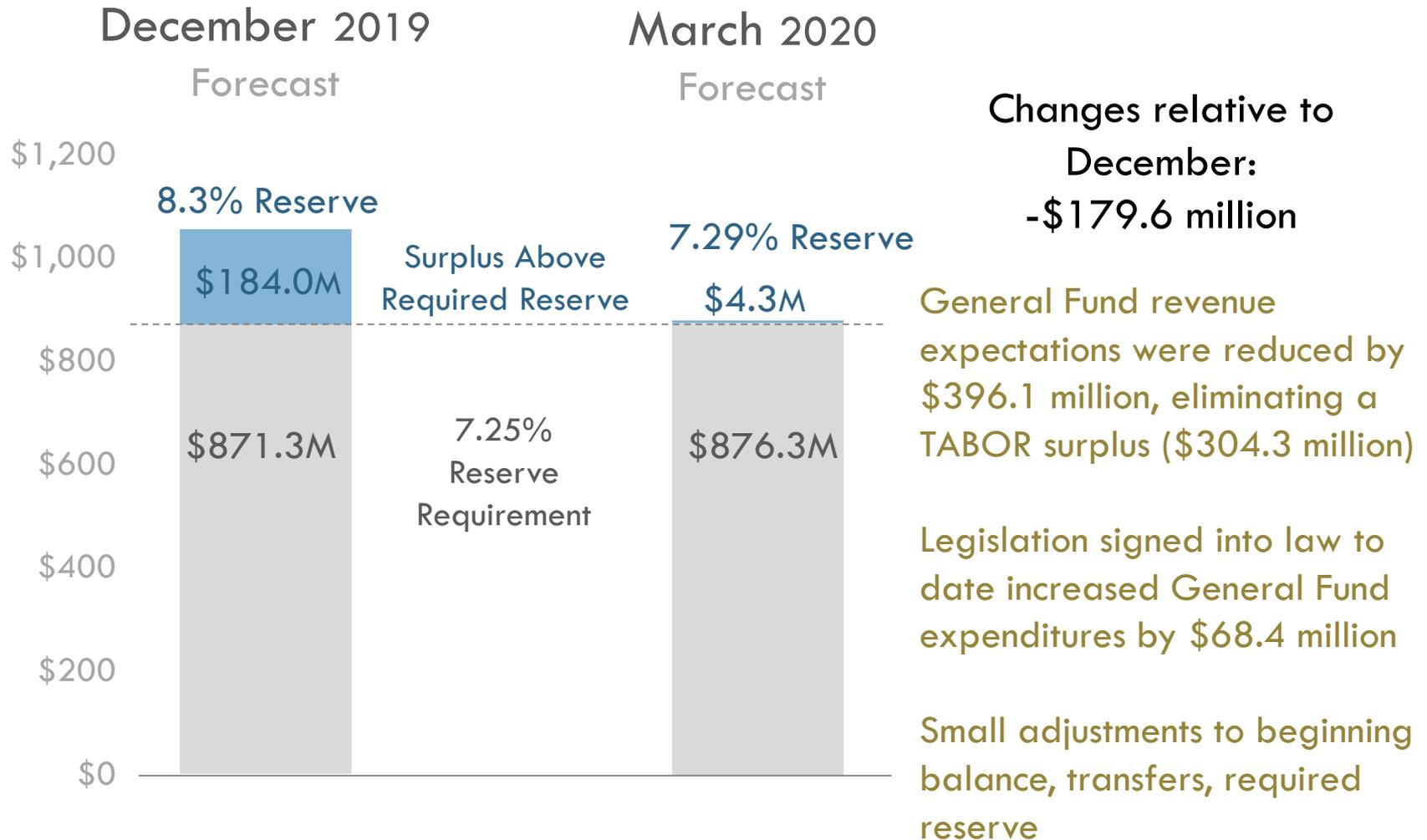
FY 2021-22: $-\$142.7M$



Source: Colorado Office of the State Controller and Legislative Council Staff March 2020 forecast.

