Economic & Budget Outlook
December General Fund revenue expectations are basically unchanged relative to September.

Gross General Fund Revenue
Bilions of Dollars

Increase Relative to September

FY 2019-20: +$50.9M
FY 2018-19: +$49.8M
FY 2017-18: +$2.8M

Source: Colorado Office of the State Controller and Legislative Council Staff forecast.
Wage withholding and sales tax collections suggest solid income growth and consumer activity.

Source: Colorado Office of the State Controller and Colorado Department of Revenue. Data are seasonally adjusted by Legislative Staff. Data are through November 2017.
FY 2017-18 Current Year
General Fund Reserve
Millions of Dollars

Statutory Reserve Requirement (6.5%)
FY 2017-18 Current Year
General Fund Reserve

Milliseconds of Dollars

$2.1M Above without Changes to Federal Tax Law
Statutory Reserve Requirement (6.5%)
FY 2017-18 Current Year
General Fund Reserve

Millions of Dollars

- $34.7M Above with the Tax Cuts and Jobs Act (6.8%)*
- $2.1M Above without Changes to Federal Tax Law (6.52%)
- Statutory Reserve Requirement (6.5%)

*Estimates are preliminary and subject to change with additional information.
FY 2018-19 Next Year

General Fund Revenue Above FY 2017-18 Appropriations
Available to Spend, Save, or Cut Taxes

*Millions of Dollars*

$1,000

$900

$800

$700

$600

$500

No Changes to Federal Tax Law
$747.9M (6.7%) Above the Required Reserve
FY 2018-19 Next Year
General Fund Revenue Above FY 2017-18 Appropriations Available to Spend, Save, or Cut Taxes

Millions of Dollars

- Tax Cuts and Jobs Act
  - $962.7M (8.7%) Above the Required Reserve*

- No Changes to Federal Tax Law
  - $747.9M (6.7%) Above the Required Reserve

*Estimates are preliminary and subject to change with additional information.
TABOR Outlook

Revenue Subject to TABOR

Dollars in Billions

*Estimates are preliminary and subject to change with additional information.

Source: Colorado Office of the State Controller and Legislative Council Staff December 2017 forecast.
Federal tax reform will impact state revenue. These impacts are difficult to quantify; estimates will change as additional information becomes available.

State revenue impacts:

• Increased individual and corporate income tax revenue
• Possible impacts for insurance premium tax revenue and Federal Mineral Lease payments
The U.S. and Colorado economies continue to expand at a constrained pace.

Real GDP Growth in Recovery and Expansion
Indexed to the Start of Each Recovery

Source: Bureau of Economic Analysis. Seasonally adjusted annual rates.
Job growth continues to slow as the labor market tightens further.

Total Nonfarm Employment

Index 100 = January 2010

Improvements in global economic activity are boosting global commodity prices and exports.

Source: Federal Reserve Board of Governors & Bureau of Economic Analysis (balance of payments basis). Seasonally adjusted.
Energy industry activity has spurred back to life on rising oil prices.

Source: Energy Information Administration (weekly average prices).
Business income and investment continues to rise.

Business Investment, Income and Profits

*Trillions of Dollars*

- Equipment & Intellectual Property Investment
- Corporate Profits after Tax
- Proprietors' Income

Source: Bureau of Economic Analysis. Profits and income with inventory valuation and capital consumption adjustments.
Household savings are down, and debt-spending is up.

Source: Bureau of Economic Analysis. Seasonally adjusted annual rates. Calculated as personal savings and debt service payments as a percent of disposable personal income.
Home prices and housing costs continue to rise.

Case-Shiller Home Price Indices
Index 100 = January 2000

Denver Home Prices

Source: S&P Dow Jones Indices, LLC.
Residential construction activity continues to rise, but fails to meet demand.

Source: U.S. Census Bureau. Seasonally adjusted three-month moving averages.
SUMMARY

The economic outlook remains bright for the U.S. and Colorado. However, risks remain skewed to the downside.

- Demographic change and tight labor markets will continue to constrain growth
- Wages are slow to rise, debt-spending has increased
- Political risk remains elevated
- Rising housing costs continue to change Colorado’s economic landscape
Adult Correctional Forecast
Prison population increased during FY 2016-17

Most significant driver: admissions from court commitments

- New commits up 11.7% relative to FY 2015-16
- Technical parole violations stabilized
- Releases fell, primarily discretionary parole and mandatory reparole

Population down thus far in FY 2017-18

- House Bill 17-1326 releases and reclassifications
Court commitments drove population in FY 2016-17

State Prison Admissions by Source*

*Omits admissions for returns from prior releases to probation, court order discharge or appeal bond, interstate compact, and youthful offender system terminations. These streams produced a combined average of 10 admissions per month over the sample period.

