



September 2022 | Legislative Council Staff  
**Economic & Revenue Forecast**

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Presentation to the Joint Budget Committee

September 22, 2022

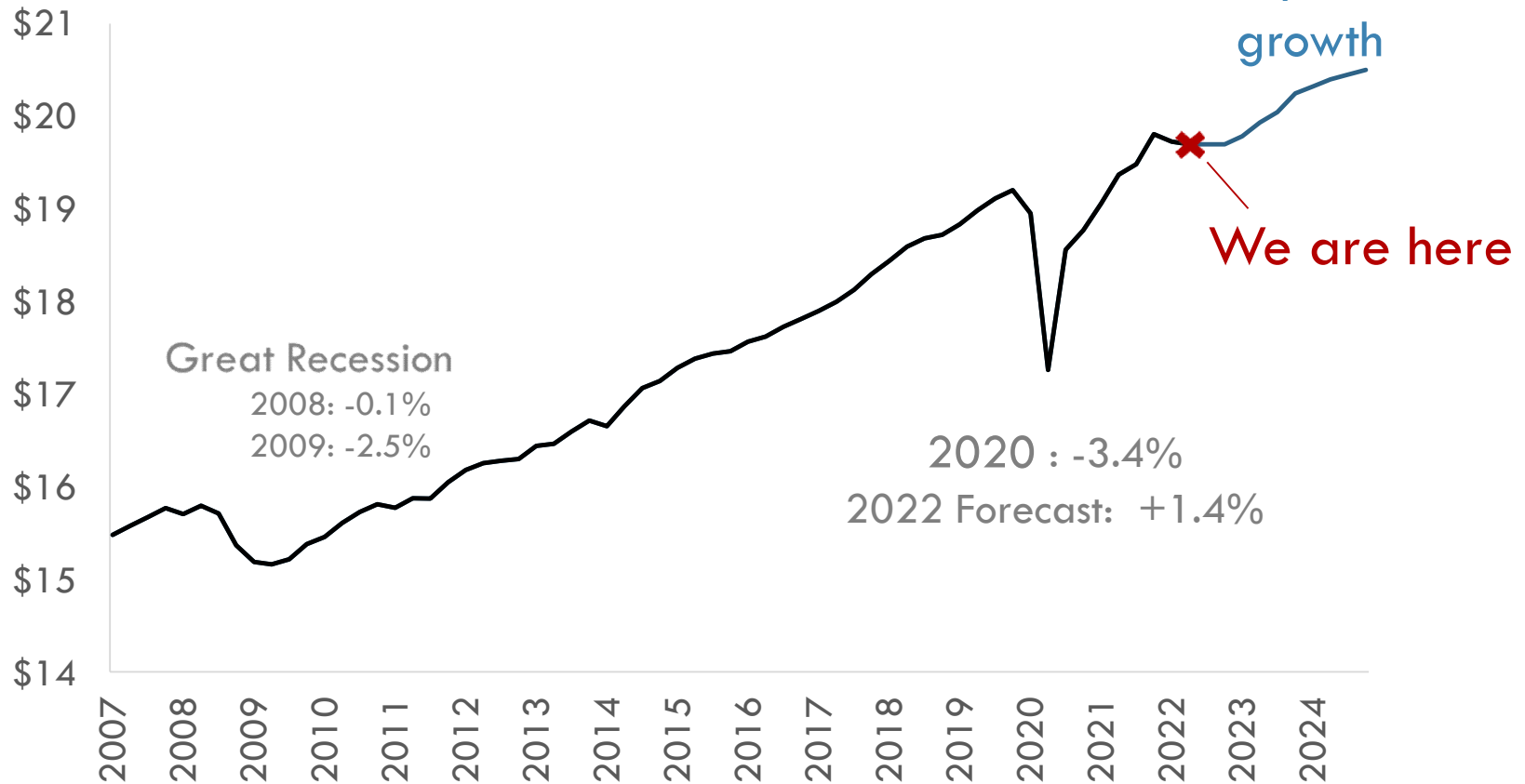
# Economic Outlook



# Economy in transition from rapid post-recession recovery to slower growth trend

## Real U.S. Gross Domestic Product

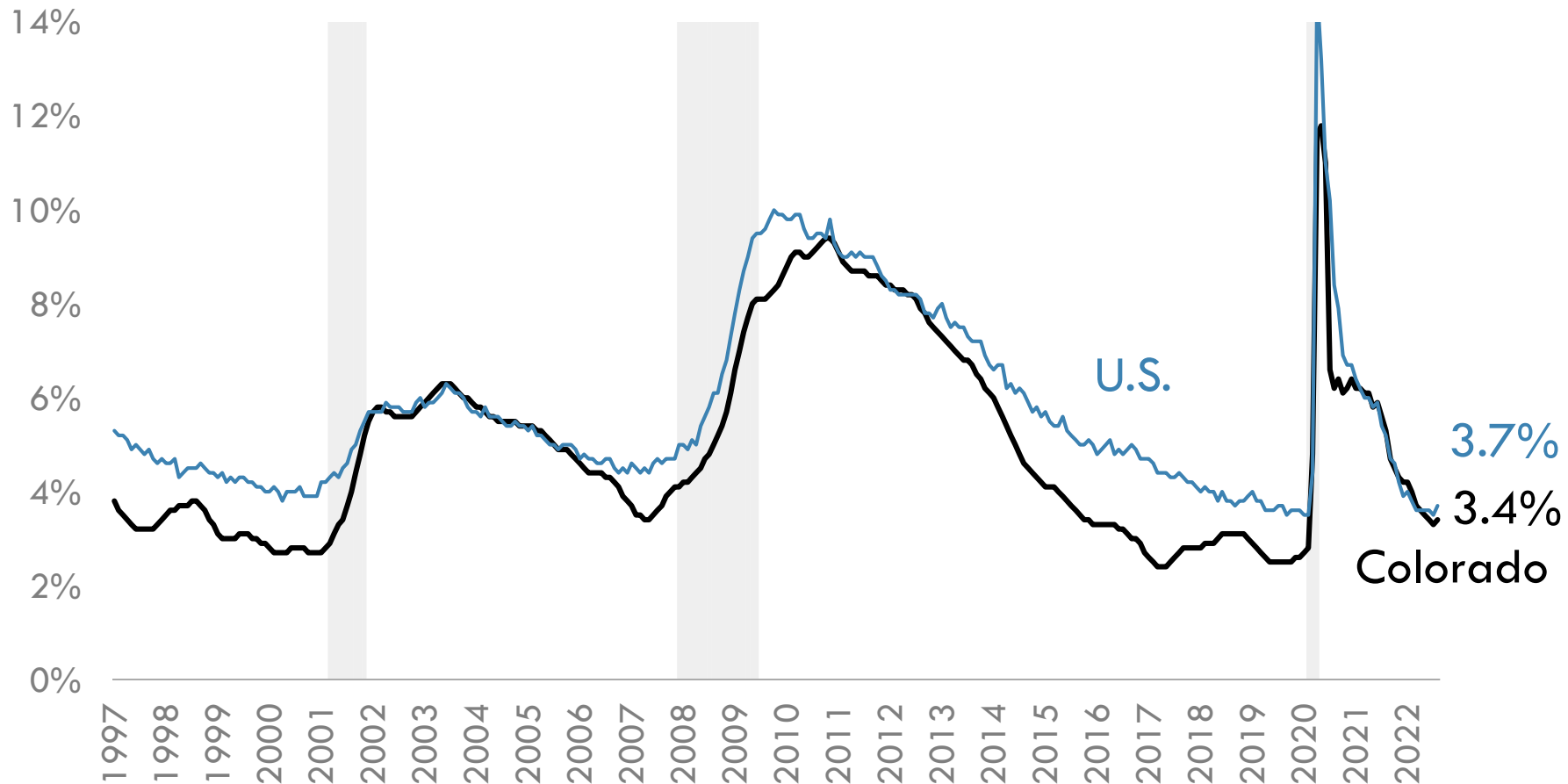
Dollars in Trillions



Source: U.S. Bureau of Economic Analysis and Legislative Council Staff September 2022 projections.  
Real GDP is inflation-adjusted to chained 2012 levels and shown at seasonally adjusted annualized rates.