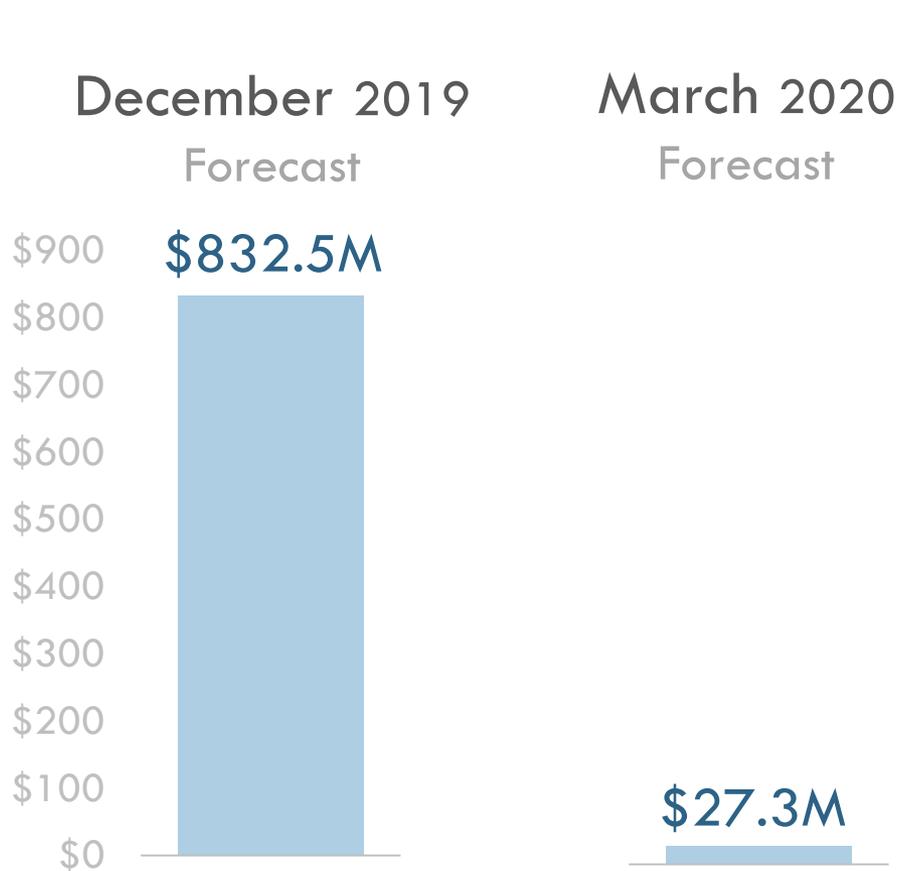
Current Year | FY 2019-20 General Fund Reserve

Dollars in Millions



Next Year | FY 2020-21 Budget Outlook

Additional revenue available to spend above FY 2019-20 spending levels. Amounts hold FY 2019-20 appropriations constant and incorporate the revenue forecast, current law transfers, rebates and expenditures, TABOR refund obligations, and the 7.25% reserve requirement.



Changes relative to December:

\$179.6 million less for beginning balance due on lower revenue and higher expenditures in FY 2019-20

General Fund revenue expectations were reduced in FY 2020-21 by \$749.9 million, eliminating a TABOR surplus

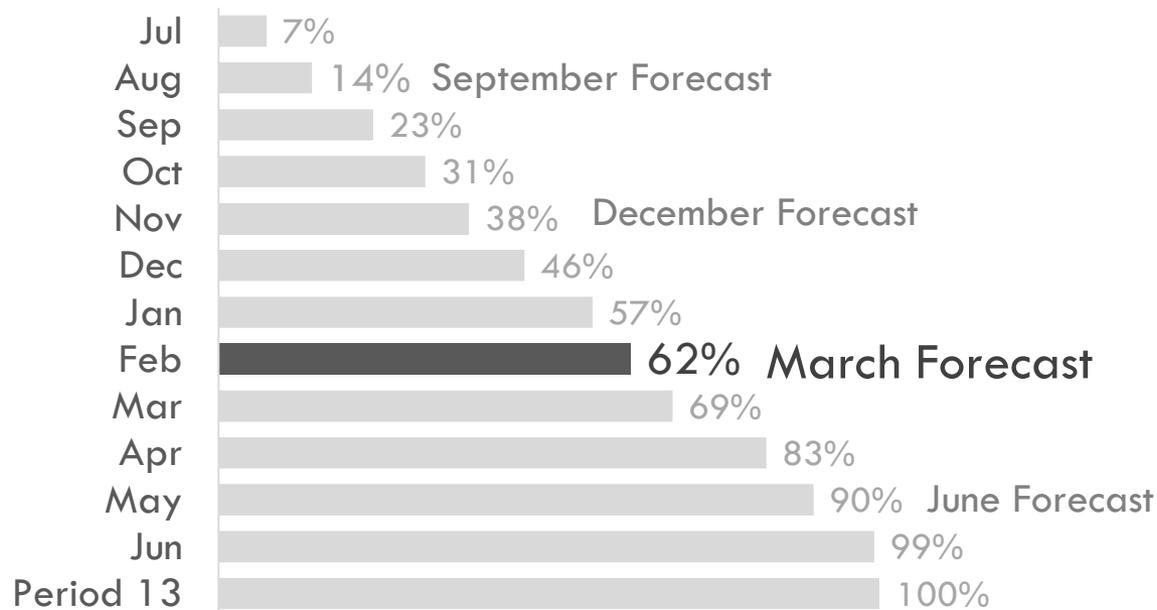
Without a FY 2019-20 TABOR surplus, \$163.6 million in General Fund expenditures needed to fund reimbursements to local governments for property tax exemptions

Risks to the Forecast

COVID-19 poses significant downside risk for both FY 2019-20 and FY 2020-21.

