Economic Outlook
Economic growth exceeded expectations in 2023

Real U.S. Gross Domestic Product
Trillions of Dollars, Adjusted for Inflation

Annual Growth
2022: 1.9%
2023: 2.5%
2024*: 2.4%
2025*: 2.1%
2026*: 2.1%
*Forecast

Source: U.S. Bureau of Economic Analysis and Legislative Council Staff March 2024 projections. Real GDP is inflation-adjusted to chained 2017 levels and shown at seasonally adjusted annualized rates.
Real consumer spending picks up

Real U.S. Personal Consumption Expenditures
Year-Over-Year Percent Change

Source: U.S. Bureau of Economic Analysis.
Nominal retail sales weaken, real sales growth remains down

Source: U.S. Census Bureau. Adjusted for inflation using the consumer price index for all urban areas (CPI-U) to the dollar value of most recent month of data. U.S. data are seasonally adjusted. Data through January 2024.
Household savings below the historical average

Personal Savings Rate

Percent


Historical Average

0% 5% 10% 15% 20% 25% 30% 35%

Source: U.S. Bureau of Economic Analysis.
*The personal savings rate is calculated as the ratio of personal saving as a percentage of disposable personal income. Data are shown as seasonally adjusted annual rates.
Colorado and U.S. unemployment rates remain low, but rates continue to tick up

Unemployment Rates
Percent

Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. U.S. data are through February 2024. Colorado data are through January 2024.
Colorado’s monthly employment gains slow since mid-2022

Monthly Nonfarm Payroll Job Growth in Colorado
Thousands of Jobs

-10 -5 0 5 10 15 20 25


+13,700 Jobs/Mo
January 2021-April 2022

+4,900 Jobs/Mo
April 2022-January 2024

Wage gains outpaced inflation over the past year

Median Nominal Hourly Wage Growth and CPI Inflation
Year-over-Year Change, 12-month moving average

Colorado personal income growth falls to 3.3 percent as transfers drag, but wage growth remains steady

Contribution of Wages and Transfers to Personal Income Growth

Year-over-year percent change

Source: U.S. Bureau of Economic Analysis with Legislative Council Staff Calculations. Data are seasonally adjusted through 2023Q3.
Inflation continues to fall, and remains higher in Denver than the nation.

Headline CPI-U Inflation
Year-over-Year Change in Prices

Housing prices continue to exert upward pressure on inflation

Contributions to Denver-Aurora-Lakewood CPI-U
Year-over-Year Change in Prices

The forecast anticipates a continued, slowing expansion.

- **Downside Risks:**
  - Deteriorating household finances hurt consumption
  - High borrowing costs discourage investment
  - Accelerating unemployment
  - Poor global economy impacts U.S. growth

- **Upside Risks:**
  - Faster resolution to inflationary pressures
  - More accommodative monetary policy
  - Resolution to international conflicts
Supplemental Economic Outlook Slides
Federal Reserve expected to start cutting interest rates in 2024

Effective Federal Funds Rate
Percent

Home prices resume rise in 2023, Denver homes down 2.5 percent compared to June 2022

Source: S&P Dow Jones Indices LLC. Data are seasonally adjusted and are through December 2023
Industrial production of manufacturing, mining, and utilities remains weak with slow improvement

Industrial Production Index
Index, 2017=100

Source: Federal Reserve Board of Governors. Data are through January 2024.
Energy Market Dynamics

Crude Oil Price, West Texas Intermediate
Dollars per Barrel

$79.53

Crude Oil Production
Millions of Barrels per Month

Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted and are through the week of March 8, 2024.

Source: U.S. Energy Information Administration. Data are shown as a three-month moving average and are not seasonally adjusted. Data are through November 2023.
General Fund Budget Outlook
General Fund revenue outlook upgraded modestly

Gross General Fund Revenue
Billions of Dollars
Percentages show year-over-year changes

Change Relative to December
FY 2023-24: +$92 million
FY 2024-25: +$74 million
FY 2025-26: +$55 million

Source: Colorado Office of the State Controller and Legislative Council Staff March 2024 forecast.
How much do we know about FY 2023-24?