# Colorado's unemployment rate ticked up to 3.4 percent in August

## Unemployment rates

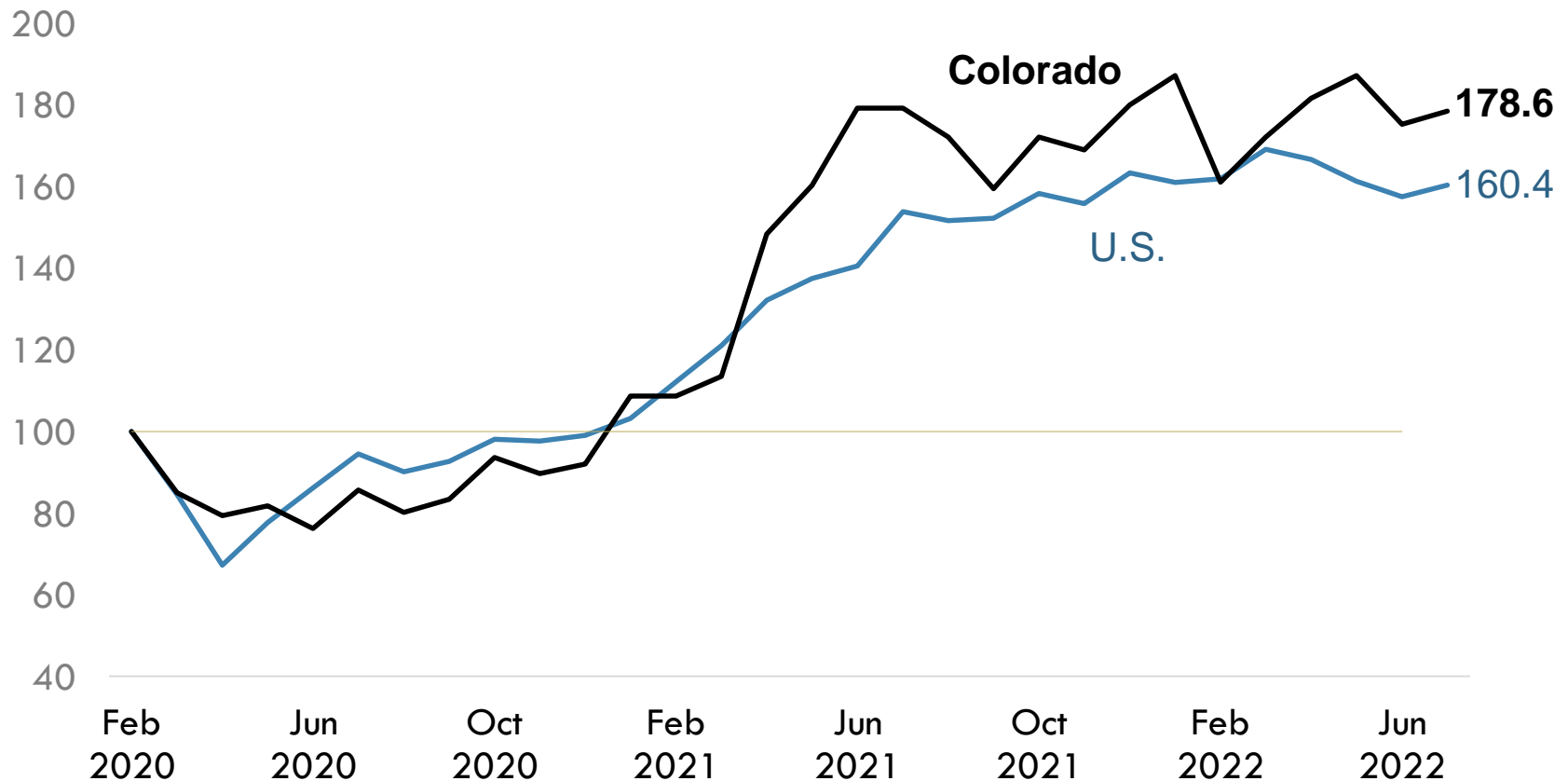


Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

# Competition for workers remains high with job openings well above pre-pandemic levels

## Job Openings

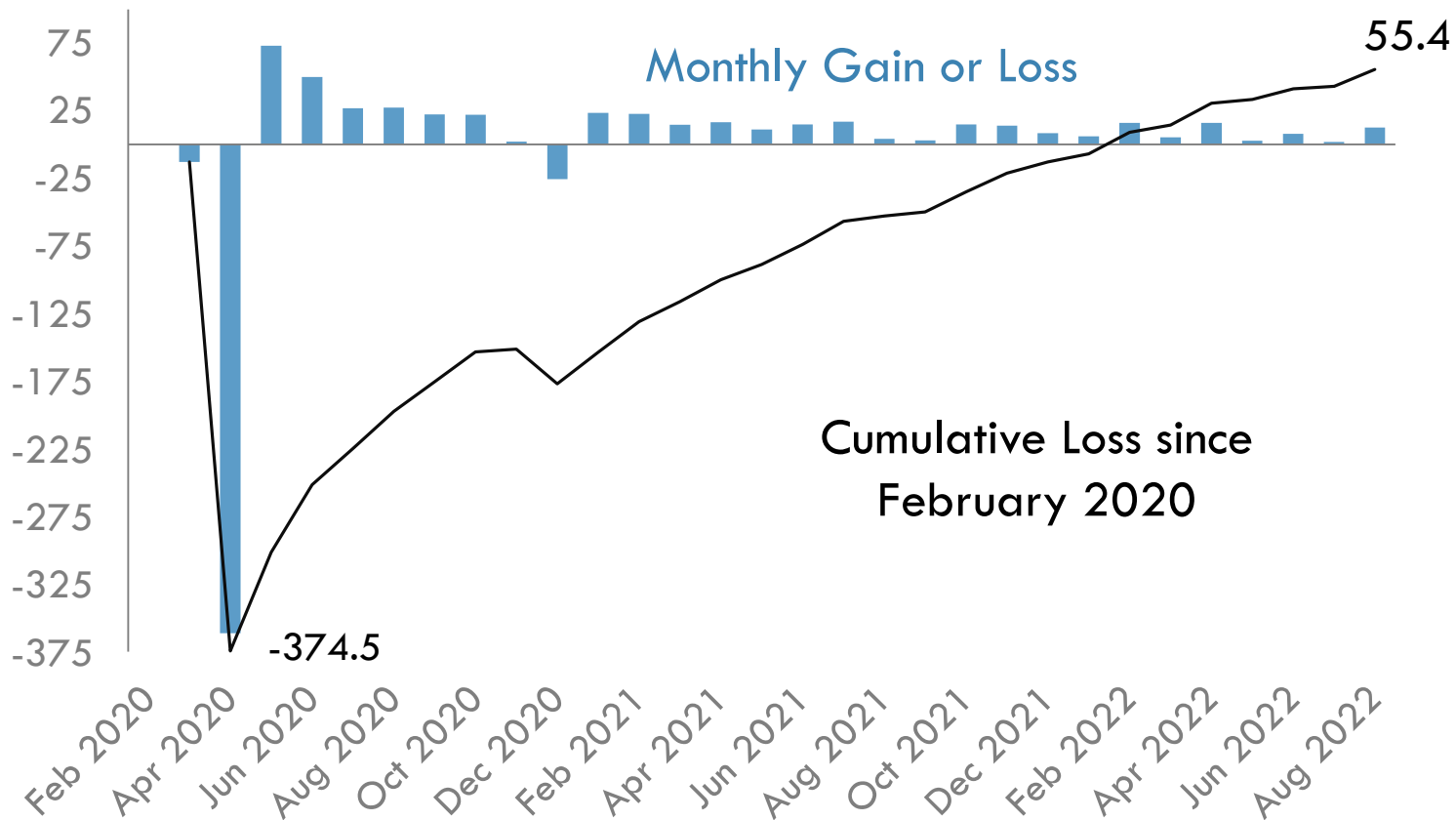
Index 100 = February 2020



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS). Seasonally adjusted. Data through July 2022.

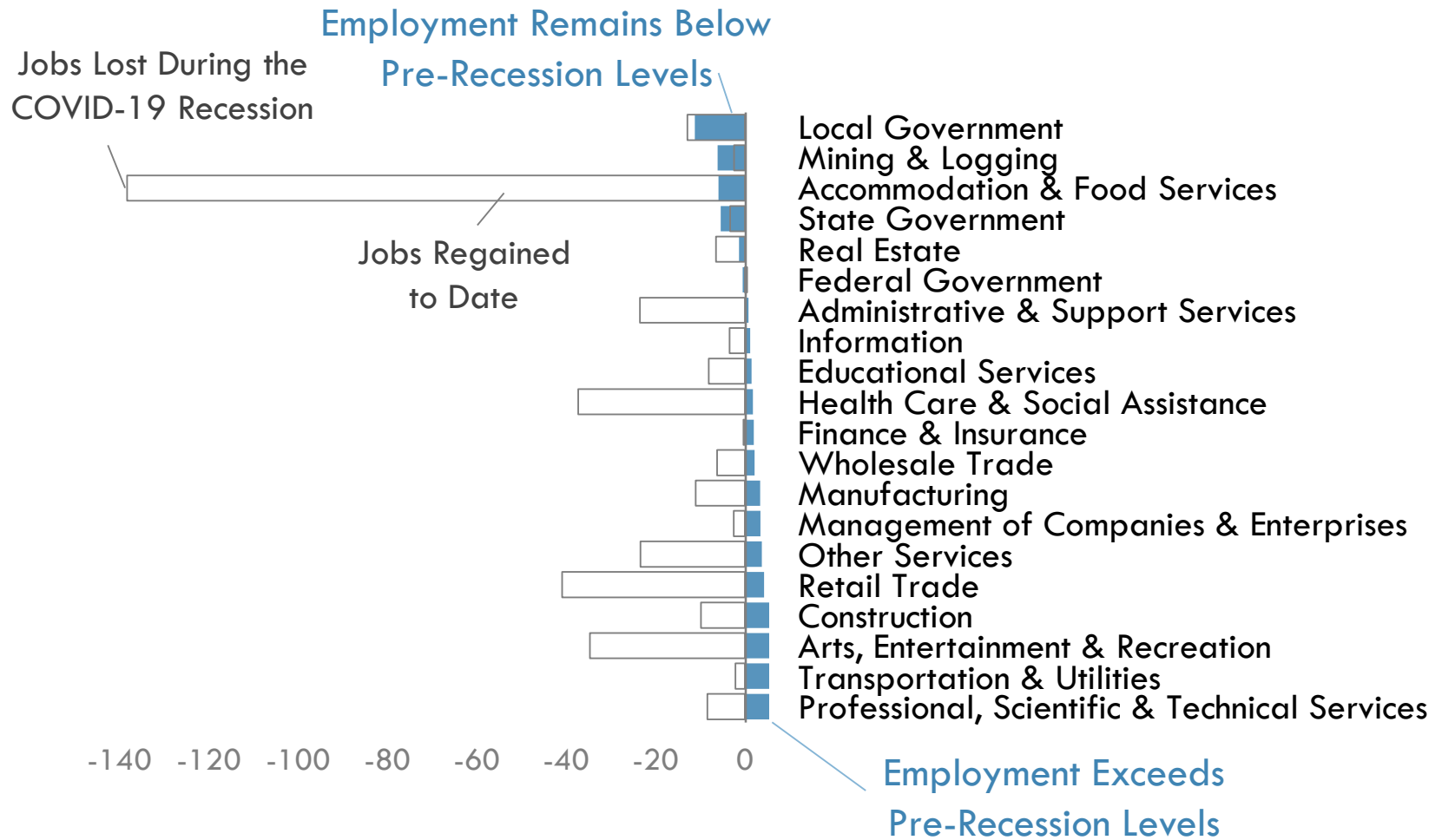
# Colorado exceeded pre-pandemic jobs by 55,400 in August

