

March 2017
Legislative Council Staff
Economic and Revenue Forecast

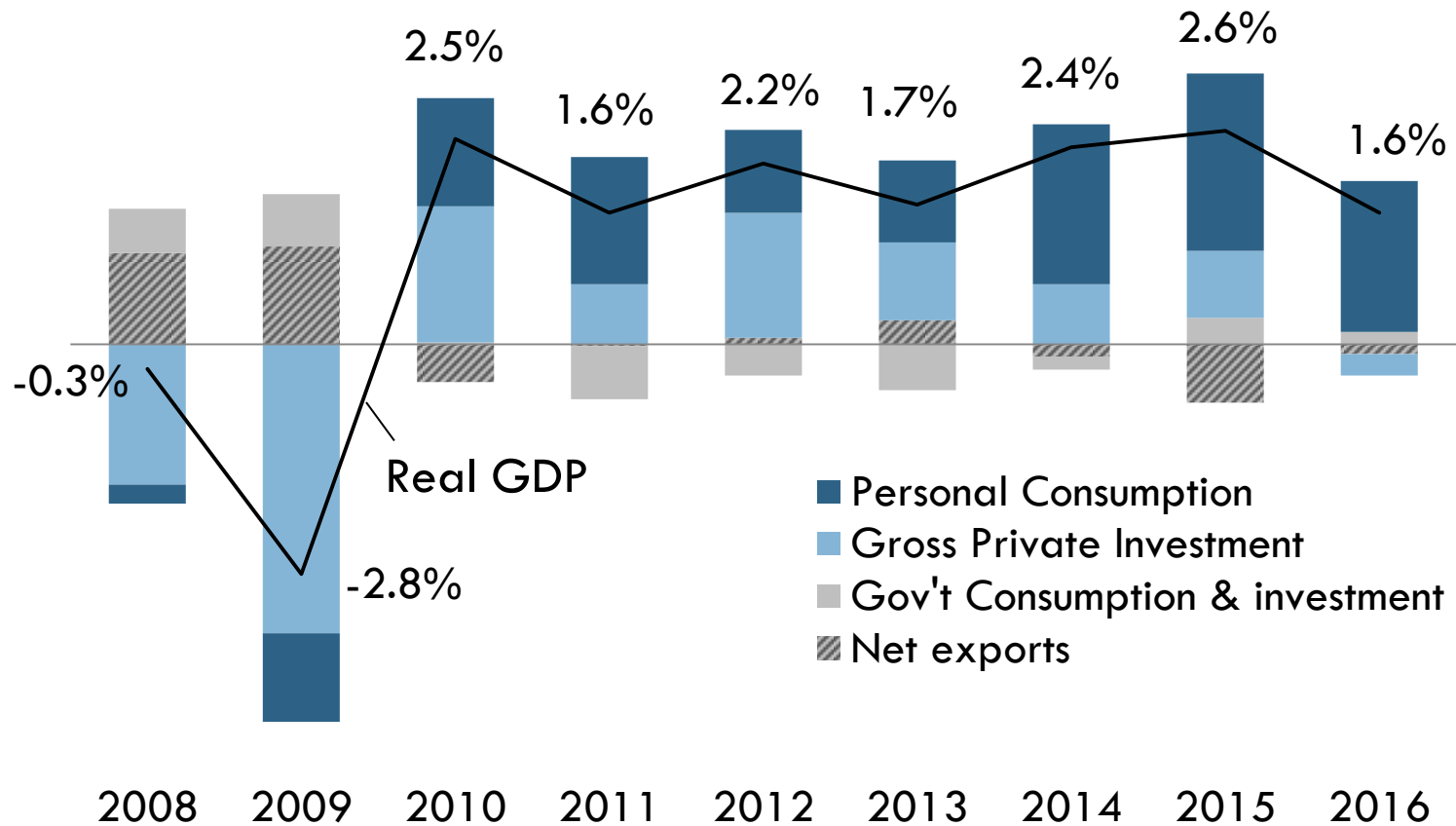


The U.S. and Colorado economies are expected to continue to expand at a moderate pace over the forecast period.

- Business activity has improved
- Modest rebound in oil and gas industry activity
- Consumer spending remains healthy
- Employers continue to add jobs at a moderate rate

The U.S. economy continues to expand.

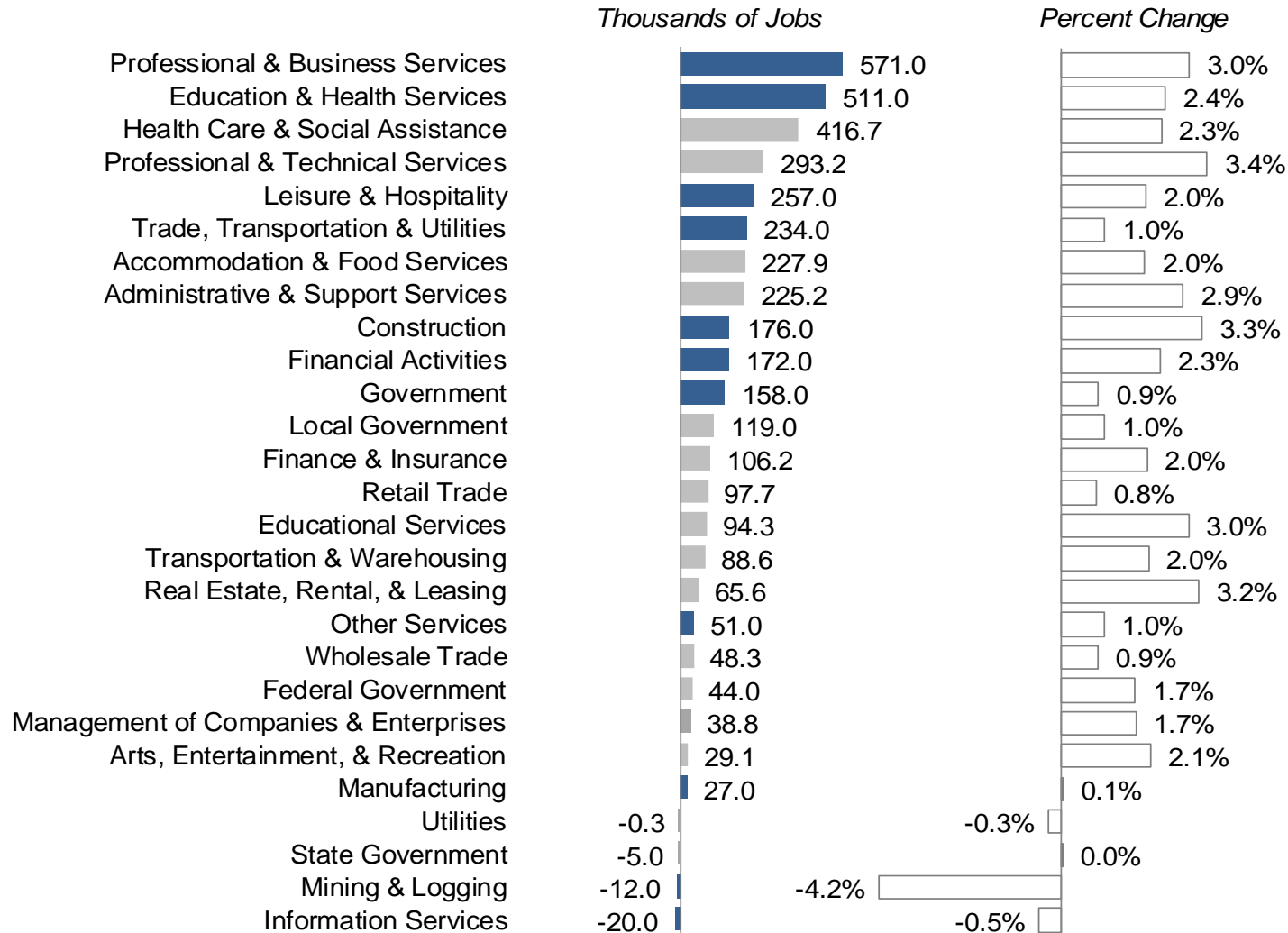
U.S. Real Gross Domestic Product
Annual Percent Change and Contributions



Job gains have been broad-based across most industries.