Source: Colorado Department of Corrections.
Releases up thus far in FY 2017-18

State Prison Releases by Type*

Three-Month Moving Average

Discretionary Parole
Mandatory Parole
Mandatory Reparole
Sentence Discharge

Source: Colorado Department of Corrections.
*Omits releases to probation, court-ordered discharges, releases on appeal bonds and inmate deaths. These categories averaged a combined 21 offenders per month over the sample period.
Prison population will increase from present levels

New court commitments increasing at fast pace
• Rising releases won’t be sufficient to offset admissions

Parole population will increase correspondingly
• YTD parole population up because of HB 17-1326 reclassifications
• Slow growth in short term, accelerating as new commitments move through DOC
Inmate population growing on new court commitments

Adult Inmate Population Forecasts as of June 30

Source: Department of Corrections and *Legislative Council Staff forecast.
Parole caseload growth will moderate, then accelerate

Adult Parole Caseload Forecasts as of June 30

Source: Department of Corrections and Legislative Council Staff forecast.
Juvenile Correctional Populations
Decreases in juvenile commitments are slowing...

DYS Commitment Average Daily Population Forecasts

Source: Department of Human Services, Division of Youth Services and *Legislative Council Staff forecast.
...which will modestly increase parole caseload.

DYS Parole Average Daily Caseload Forecasts

Source: Department of Human Services, Division of Youth Services and *Legislative Council Staff forecast.
After a bump this year, detentions to fall

DYS Detention Average Daily Population Forecasts

Source: Department of Human Services, Division of Youth Services and *Legislative Council Staff forecast.
K-12 Enrollment Forecast
# K-12 Public School Enrollment

*Full-Time Equivalent (FTE) Students*

<table>
<thead>
<tr>
<th>Region</th>
<th>Actual 2017-18</th>
<th>Estimated 2018-19</th>
<th>Estimated 2019-20</th>
<th>Average Growth*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro Denver</td>
<td>480,756</td>
<td>482,133</td>
<td>483,712</td>
<td>0.3%</td>
</tr>
<tr>
<td>Northern</td>
<td>86,379</td>
<td>87,814</td>
<td>89,366</td>
<td>1.8%</td>
</tr>
<tr>
<td>CO Springs</td>
<td>117,918</td>
<td>119,430</td>
<td>120,593</td>
<td>1.1%</td>
</tr>
<tr>
<td>Pueblo</td>
<td>32,583</td>
<td>32,563</td>
<td>32,302</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Eastern Plains</td>
<td>25,033</td>
<td>25,371</td>
<td>25,661</td>
<td>1.1%</td>
</tr>
<tr>
<td>San Luis Valley</td>
<td>7,274</td>
<td>7,288</td>
<td>7,336</td>
<td>0.4%</td>
</tr>
<tr>
<td>Mountain</td>
<td>25,046</td>
<td>25,066</td>
<td>25,141</td>
<td>0.2%</td>
</tr>
<tr>
<td>SW Mountain</td>
<td>12,927</td>
<td>13,132</td>
<td>13,324</td>
<td>1.5%</td>
</tr>
<tr>
<td>Western</td>
<td>50,365</td>
<td>50,580</td>
<td>50,740</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Statewide Total</strong></td>
<td><strong>838,278</strong></td>
<td><strong>843,378</strong></td>
<td><strong>848,175</strong></td>
<td><strong>0.6%</strong></td>
</tr>
</tbody>
</table>

*Source: Colorado Department of Education and Legislative Council Staff.*

*Compound average annual growth rate between 2017-18 and 2019-20.*
Assessed Valuation Forecast
Assessed Values in Colorado

Actual Values × Assessment Rate = Assessed Values

- 7.20% Residential*
- 29% Nonresidential
- 87.5% Oil and Gas

*2017 Residential Assessment Rate
Assessed Values in Colorado

Actual Values × Assessment Rate = Assessed Values

- 7.20% Residential*
- 29% Nonresidential
- 87.5% Oil and Gas

Reassessment Cycle

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Valuation Date</th>
<th>Assessment Cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>July 1, 2016</td>
<td>2017 Re-Assessment Cycle</td>
</tr>
<tr>
<td>2018</td>
<td>July 1, 2016</td>
<td>2017 Re-Assessment Cycle</td>
</tr>
<tr>
<td>2019</td>
<td>July 1, 2018</td>
<td>2019 Re-Assessment Cycle</td>
</tr>
<tr>
<td>2020</td>
<td>July 1, 2018</td>
<td>2019 Re-Assessment Cycle</td>
</tr>
</tbody>
</table>