Change in Colorado Employment  
*Thousands of Jobs*



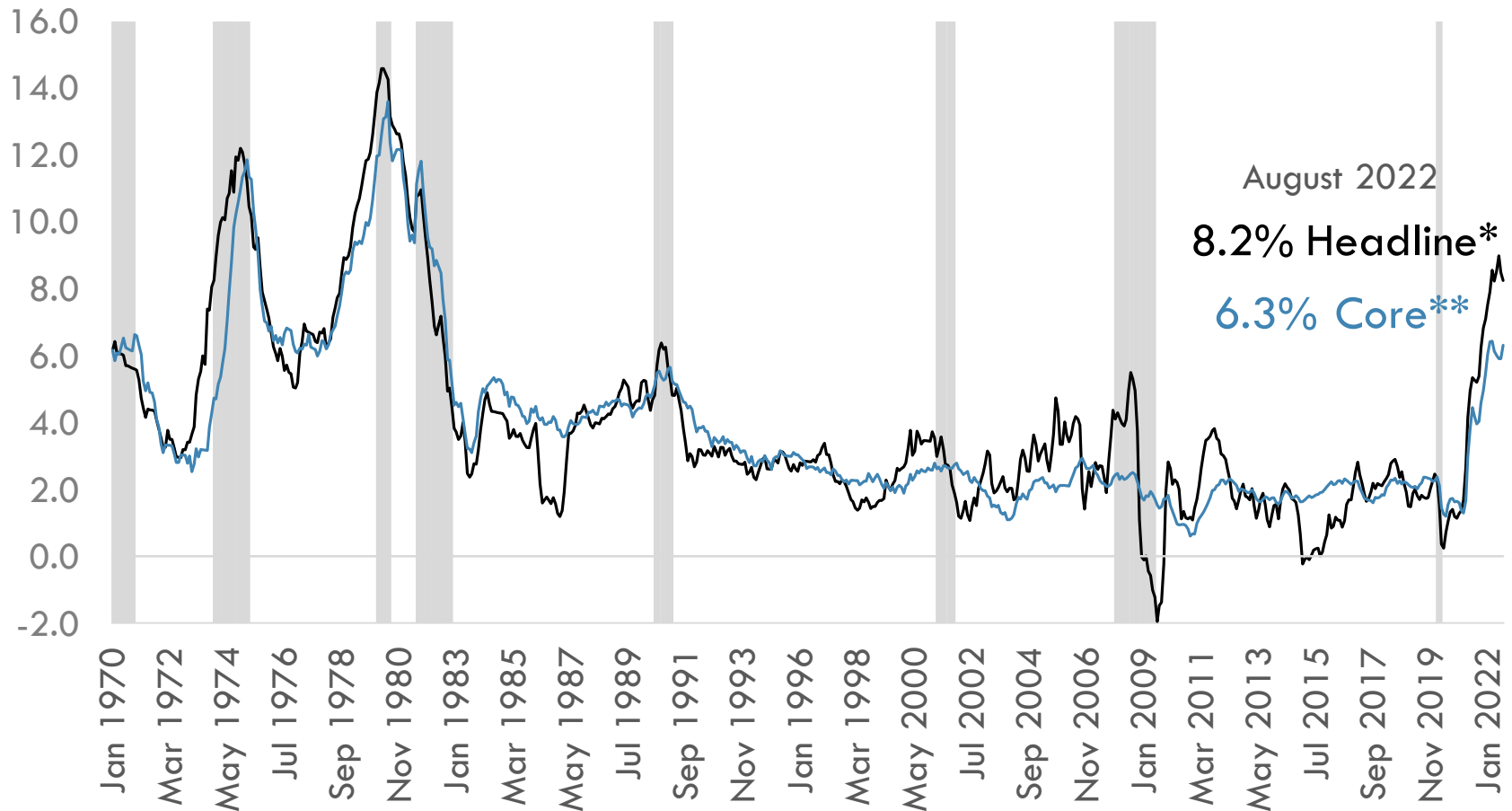
Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

# Majority of sectors have recovered jobs lost in the recession, leisure and hospitality sectors close to pre-pandemic levels



# Nation's inflationary pressures continue, forecast to average 7.9 percent in 2022 and 4.3 percent in 2023

U.S. City Average CPI-U Inflation  
Year-over-Year Change in Prices



Source: U.S. Bureau of Labor Statistics.

Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.

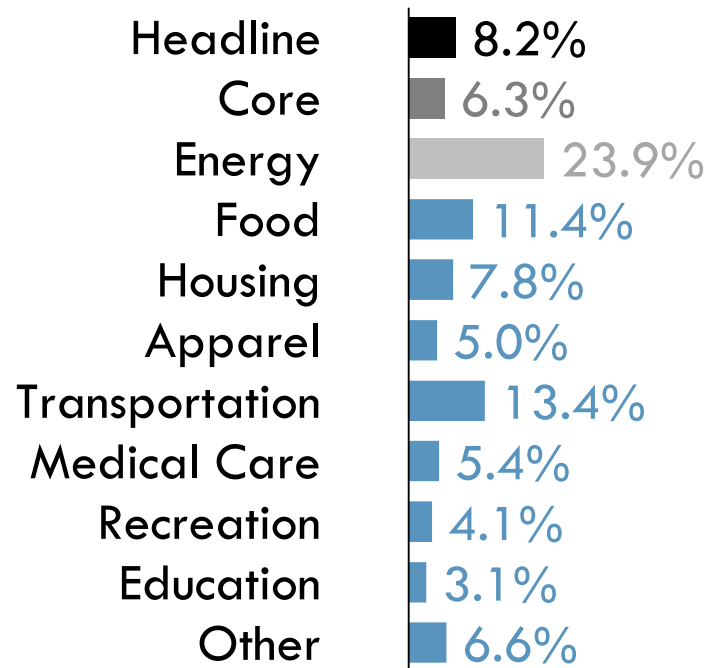
\*Headline inflation includes all products and services. \*\*Core inflation excludes food and energy prices.



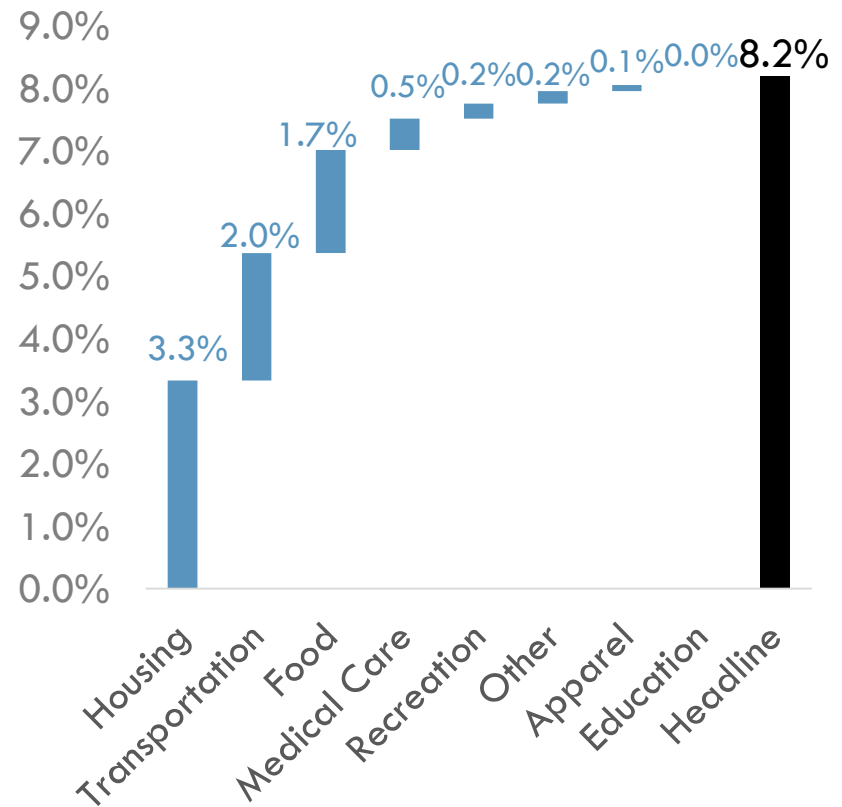
# Energy and transportation prices easing, housing continues to exert upward pressure

U.S. CPI-U, Selected Components, August 2022

Year-over-Year Change in Prices



Percentage Point Contribution

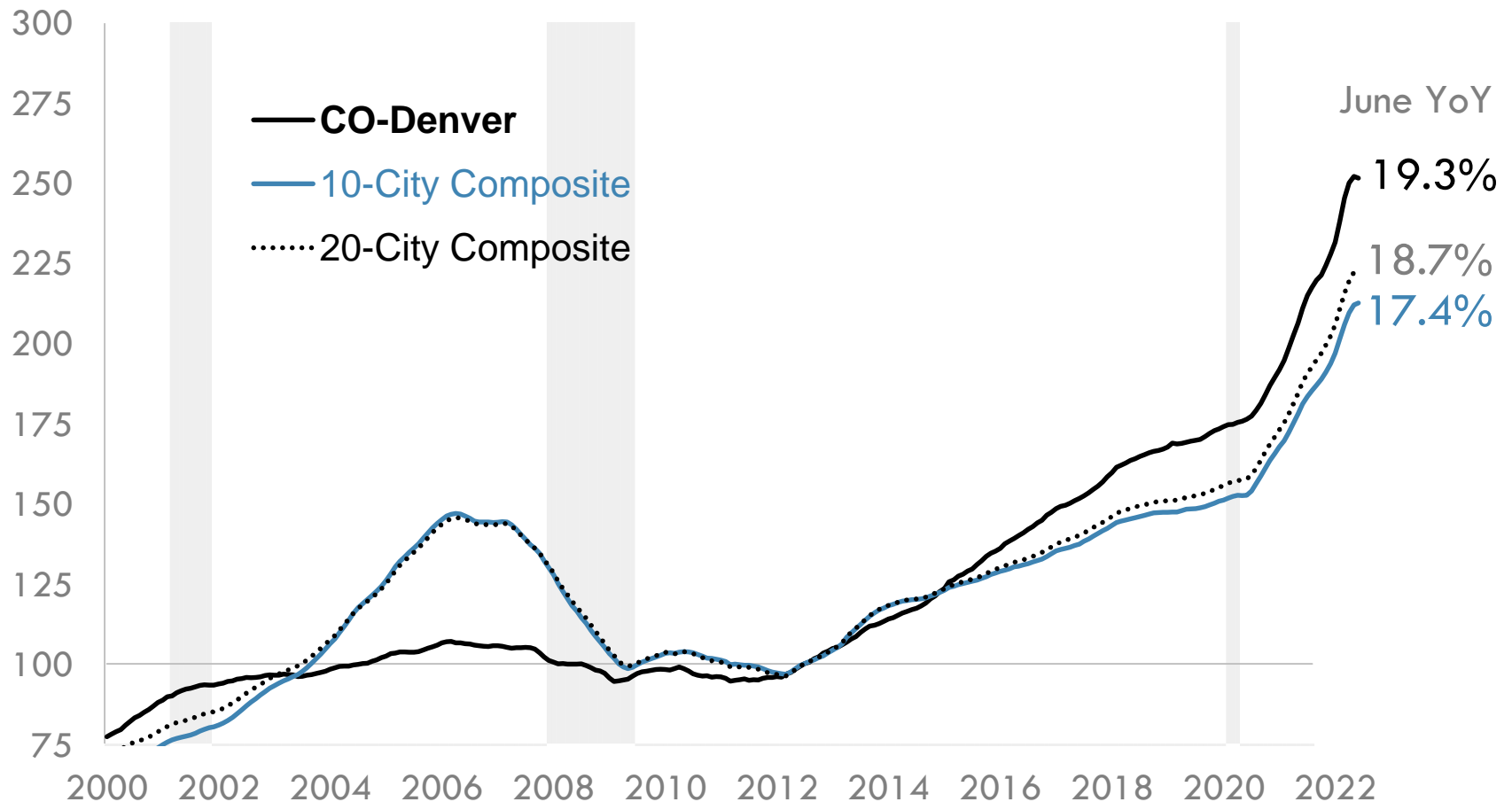


Source: U.S. Bureau of Labor Statistics.

Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.

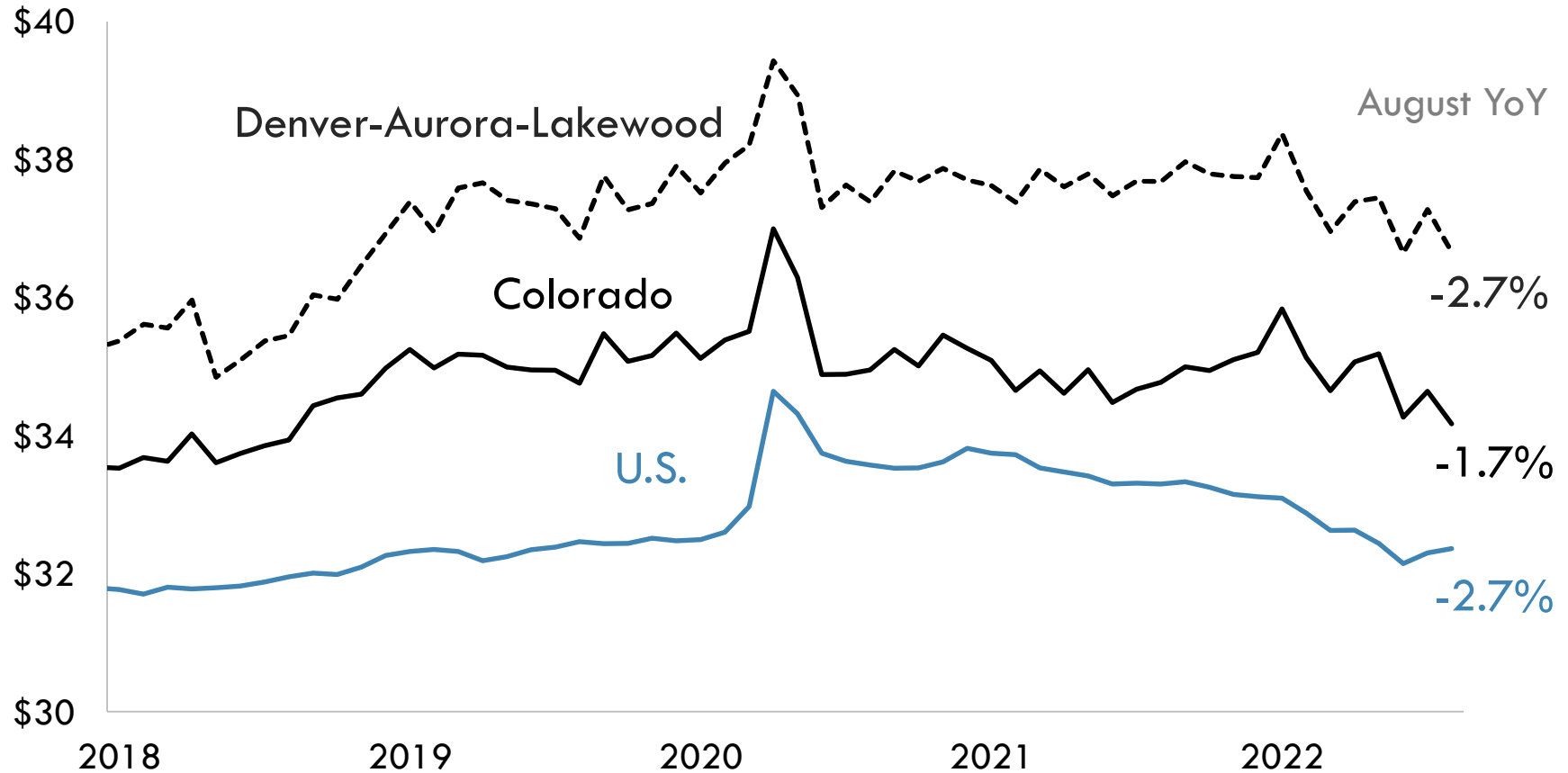
# Home prices accelerated during the pandemic but are expected to level off in the years ahead

Case-Shiller Home Price Indices  
Index 100 = July 2012



# Inflation outpacing wage gains, real wages decline

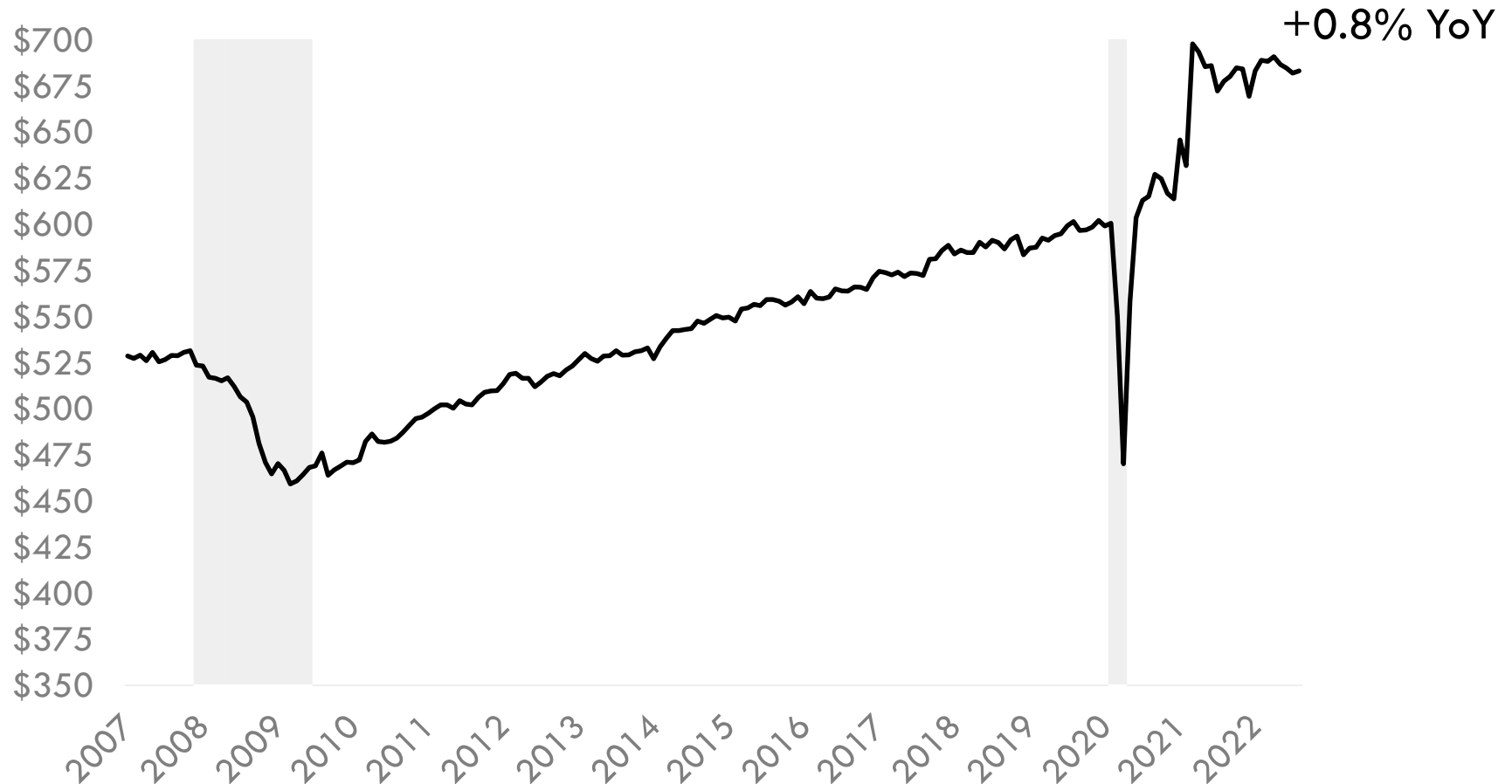
Real Average Hourly Wages  
2022 Dollars



# Real retail and food services sales growth choppy as inflation and spending patterns impact gains

## Real U.S. Retail and Food Service Sales

Billions of 2022 Dollars



Source: U.S. Census Bureau. Adjusted for inflation using the consumer price index for all urban areas (CPI-U). Data are seasonally adjusted and through August 2022.