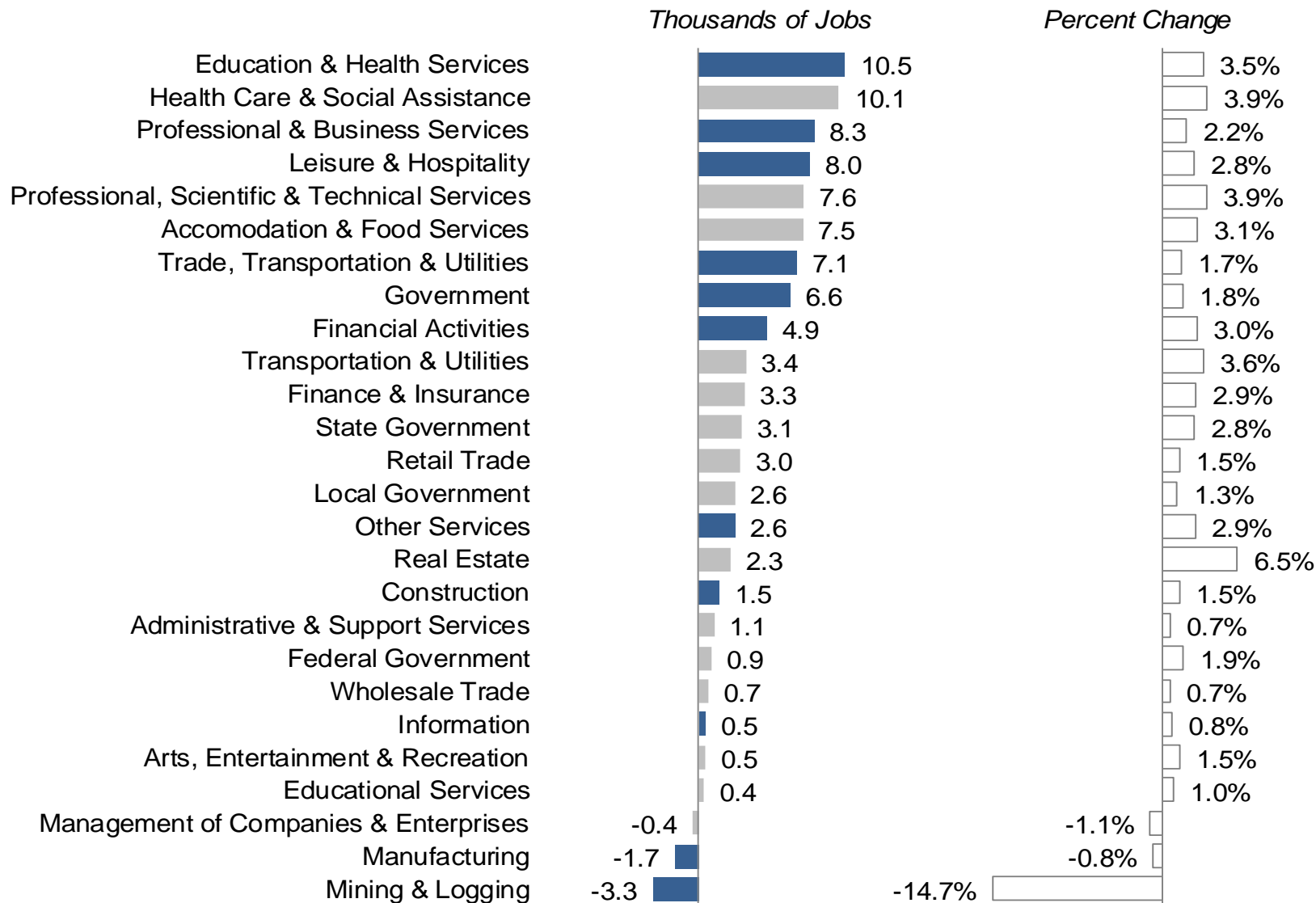
U.S. Nonfarm Employment

Year-over-Year Change in February 2017



Colorado Nonfarm Employment

Year-over-Year Change in February 2017

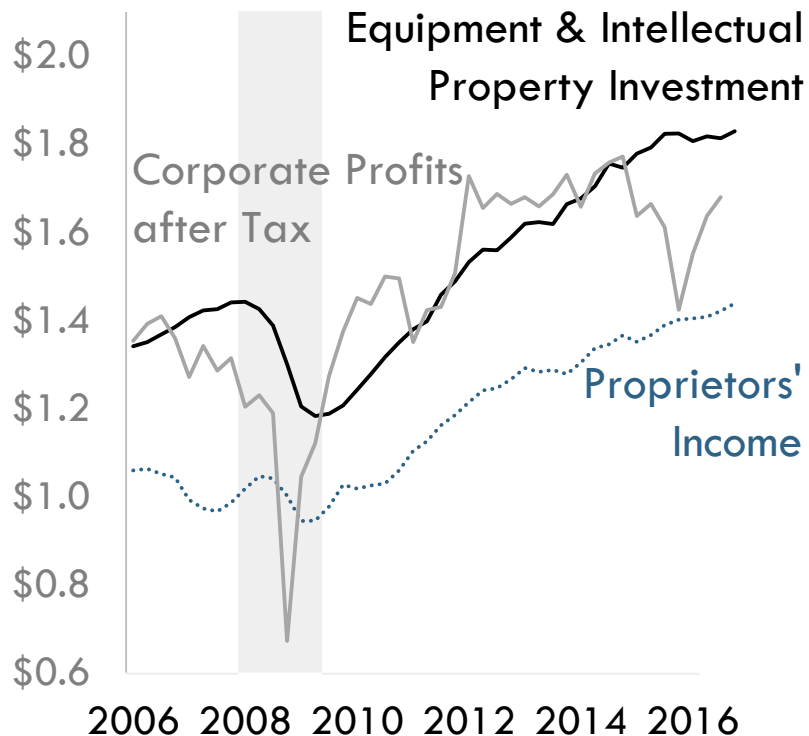


Source: Bureau of Labor Statistics. Seasonally adjusted.

U.S. corporate profits and manufacturing activity continue to improve.