*2017 Residential Assessment Rate
Actual (Market) Values
The Colorado Property Tax Base

Non-Residential
Residential

Source: Division of Property Taxation and Legislative Council Staff forecast.
*Calculated as assessed values divided by an assumed 29 percent assessment rate.
Actual (Market) Values
The Colorado Property Tax Base

Non-Residential

Residential

Annual Non-Residential Growth = 2.3%

Annual Residential Growth = 8.6%

Source: Division of Property Taxation and Legislative Council Staff forecast.
*Calculated as assessed values divided by an assumed 29 percent assessment rate.
Assessed Values in Colorado

Actual Values

Assessment Rate
- 7.20% Residential*
- 29% Nonresidential
- 87.5% Oil and Gas

×

Gallagher Target Share
- Residential 45%
- Non-residential 55%

= Assessed Values

*2017 Residential Assessment Rate
Residential Market Value

Residential Assessment Rate

%
Assessed Values

Actual Values \times Assessment Rate = Assessed Values

Non-Residential
29% assessment rate

Residential


Source: Division of Property Taxation and Legislative Council Staff forecast.
Assessed Values

Actual Values $\times$ Assessment Rate = Assessed Values

Non-Residential
29% assessment rate

Residential


Target Percentage

7.20% RAR

Source: Division of Property Taxation and Legislative Council Staff forecast.
Assessed Values
Actual Values × Assessment Rate = Assessed Values

Non-Residential
29% assessment rate

Residential

Target Percentage

7.20%
6.11%

Source: Division of Property Taxation and Legislative Council Staff forecast.
## Residential and Nonresidential Assessed Values

<table>
<thead>
<tr>
<th>Year</th>
<th>Residential Assessed Value</th>
<th>Nonresidential Assessed Value</th>
<th>Total Assessed Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$47,261</td>
<td>$54,157</td>
<td>$101,419</td>
</tr>
<tr>
<td></td>
<td>1.9%</td>
<td>-8.1%</td>
<td>-3.7%</td>
</tr>
<tr>
<td>2017</td>
<td>$52,199</td>
<td>$58,698</td>
<td>$110,897</td>
</tr>
<tr>
<td></td>
<td>10.4%</td>
<td>8.4%</td>
<td>9.3%</td>
</tr>
<tr>
<td>2018*</td>
<td>$53,126</td>
<td>$59,799</td>
<td>$112,925</td>
</tr>
<tr>
<td></td>
<td>1.8%</td>
<td>1.9%</td>
<td>1.8%</td>
</tr>
<tr>
<td>2019*</td>
<td>$52,748</td>
<td>$64,449</td>
<td>$117,197</td>
</tr>
<tr>
<td></td>
<td>-0.7%</td>
<td>7.8%</td>
<td>3.8%</td>
</tr>
<tr>
<td>2020*</td>
<td>$53,662</td>
<td>$65,921</td>
<td>$119,583</td>
</tr>
<tr>
<td></td>
<td>1.7%</td>
<td>2.3%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: Division of Property Taxation and Legislative Council Staff forecast.
Change in Residential Assessed Values by County
2016 to 2017

Source: Division of Property Taxation, Department of Local Affairs.
Change in Total Assessed Values by County
2016 to 2017

Source: Division of Property Taxation, Department of Local Affairs.
School Finance Outlook
Change in Expectations for School Finance Funding, FY 2017-18

*Millions of Dollars*

<table>
<thead>
<tr>
<th>FY 2017-18 Appropriation</th>
<th>Current Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>BS Factor: $828 million</td>
<td>BS Factor: $828 million</td>
</tr>
<tr>
<td><strong>State Aid</strong></td>
<td><strong>State Aid</strong></td>
</tr>
<tr>
<td>$4,225</td>
<td>$4,225</td>
</tr>
<tr>
<td><strong>Local Share</strong></td>
<td><strong>Local Share</strong></td>
</tr>
<tr>
<td>$2,410</td>
<td>$2,507</td>
</tr>
</tbody>
</table>

*The General Assembly's Choices Range From:*

- BS Factor: $828 million
- BS Factor: $718 million

Source: Legislative Council Staff, December 2017 Forecast.
Change in Expectations for School Finance Funding, FY 2017-18 to FY 2018-19

**Millions of Dollars**

**FY 2017-18**
- **State Aid**: $4,115
- **Local Share**: $2,507

**BS Factor**: $828 million

**FY 2018-19**
- **State Aid**: $4,358
- **Local Share**: $2,542

**BS Factor**: $828 million

Source: Legislative Council Staff, December 2017 Forecast.