# Risks to the forecast remain weighted to the downside

- Risks to the forecast remain elevated amid evolving monetary policy, a housing market correction, and the war in Ukraine
- **Downside:** inflation and more aggressive monetary policy response, steep housing market correction, geopolitical uncertainty and trade disruptions
- **Upside:** sustained drop in energy prices, resolution to war in Ukraine, and stabilized supply chains
- Risk of near-term recession continues to escalate but the forecast anticipates a continued, yet slowing expansion

# General Fund Budget Outlook



# FY 2021-22 revenue broke records...

...but we don't expect much additional growth

## Gross General Fund Revenue

Billions of Dollars

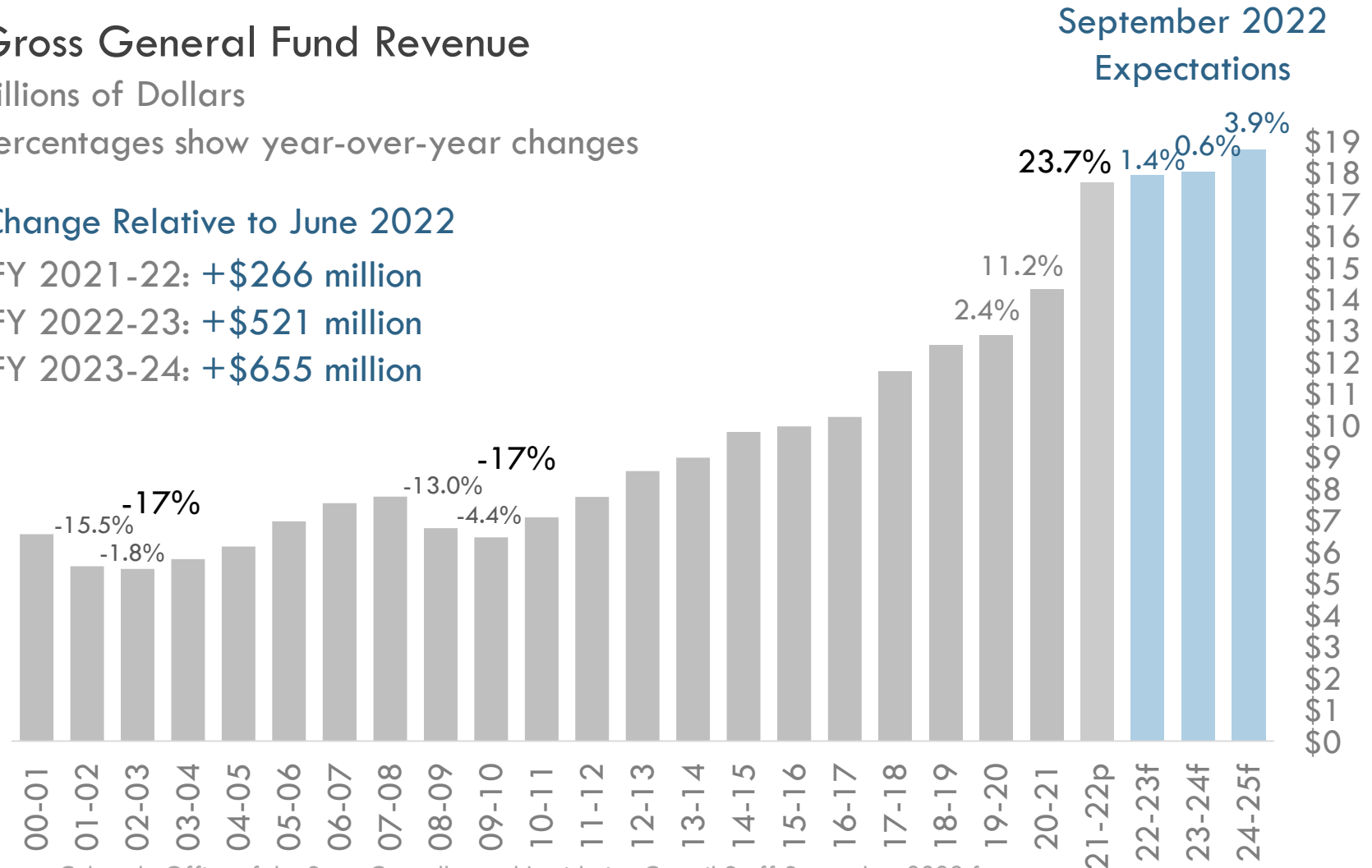
Percentages show year-over-year changes

### Change Relative to June 2022

FY 2021-22: +\$266 million

FY 2022-23: +\$521 million

FY 2023-24: +\$655 million



Source: Colorado Office of the State Controller and Legislative Council Staff September 2022 forecast.

# TABOR Outlook

Revenue Subject to TABOR

Billions of Dollars

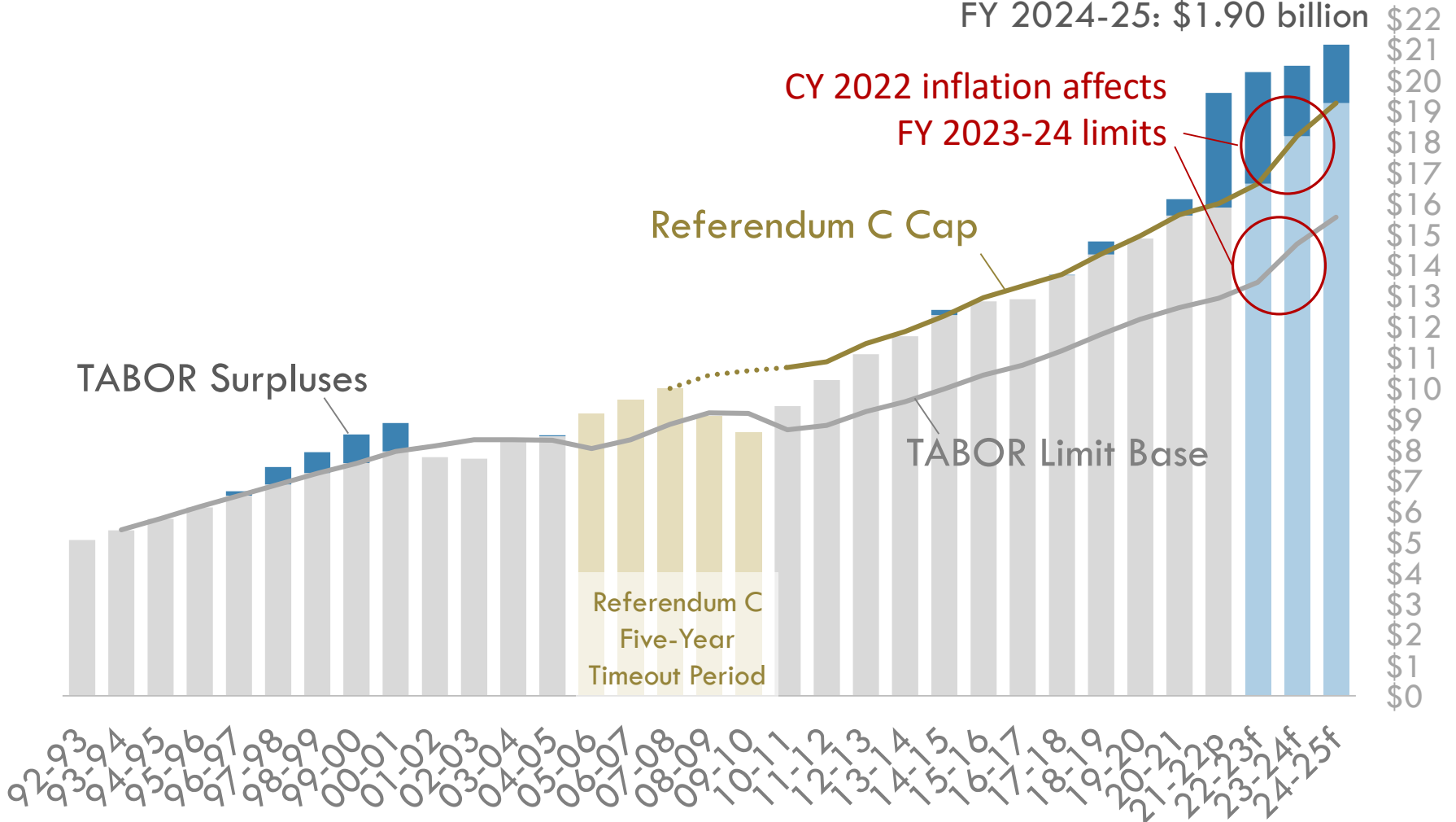
## Revenue Above the Ref C Cap

FY 2021-22 (certified): \$3.73 billion

FY 2022-23: \$3.63 billion

FY 2023-24: \$2.28 billion

FY 2024-25: \$1.90 billion



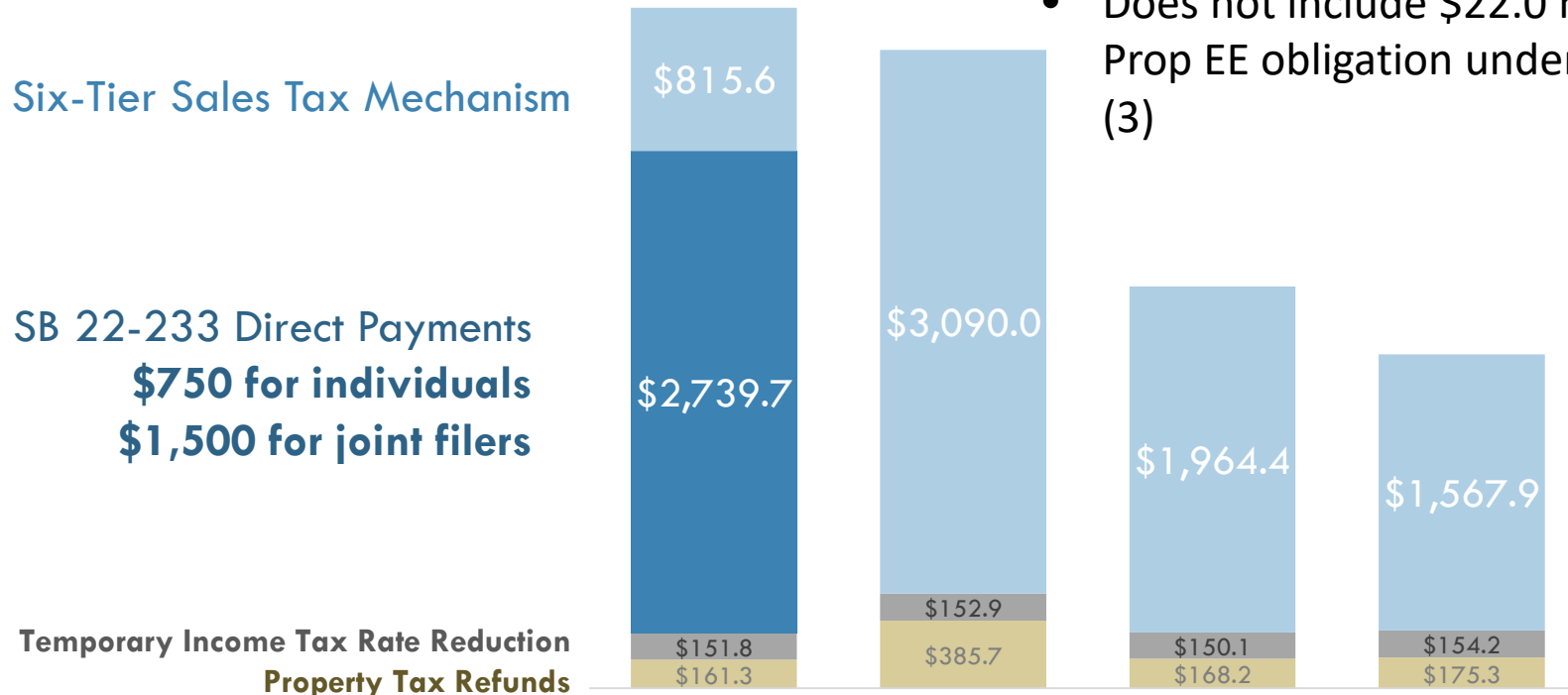
Source: Colorado Office of the State Controller and Legislative Council Staff June 2022 forecast.