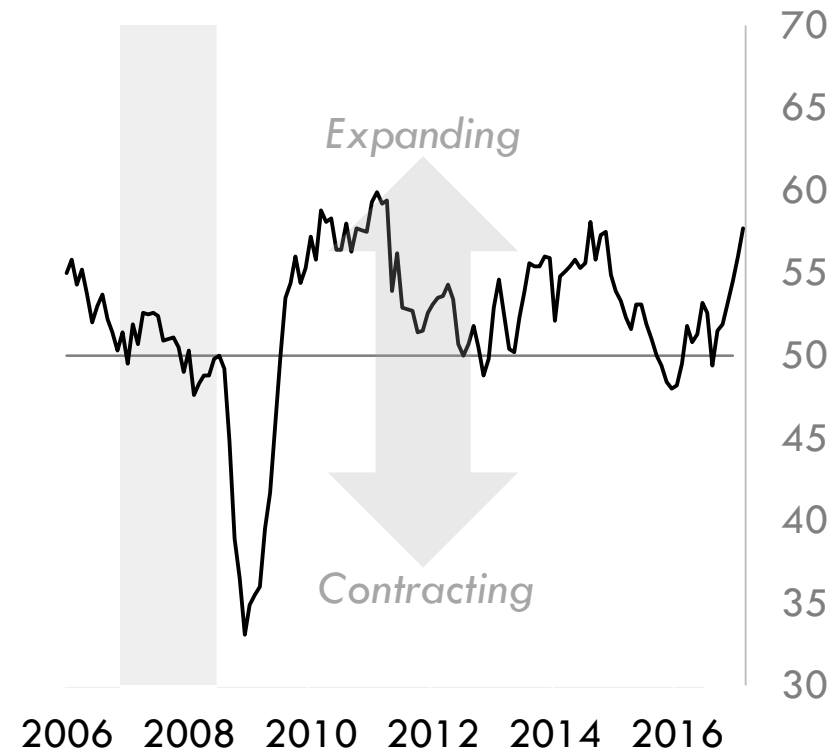
Business Investment, Income & Profits

Trillions of Dollars



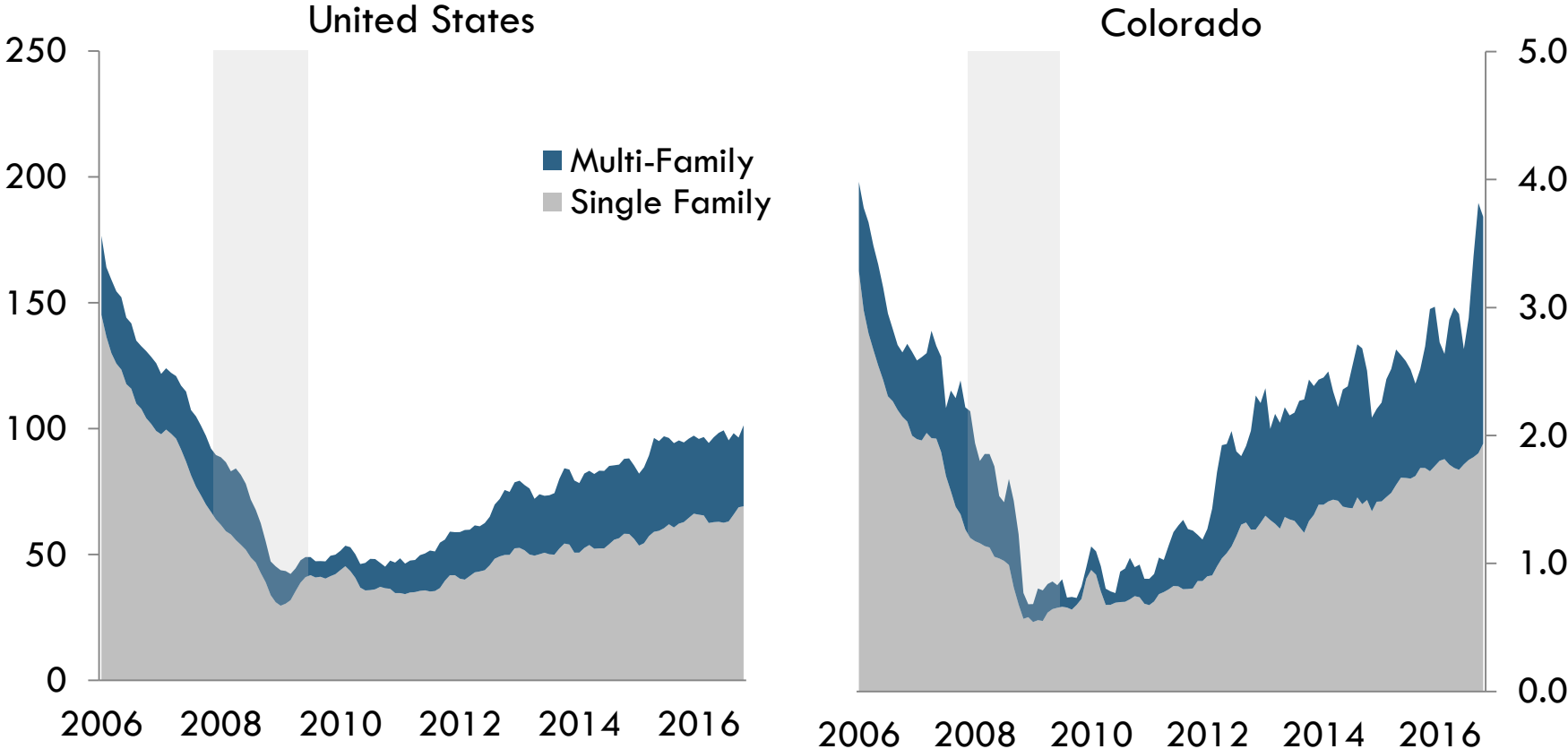
ISM Manufacturing Index

Diffusion Index



Residential real estate indicators remain encouraging for both national and Colorado housing markets.

Residential Building Permits *Thousands of Units*

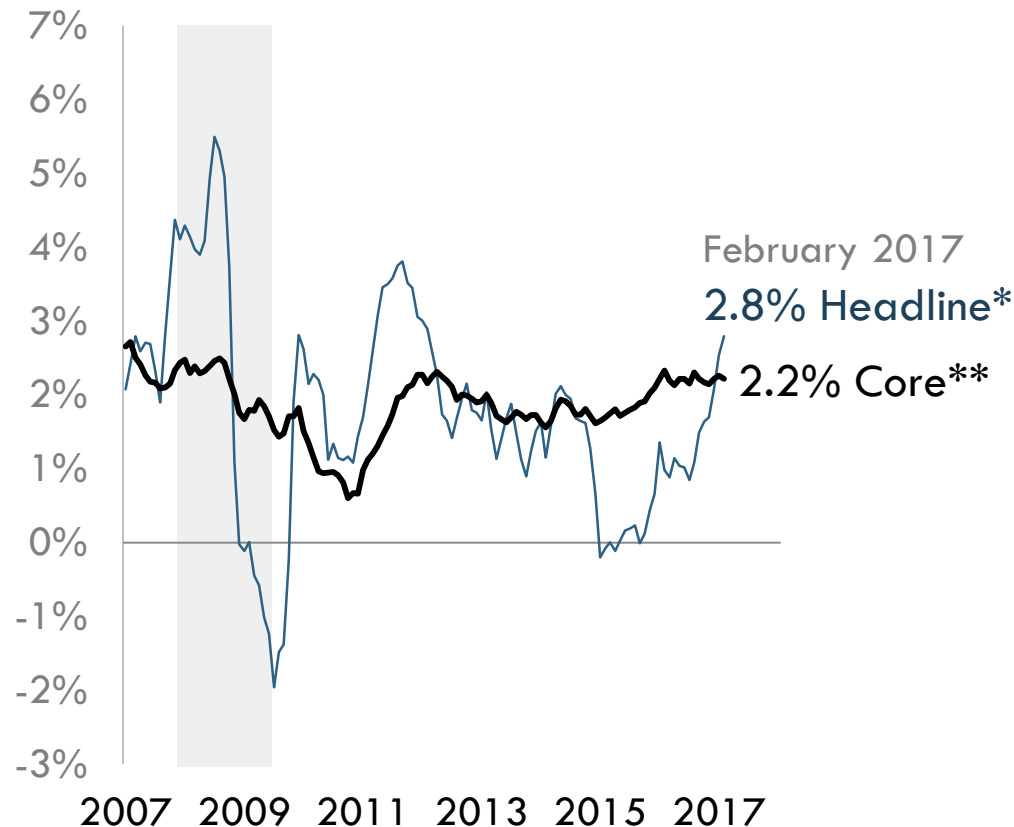


Source: U.S. Census Bureau. Seasonally adjusted three-month moving averages.