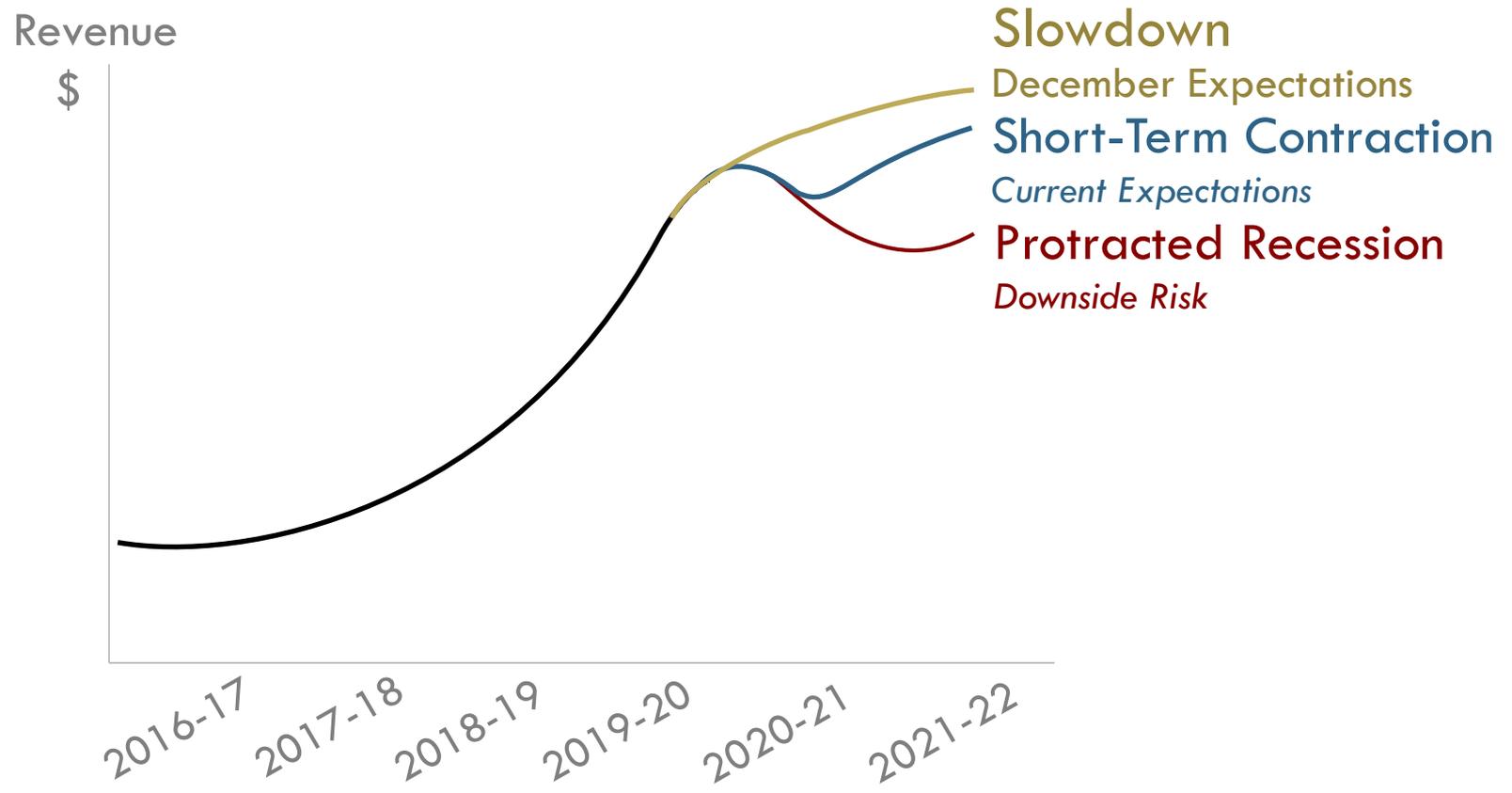
How Much Do We Know About FY 2019-20?