# FY 2021-22 TABOR Surplus Refunded in FY 2022-23

## Expected TABOR Mechanism Amounts

Millions of Dollars



- FY 2021-22 includes \$133.8 million in underrefunds of prior surpluses
- Does not include \$22.0 million Prop EE obligation under TABOR (3)

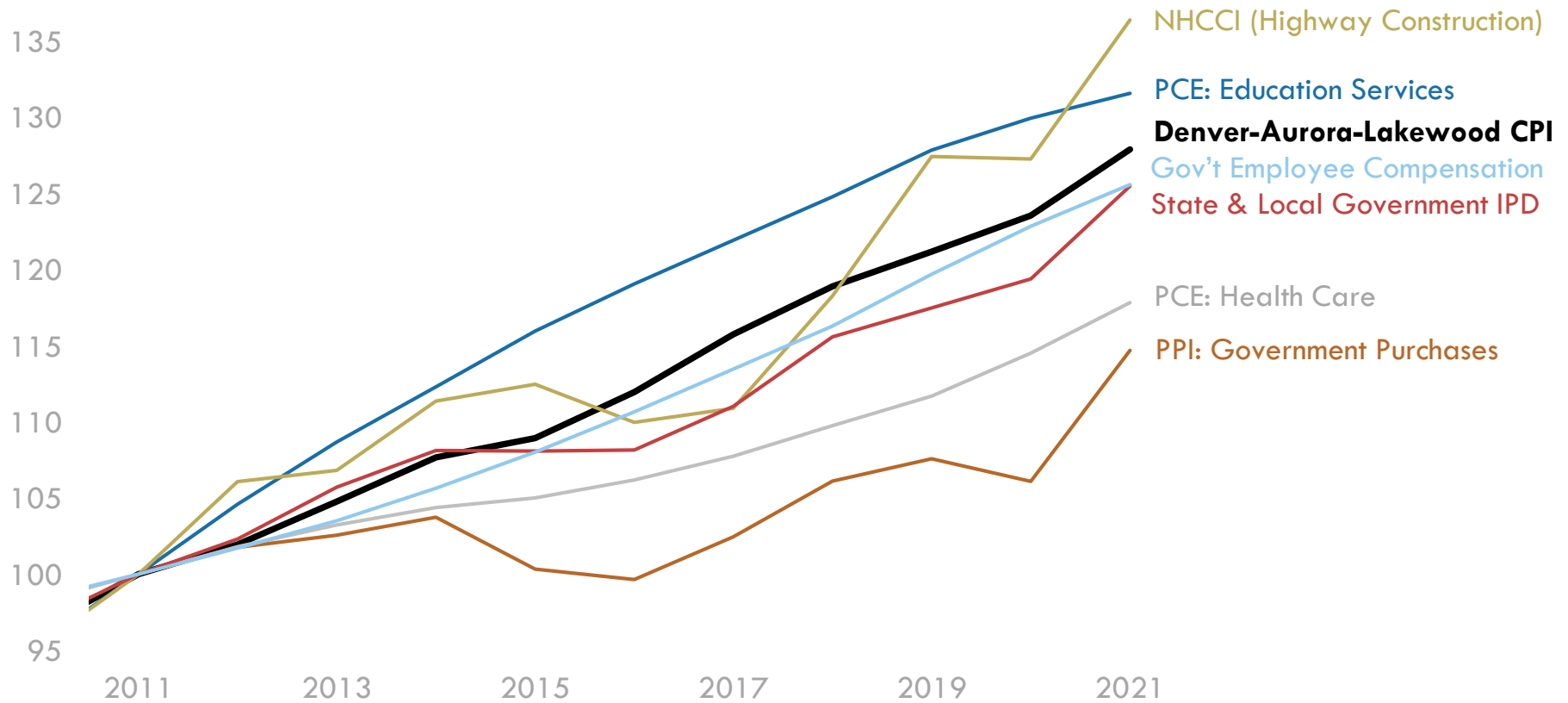
TABOR Surplus & Set Aside: Refunded in Fiscal Year:	2021-22 2022-23	2022-23 2023-24	2023-24 2024-25	2024-25 2025-26
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Source: Legislative Council Staff September 2022 forecast.

# Government costs are increasing at different rates

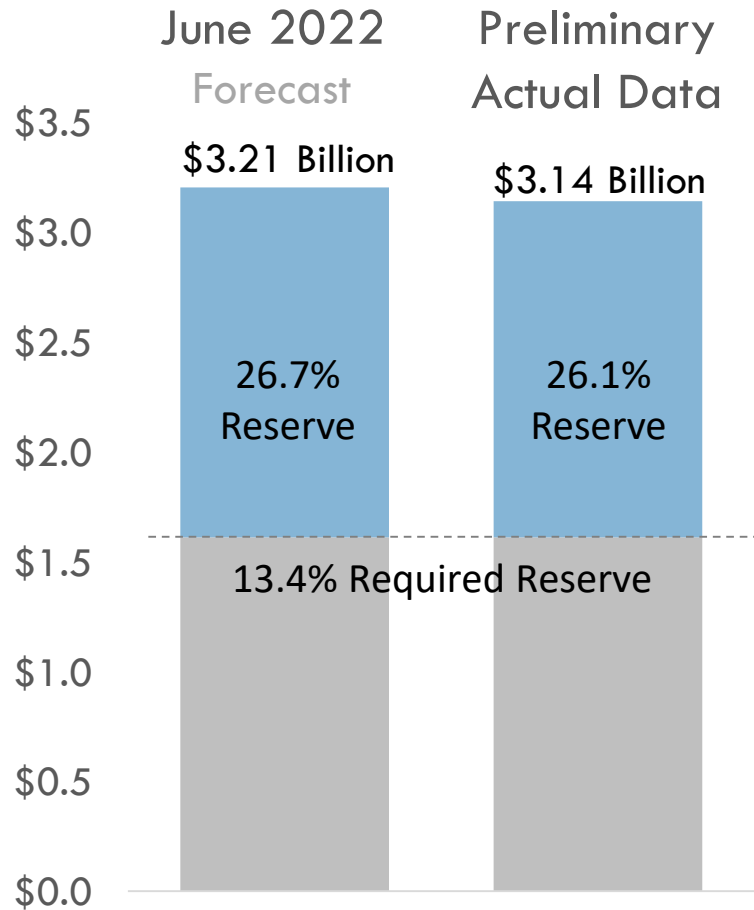
Selected Measures of Government Costs, 2011-2021

*Index 100 = 2011*



Source: Bureau of Labor Statistics; Bureau of Economic Analysis; Federal Highway Administration.

# Completed Year | FY 2021-22 General Fund Reserve



Changes since the  
June 2022 forecast:

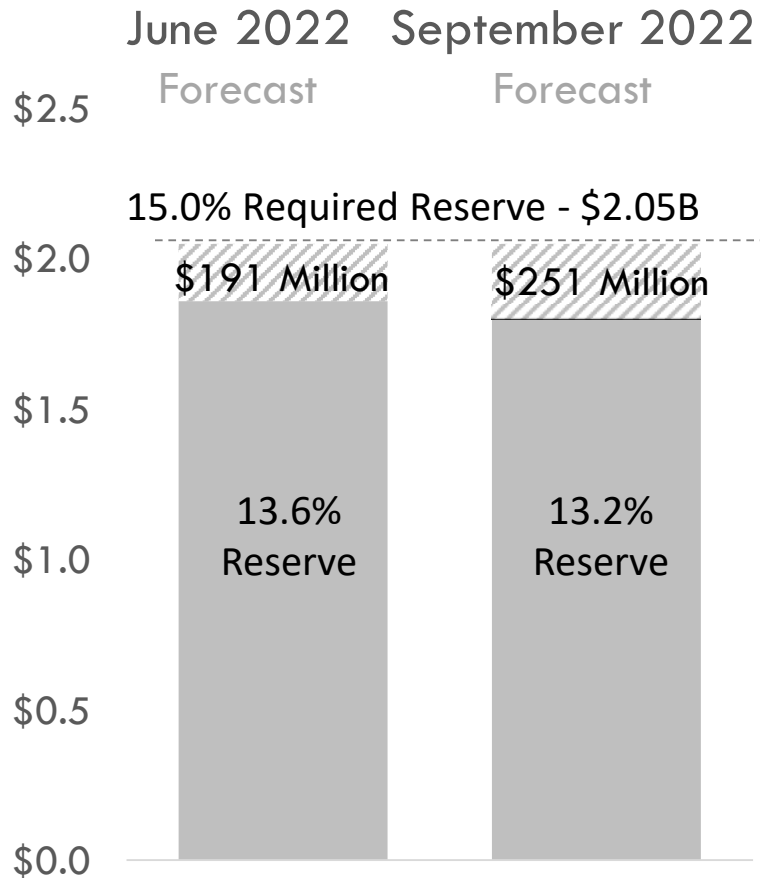
Revenue and TABOR refund both  
came in above forecast

On net, \$94.3 million less in TABOR  
refund obligation

Net transfers from the GF increased  
by \$149.2 million

Rebates and expenditures increased  
by \$7.9 million

# Current Year | FY 2022-23 General Fund Reserve



Changes since the June 2022 forecast:

**\$62.8 million lower** beginning balance

Revenue and TABOR refund expectations both increased

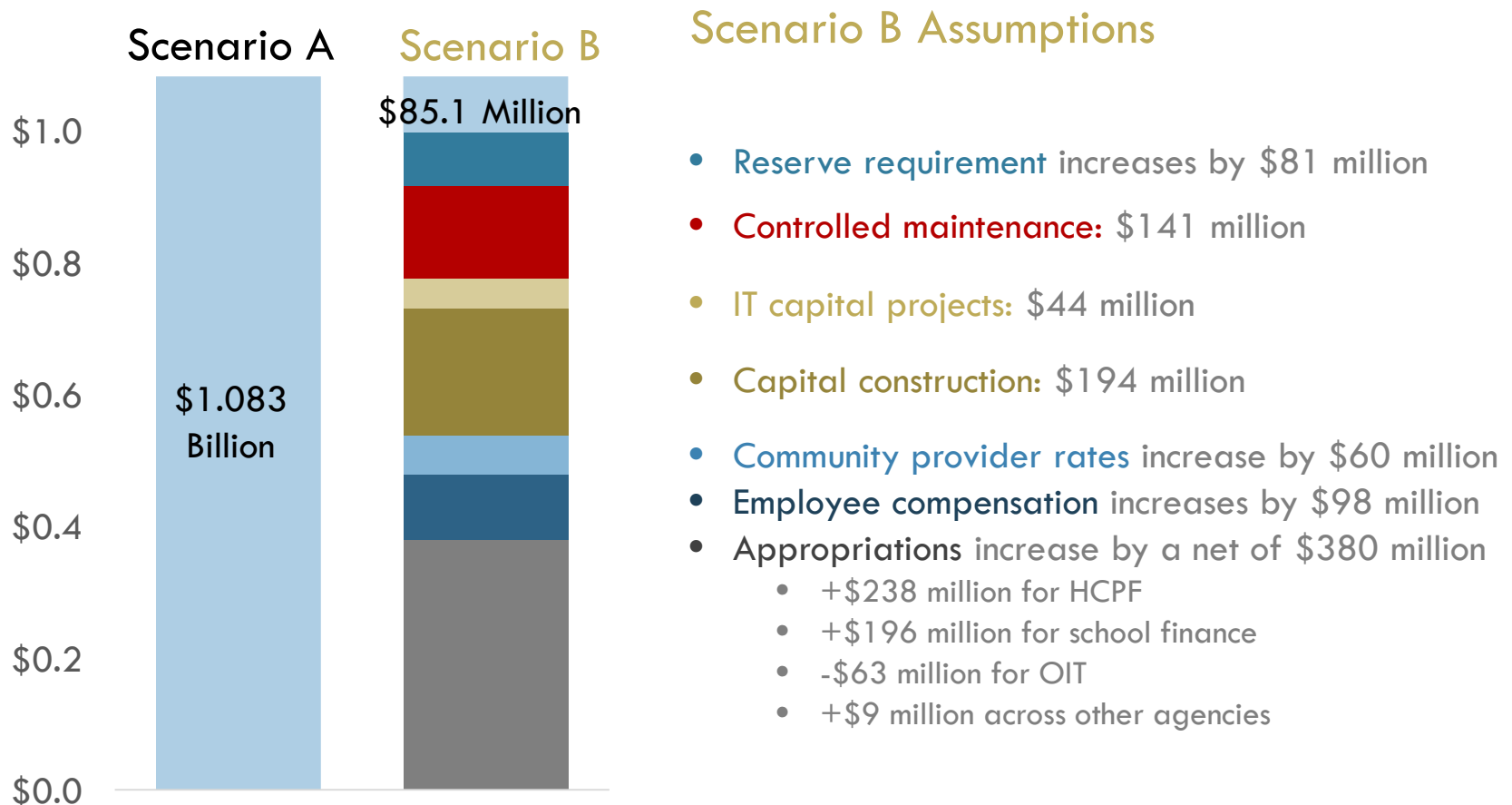
On net, \$82.8 million more in TABOR refund obligation

Net transfers from the GF decreased by \$92.9 million

Small adjustments to appropriations, rebates, reserve

# Budget Year | FY 2023-24 Budget Outlook

**Scenario A:** Additional revenue available to spend or save above FY 2022-23 spending levels. Amounts hold FY 2022-23 appropriations constant and incorporate the revenue forecast, current law transfers, rebates and expenditures, and the 15% reserve requirement.



# Risks to the Forecast

## Elevated recession risk

- Global economy deteriorating
- Aggressive Fed tightening risks triggering recession
- Other economic risks from supply chains, housing market, Ukraine, COVID-19

## Risks to the budget outlook

- Revenue will be constrained by the Referendum C cap through the forecast period
- Immediate risks to the budget are on the expenditures side
- Regular forecast error can be absorbed by TABOR refunds; a recession could likely constrain revenue available for the budget
- Higher (or lower) cash funds revenue subject to TABOR means more (or less) budget pressure

# Questions?

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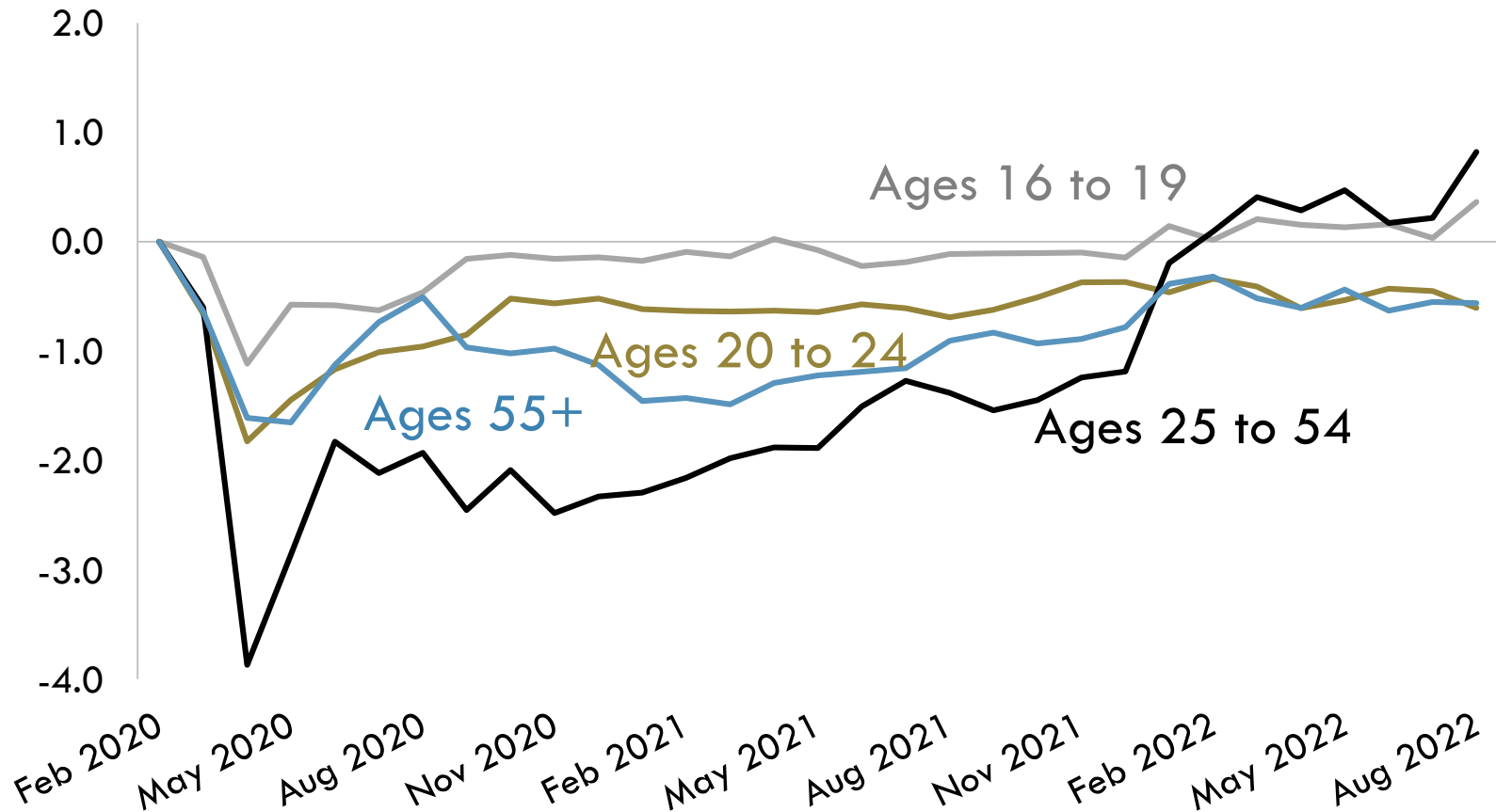
# Supplemental Economic Outlook Slides