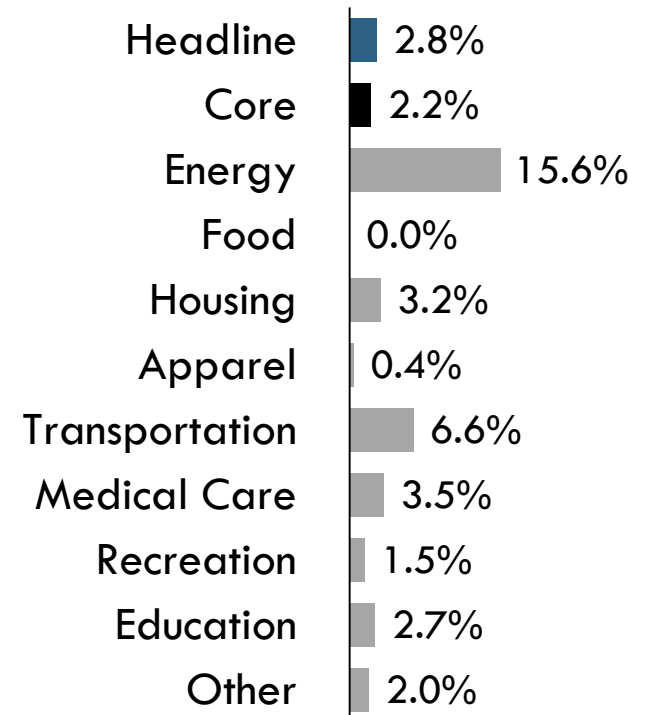
Inflation has been rising.

Consumer Price Index for All U.S. Urban Areas

Year-over-Year Change in Prices



Selected Components February 2017



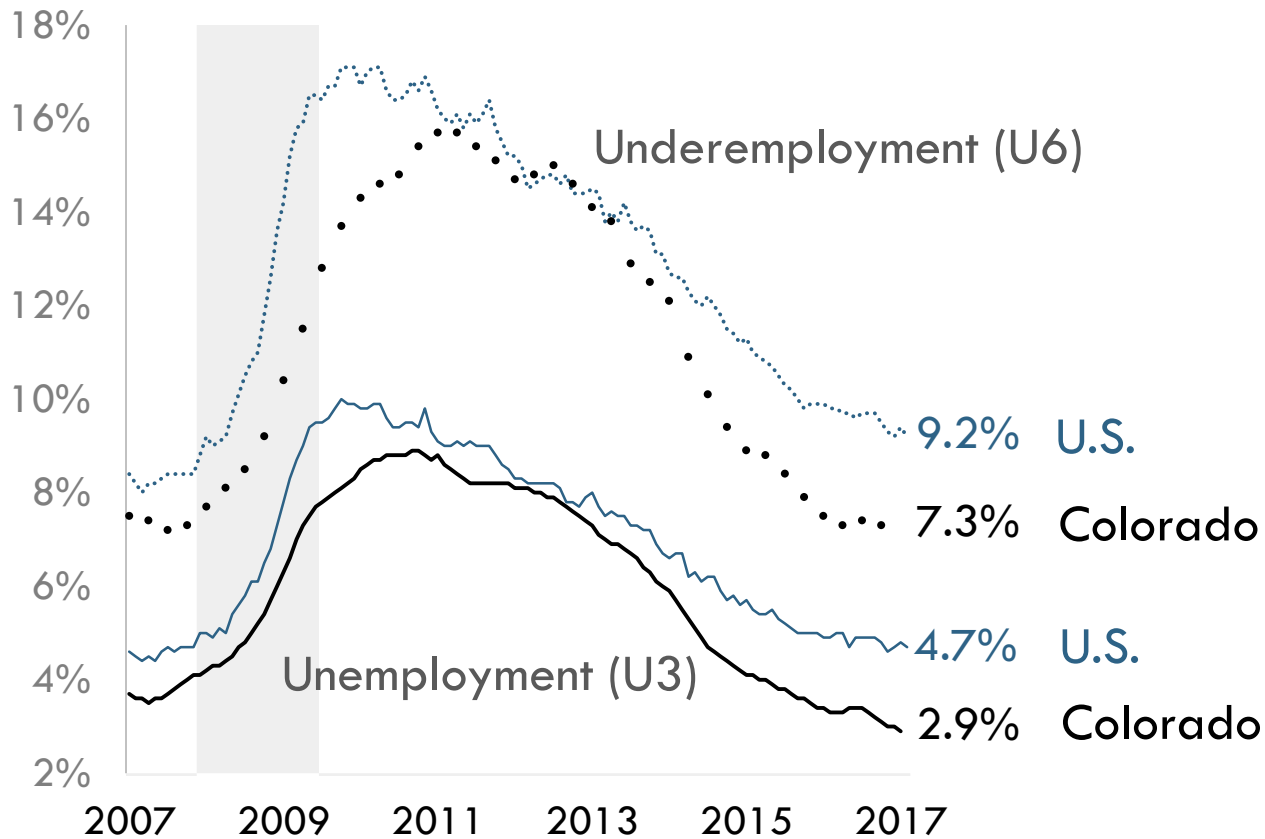
Economy activity remains oriented towards further advancement at a moderate pace for the Colorado and U.S economies.

Several factors that will continue to slow growth.