Available General Fund Collections Data as a Share of Total Fiscal Year Collections


Excludes FY 2019-20 and FY 2020-21 because of unusual tax payment deadlines during the COVID-19 pandemic.
TABOR Refunds are paid from the General Fund

In a TABOR surplus situation...

General Fund dollars in = General Fund dollars out
TABOR Refunds are paid from the General Fund

In a TABOR surplus situation...

Cash Fund dollars in = General Fund dollars out
Cash fund revenue is increasing, which puts pressure on the budget

FY 2023-24: $2.85 billion total, +3.4% or $94 million
FY 2024-25: $2.98 billion total, +4.6% or $130 million
FY 2023-24 components:

• Transportation: +14.6% or $185 million
  – Primarily RUF (+$82M) and RSS (+$39M)
• Severance: -40.3% or $151 million
• “Other Cash Funds”: +7.4% or $59 million
  – FYTD through January 2024: +$46 million or 11.2%
  – Risk of about $50 million additional TABOR refund obligation for insurance premium taxes in Health Insurance Affordability Enterprise
**TABOR Outlook**

Revenue Subject to TABOR

Dollars in Billions

**FY 2024-25 TABOR Growth Factor**

- Inflation: +5.2%
- Population: +0.6%
- **Total**: +5.8% or $1.05 billion

versus December forecast

- +6.1% or $1.10 billion
- Difference of **-$54 million**

**Revenue Above the Ref C Cap**

- FY 2022-23: $3.56 billion
- FY 2023-24: $1.82 billion
- FY 2024-25: $1.91 billion
- FY 2025-26: $2.29 billion

Source: Colorado Office of the State Controller and Legislative Council Staff March 2024 forecast.
Current Year | FY 2023-24 General Fund Reserve

### Changes since the December forecast:

**Supplemental budget package:**
- **appropriations** increased by $86 million (-)
- $27 million in **transfers** (-)
- **reserve requirement** increased by $13 million (-)
- total change of **$126 million** (---)

**Revenue** and **TABOR refund** expectations both increased; on net, **$45 million less** in adjusted TABOR refund obligation (+)

**Rebates and expenditures** forecast revised down by $8 million (+)

**Net transfers** from the GF increased by $11 million (-)

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Source: Legislative Council Staff forecasts based on current law.
Budget Year | FY 2024-25 Scenario A

Changes since the December forecast:

- $72 million lower beginning balance (-)
- Higher assumed base appropriations and reserve requirement, $99 million total (-)
- Revenue and TABOR refund expectations both increased; on net, $43 million more in adjusted TABOR refund obligation (-)
- Net transfers from the GF decreased by $6 million (+)

Source: Legislative Council Staff forecasts based on current law.
Budget Year | FY 2024-25 **Scenario B**

**Excess Reserve Under Scenario A:**
- **$938 Million**

**Reserve Requirement**
- **$1,024 M**

**Appropriations**
- **$1,024 M**

**Reserve Requirement**
- **$155 M**

**JTC Recommendation**
- **$65 M**

**CDC Recommendation**
- **$186 M**

**Companion Bill Impacts**
- **$228 M**

**Long Bill Add-Ons**
- **$3.2 M**

**Excess Reserve Under Scenario B:**
- **($266 Million)**
Risks to the Budget Outlook

Recession risk is budget risk
• No such thing as a “normal” recession
• Taxpayer response has a major impact on revenue

Cash Fund revenue variance is budget risk

Most important determinant of the budget is your decisionmaking
Questions?

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“Other Cash Funds”

Group of about 400 cash funds, FY 2022-23 total: ~$800 million
FYTD through January 2024: +$46 million or 11.2%

Largest gainers:
- Adult Dental Fund +$16.5 million
- Public Safety Communications Fund +$6.5 million
- IT Revolving Fund +$5.5 million
- Dept of State Cash Fund +$4.8 million
- Capital Construction Fund +$4.7 million
- Employment Support Fund +$4.5 million
- Disability Support Fund +$4.2 million

Many of the largest losers are in Judicial, receive fines:
- Offender Services Fund -$6.2 million
- Judicial Collection Enhancement Fund -$2.7 million
- Correctional Treatment Cash Fund -$2.3 million