# Workers ages 25 to 54 lead labor force recovery, followed by teens

U.S. Labor Force by Age

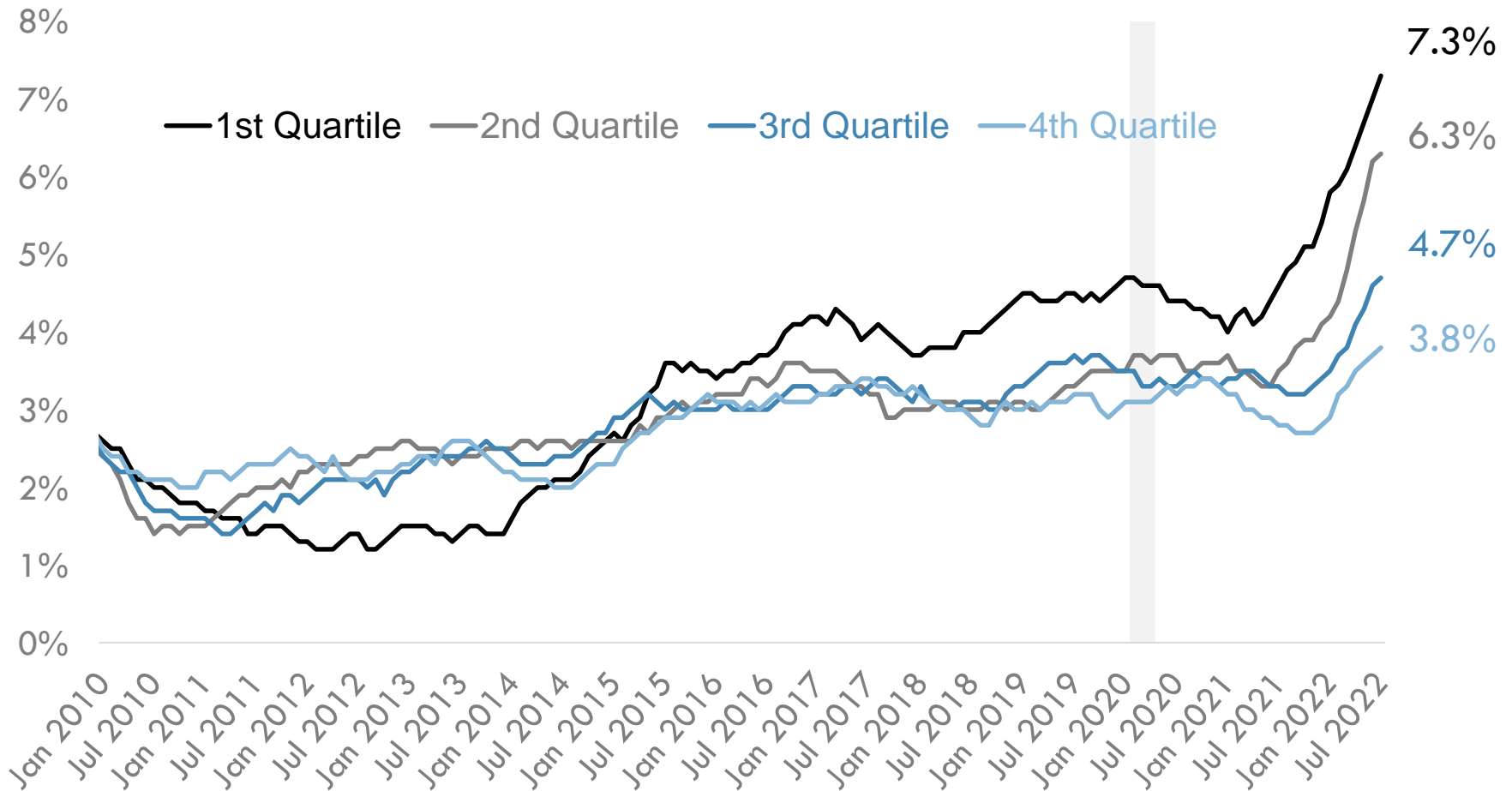
Index 0.0 = January 2020



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

# U.S. wage growth varies by wage quartile

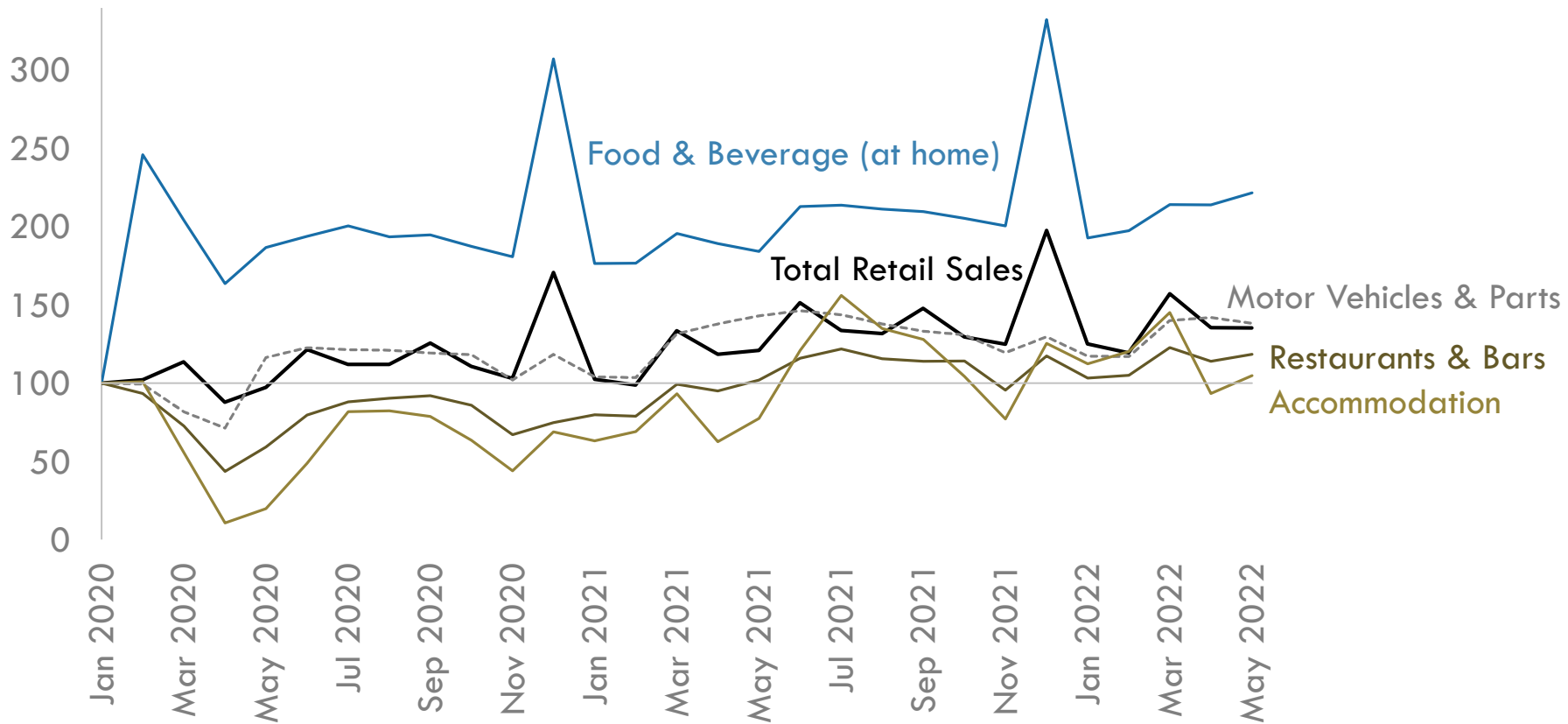
12 month moving averages of monthly median wage growth, lowest 25 percent (1<sup>st</sup> quartile) to highest 25 percent (4<sup>th</sup> quartile)



Source: Federal Reserve Bank of Atlanta Wage Growth Tracker. Data through July 2022.

# Colorado's retail sales start the year strong, expected to moderate

Colorado Retail Sales  
Index January 2020 = 100

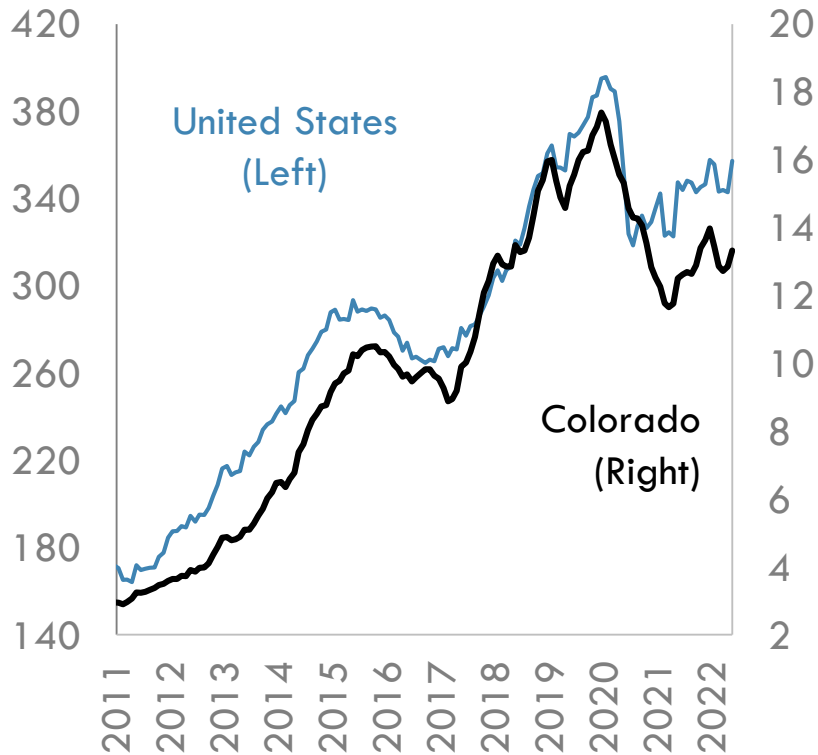


Source: Colorado Department of Revenue. Data through May 2022.

# Energy market dynamics

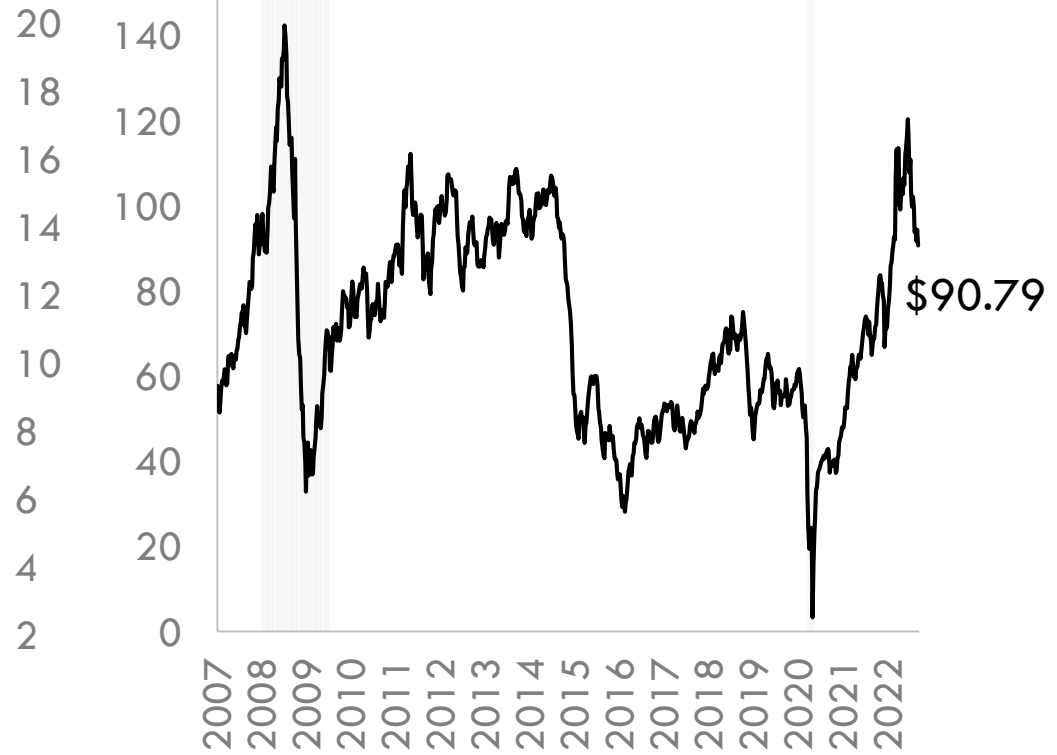
## Crude Oil Production

Millions of Barrels per Month



## Crude Oil Price, West Texas Intermediate

Dollars per Barrel



Source: U.S. Energy Information Administration. Data are shown as three-month moving averages and are not seasonally adjusted. Data are through May 2022.

Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted. Data through September 9, 2022.