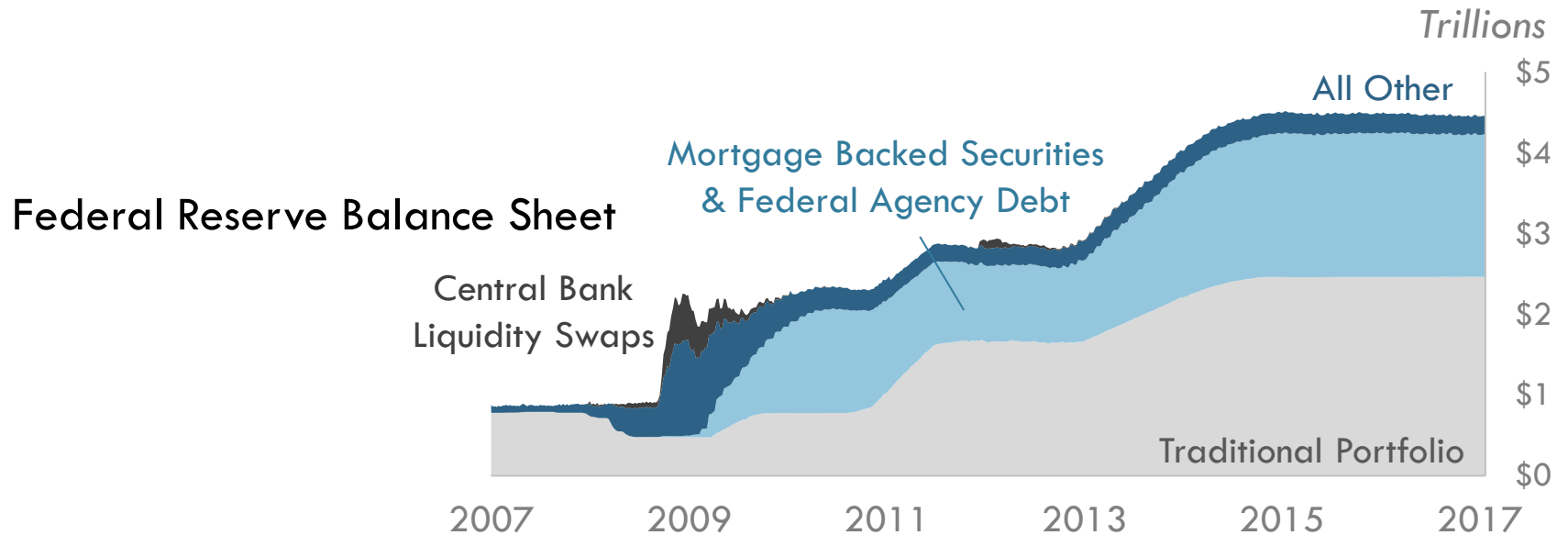
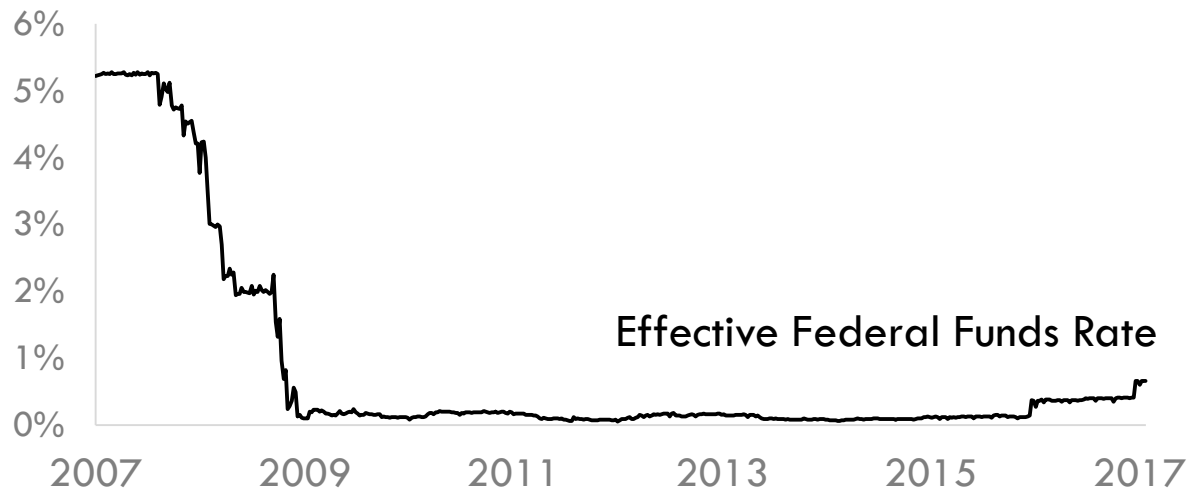
- 1) Full employment
- 2) Monetary policy
- 3) Demographic change

Economic indicators suggest the nation is nearing full employment.

Unemployment and Underemployment Rates



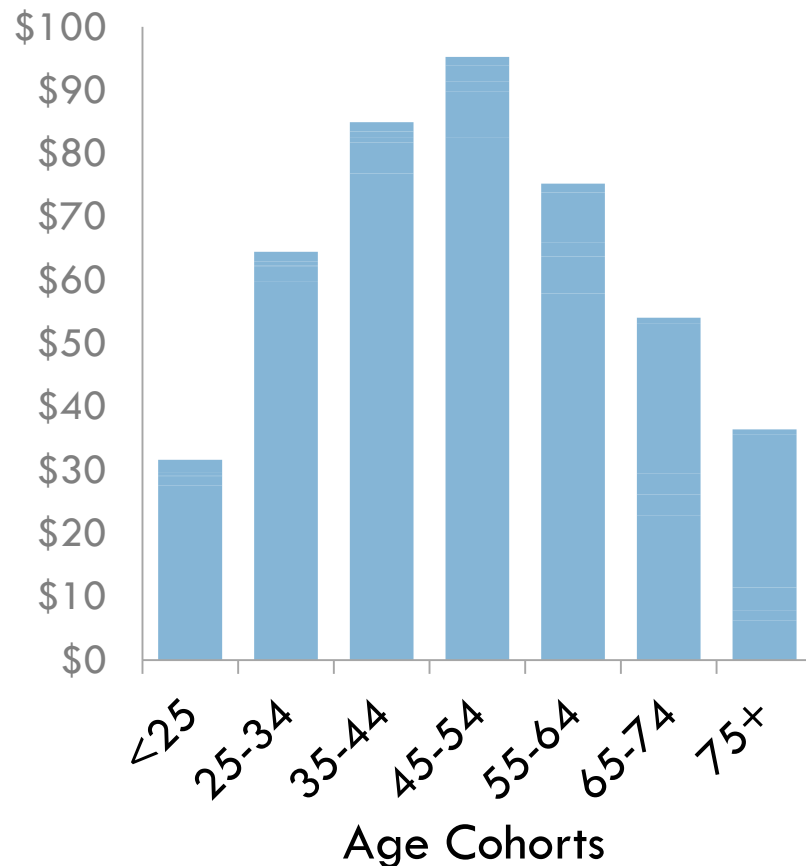
Monetary policy will slowly tighten.



The aging of the population is changing income and consumption patterns.