Cumulative monthly General Fund Collections as a Share of Total Fiscal Year Collections*



*Six-year average of actual collections for FY 2013-14 through FY 2018-19, based on data from the State Controllors Office.

State Revenue Scenarios



This figure is for illustrative purposes and does not reflect actual state revenue collections.

Upside Risks & Silver Lining

- Faster containment of COVID-19 than expected
- Monetary and fiscal policy stimulus
- Stronger return to trend levels of economic activity
- **Silver lining: Resilience, innovation, strong economic fundamentals entering March**

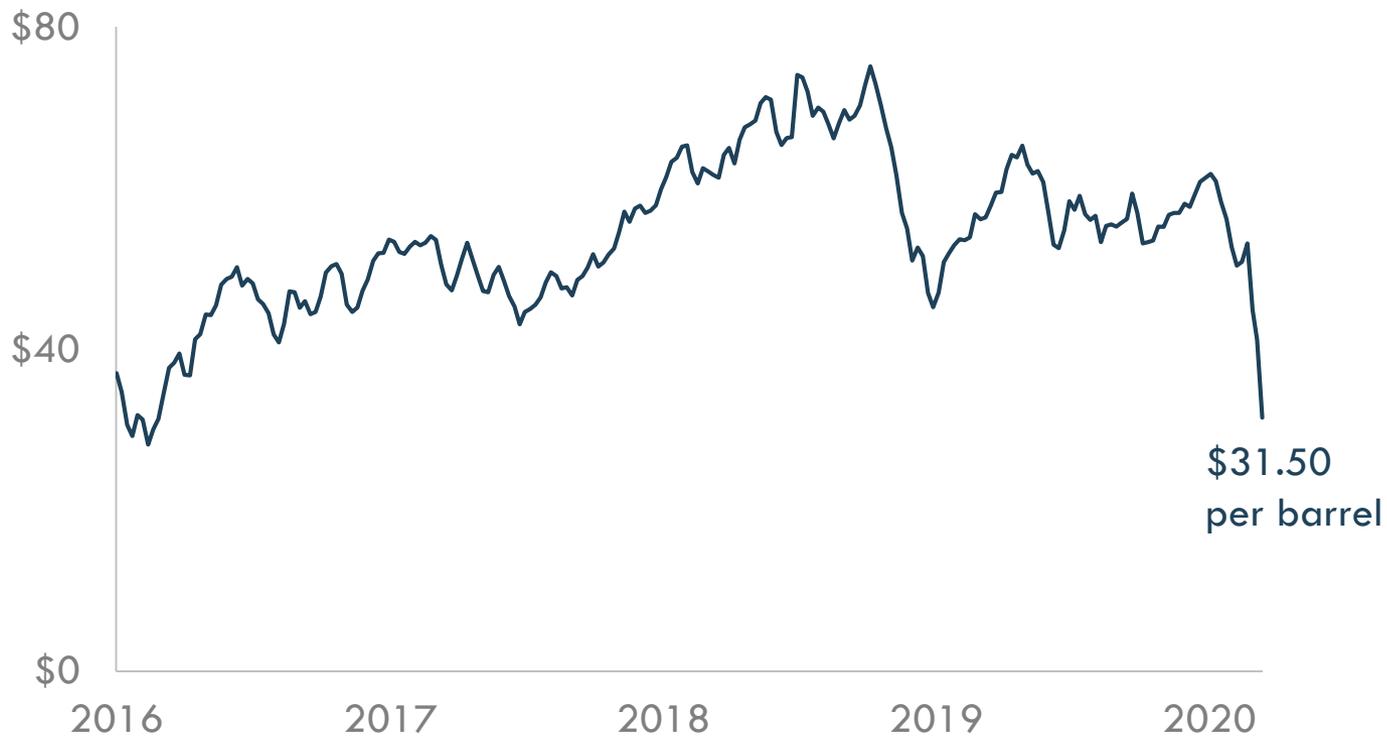
School Finance



The global price of oil fell last week

West Texas Intermediate Crude Oil

Price per barrel



What could the lower price of oil mean for School Finance?

Tax Year	2020	2021
Assessment Date	January 1, 2020	January 1, 2021
Budget Impact	FY 2020-21	FY 2021-22
Change in Local Share from December Forecast*	0.0%	-5.1%

*March 2020 change in expectations from the Legislative Council Staff December 2019 forecast.

Note: This slide provides updated information on assessed values based only on the March 2020 forecast expectations for oil prices. The next assessed values forecast will be available December 2020.

Questions?

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