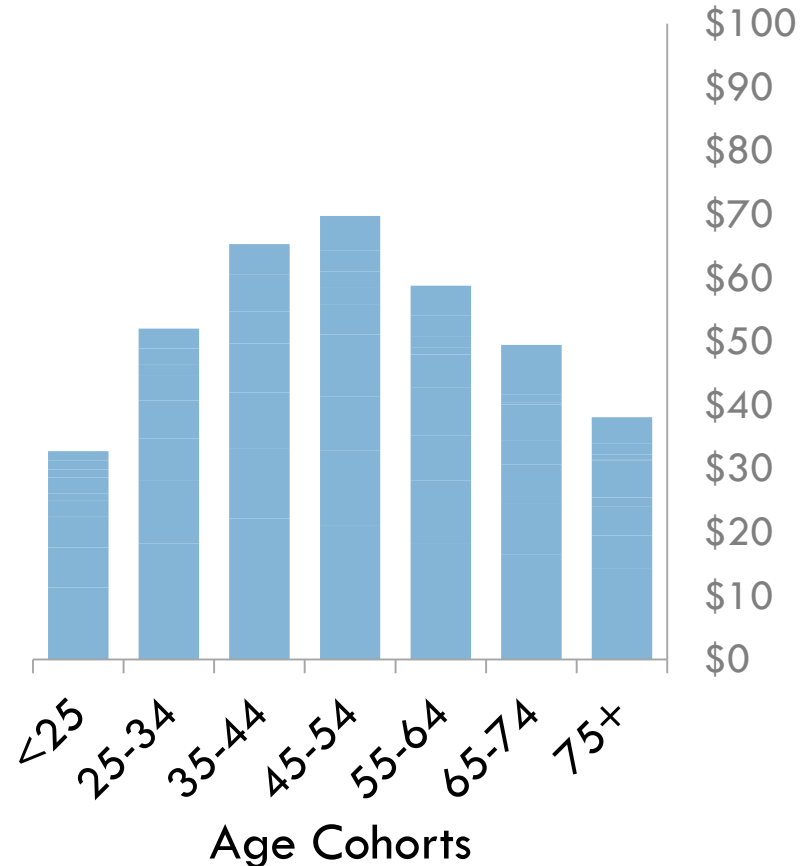
Average Income by Age, 2015

Thousands of Dollars



Average Expenditures by Age, 2015

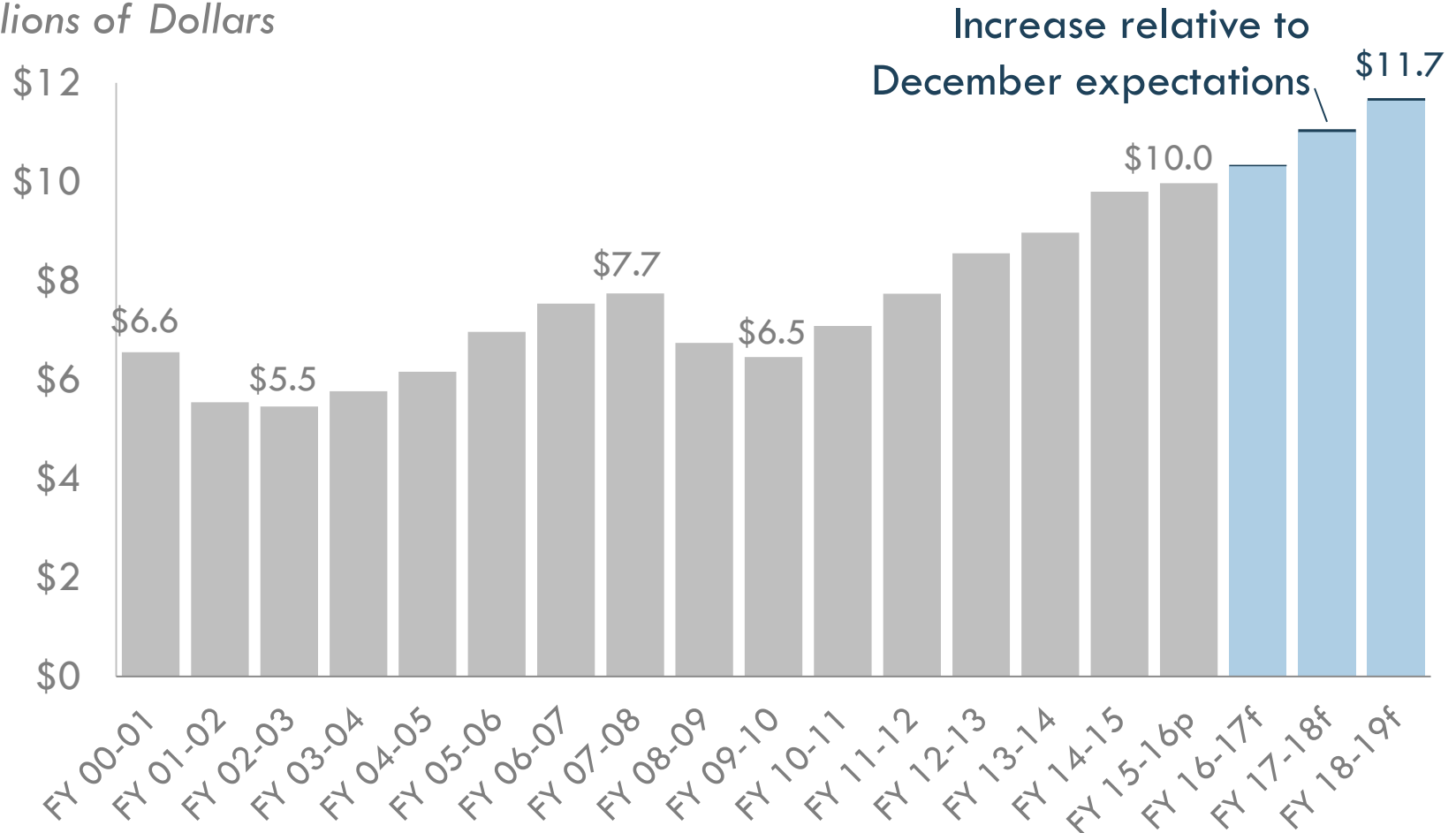
Thousands of Dollars



Expectations for revenue were increased slightly relative to the December forecast.

General Fund Revenue

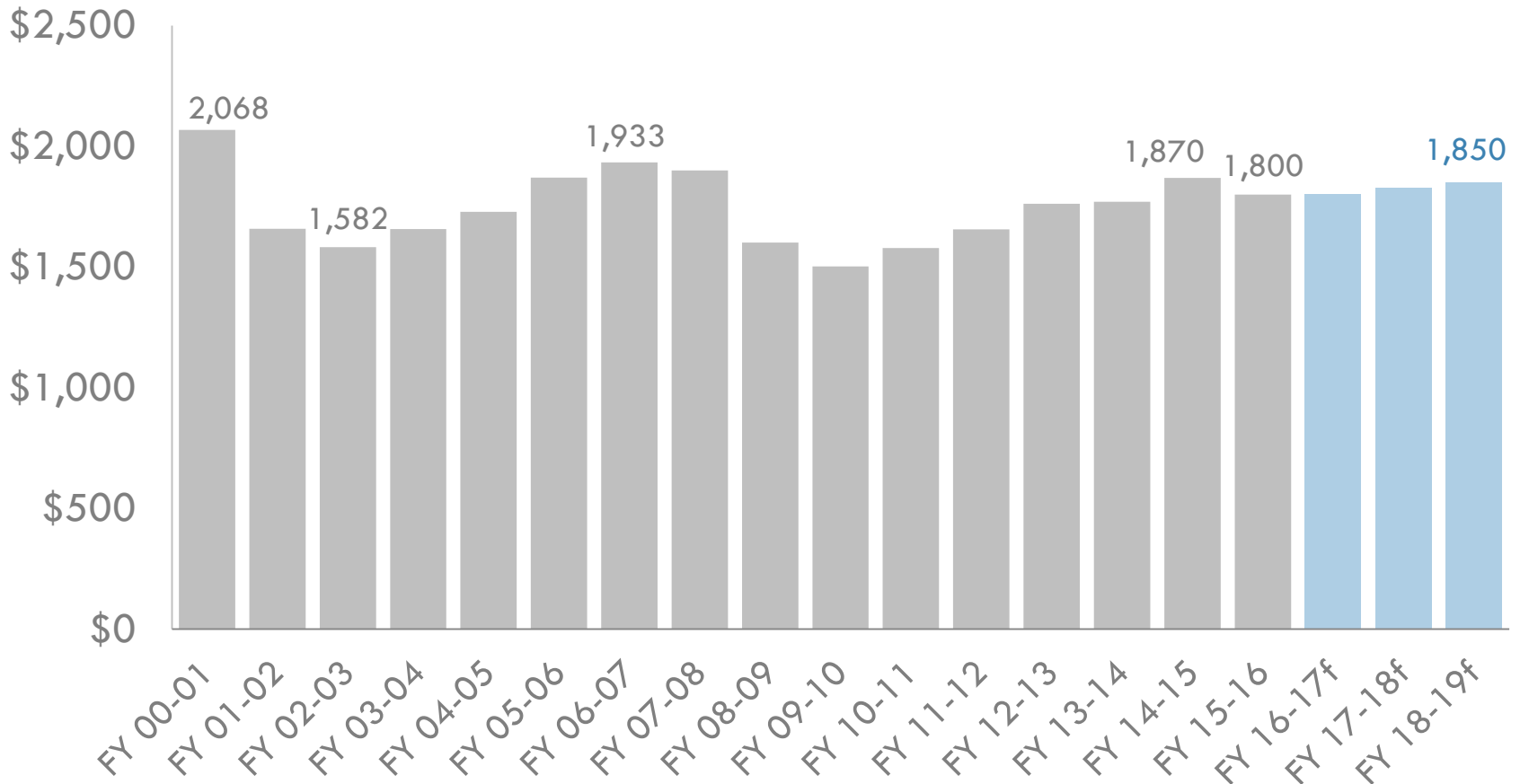
Billions of Dollars



General fund revenue is projected to grow at a rate just slightly faster than inflation and population growth.

General Fund Revenue

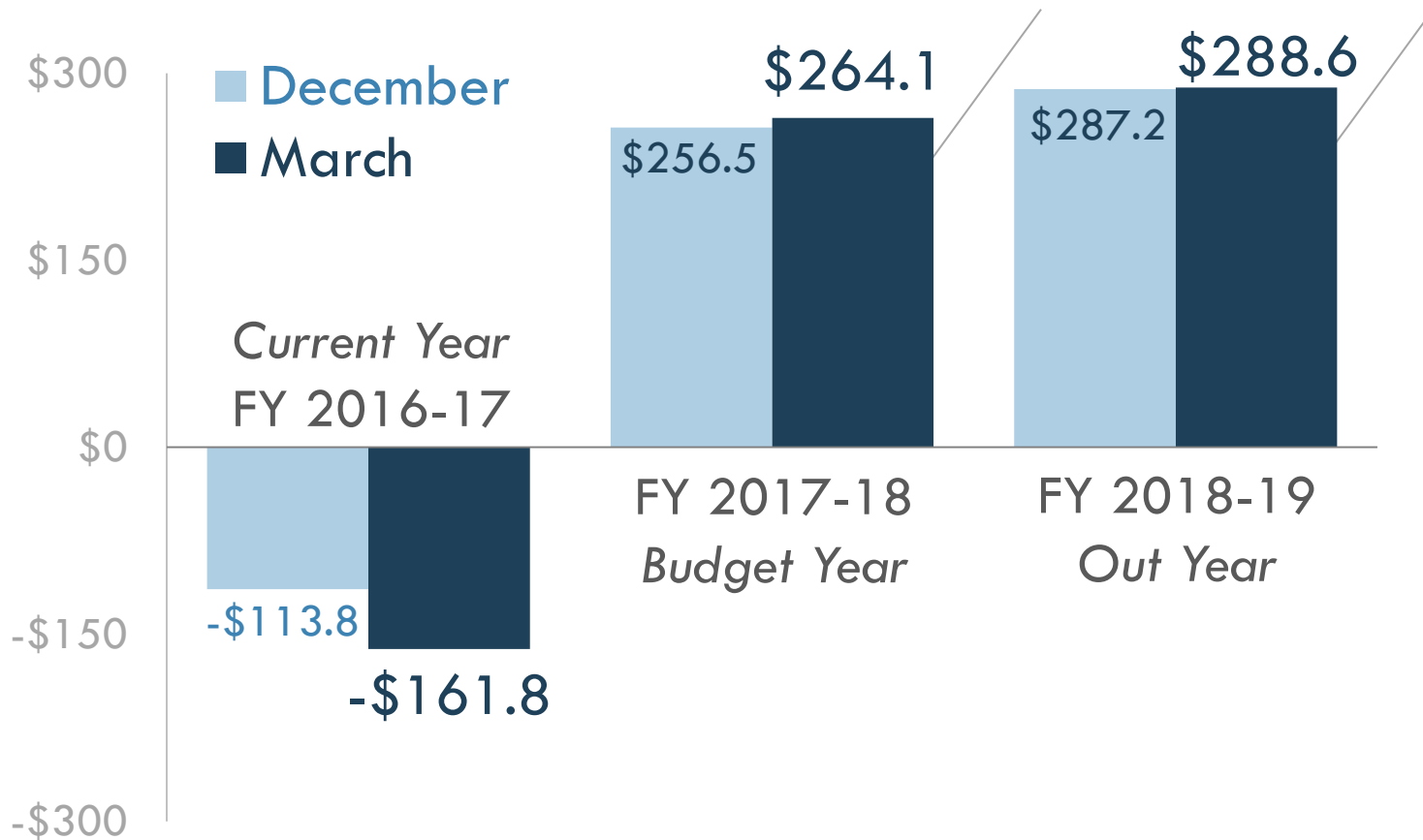
Inflation-adjusted, per capita



TABOR Outlook

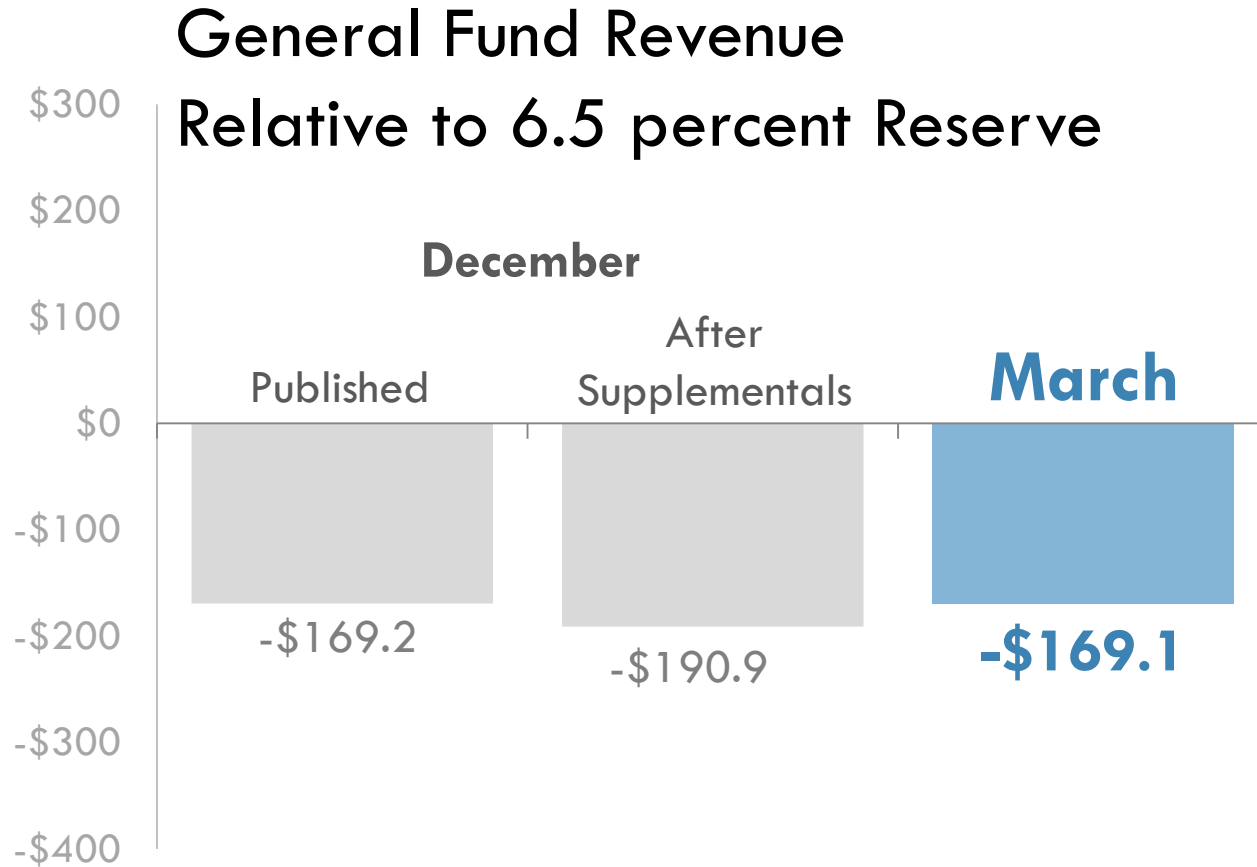
Revenue Above/(Below) the TABOR Limit

About 2.5% of General Fund Revenue Halved Senate Bill 09-228 Transfers



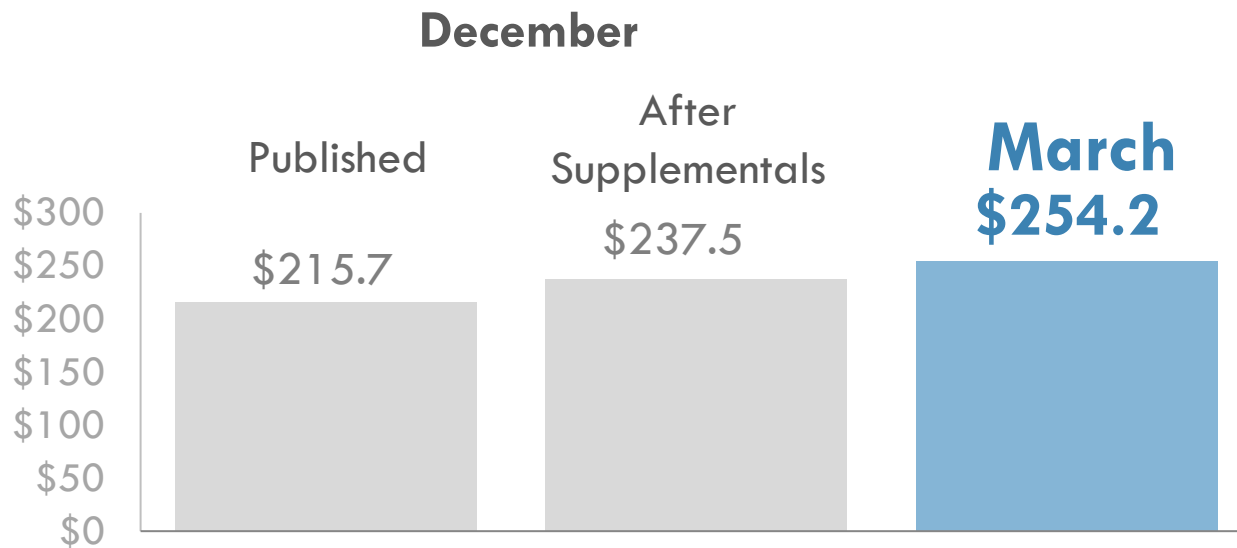
This Year's General Fund Budget Situation

FY 2016-17



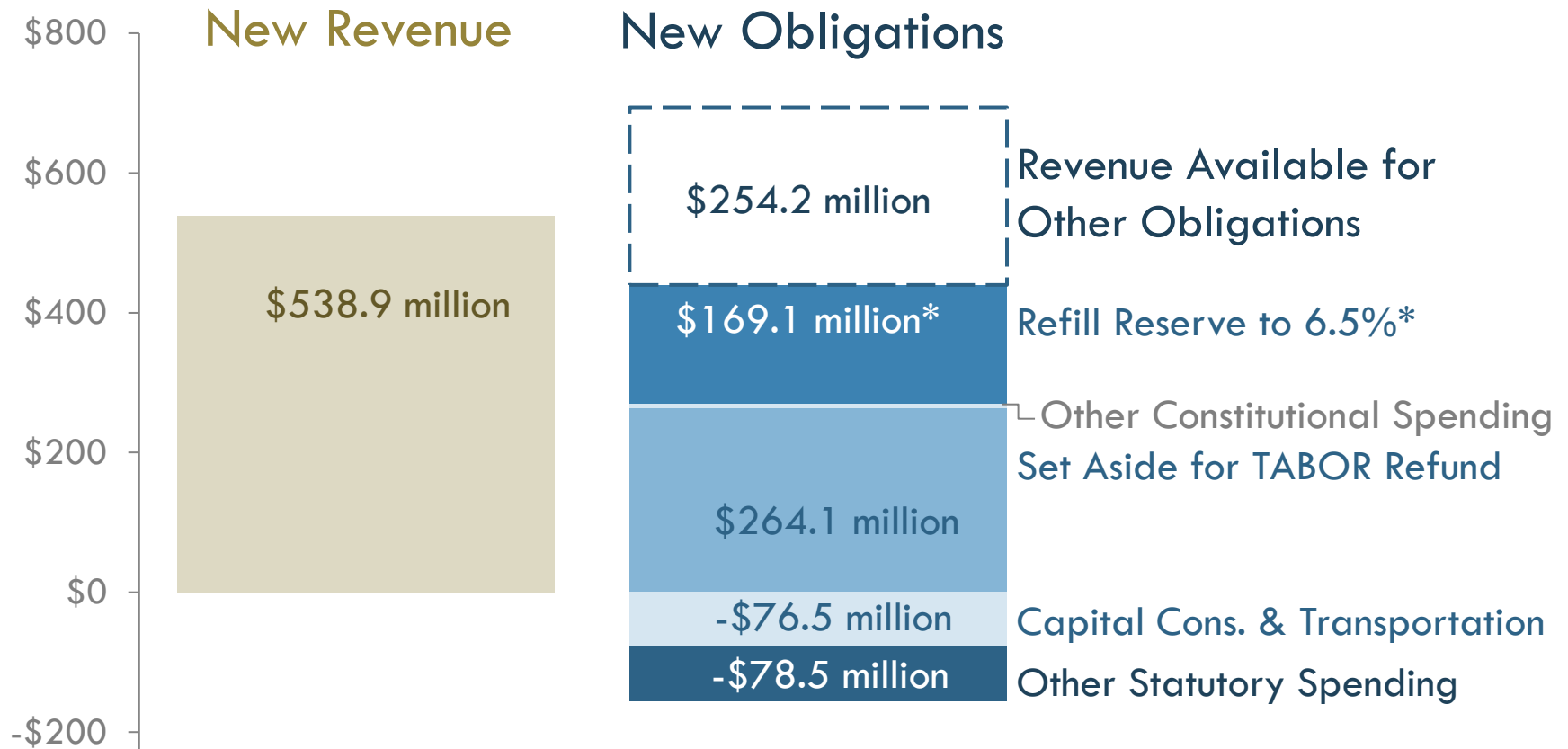
Next Year's General Fund Budget Situation FY 2017-18

General Fund Revenue Relative to Baseline Expenditures



Change in Revenue & Obligations

FY 2016-17 to FY 2017-18



*Assumes \$169.2 million FY 2016-17 shortfall is addressed by reducing the reserve and no change in operating appropriations between FY 2016-17 and FY 2017-18.