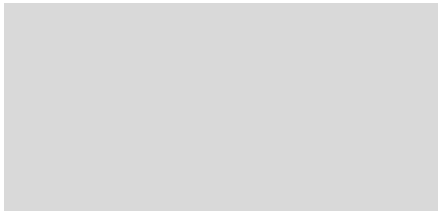




*Colorado Legislative Council Staff*  
September 2021 | Economic & Revenue Forecast

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## September 2021 | Economic & Revenue Forecast

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Cover photos of the Colorado State Capitol, courtesy of Suzanne Keim.

## Executive Summary

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This report presents the budget outlook based on current law and the September 2021 forecast for General Fund and cash fund revenue, as well as the TABOR outlook. Additionally, this document includes an updated school finance outlook, summaries of expectations for the U.S. and Colorado economies, and an overview of current economic conditions in nine regions of the state.

### General Fund Budget Outlook

<b>FY 2020-21</b>	Preliminary figures from the Office of the State Controller suggest that General Fund revenue grew 10.7 percent in FY 2020-21 above year-ago levels. Preliminary, unaudited figures suggest that the General Fund ended the year with a 28.7 percent reserve, \$2.8 billion above the required 2.86 percent reserve. Based on the September 1, 2021, TABOR certification, revenue subject to TABOR exceeded the Referendum C cap by \$453.6 million, requiring TABOR refunds in the current FY 2021-22.
<b>FY 2021-22</b>	The ongoing economic and jobs recovery from the COVID-19 recession will increase General Fund revenue collections by a projected 6.1 percent above year-ago levels. The General Fund is projected to end the year with a 28.6 percent reserve, \$1.9 billion above the required 13.4 percent reserve. This amount incorporates legislative actions during the 2021 legislative session, including passage of the FY 2021-22 budget package, an increased reserve requirement, and increased General Fund transfers. Revenue subject to TABOR is expected to exceed the Referendum C cap by \$1.0 billion.
<b>FY 2022-23 Unbudgeted</b>	The General Assembly is projected to have \$3.3 billion, or 22.1 percent, more to spend or save in the General Fund than what is budgeted to be spent and saved in FY 2021-22. As a budget has not yet been adopted for FY 2022-23, this amount holds current appropriations for FY 2021-22 constant and assumes current law transfers, the projected TABOR refund obligation, and the 15.0 percent General Fund reserve requirement. The \$3.3 billion amount does not incorporate caseload growth, inflationary, or other budgetary pressures. As revenue continues to grow in an expanding economy, revenue subject to TABOR is expected to exceed the Referendum C cap by \$1.2 billion.

**Risks to the forecast.** FY 2019-20 and FY 2020-21 tax collections data provide valuable insights on the impacts of the pandemic and federal stimulus on state revenue. To date, upside risks have materialized as collections have far exceeded expectations in forecasts published over the course of the past year and a half. Yet, recent policy changes and unusual tax collection patterns will continue to contribute to ongoing forecast risks during the forecast period. Additionally, the trajectory of the COVID-19 virus poses an ongoing downside risk to collections should cases rise further and public health restrictions be reestablished. Additionally, while lasting economic damage (“scarring”) from the pandemic appears limited to date, it may prove more severe than expected once federal stimulus effects fade.

## School Finance Outlook

This September forecast includes a brief update on the school finance funding outlook for FY 2022-23, based on updated expectations for inflation, General Fund diversions required to the State Education Fund, marijuana excise tax collections, and Federal Mineral Lease payments. The overall FY 2022-23 total program requirement is expected to be \$276 million higher than last year's requirement due primarily to higher inflation expectations than previously forecast. In FY 2022-23, **state aid is expected to increase by at least \$154 million** relative to last year. This assumes that the local share will increase by up to \$122 million over prior-year levels based on the December 2020 forecast for assessed values. The temporary assessment rate reductions for certain property types under Senate Bill 21-293 may result in a smaller increase in the local share. Local share and K-12 enrollment estimates will be updated with more complete information in the December 2021 forecast. For additional information, see page 19.

## Cash Fund Revenue

Preliminary figures suggest that cash fund revenue subject to TABOR rose 0.1 percent in FY 2020-21 to \$2.24 billion, following an 8.3 percent decline in FY 2019-20 on pandemic-related drags. Revenue is expected to grow in the current and future years, rebounding 7.2 percent in FY 2021-22 from pandemic-induced lows, before moderating to rates slightly above inflation plus population growth, 5.3 percent and 5.1 percent growth in FY 2022-23 and FY 2023-24, respectively. The crude oil market rout, drop in travel activity due to COVID-19-related disruptions, and reduced casino capacity will continue to weigh on collections from severance tax, transportation-related revenue, and gaming revenue in the current fiscal year. As the economy improves and COVID-19-related restrictions ease, collections are expected to recover to pre-pandemic levels by FY 2022-23. Relative to the June forecast, revenue expectations were increased \$17.2 million in FY 2020-21, \$92.8 million in FY 2021-22, and \$57.5 million in FY 2022-23. For additional information, see page 29.

**Unemployment Insurance Trust Fund insolvency.** The Unemployment Insurance Trust Fund ended FY 2020-21 with a deficit of \$1.0 billion due to an unprecedented increase in unemployment benefits paid during the COVID-19-related recession and continued elevated unemployment. Benefits paid rose from \$365.5 million in FY 2018-19 prior to the pandemic, to \$1.27 billion in FY 2019-20, and reached \$2.03 billion in FY 2020-21. The fund became insolvent in August 2020, when benefits exceeded available funds. As of September 14, 2021, the state had \$1,014.2 million in federal loans outstanding. The fund is not expected to return to solvency until FY 2023-24, necessitating ongoing borrowing to fund benefits, and triggering a move to the highest rate schedule beginning January 1, 2022. For additional information, see page 36.

## Economic Outlook

Broad measures of U.S. and Colorado economic activity indicate continued recovery from the pandemic-induced recession. Though, rather than the hoped-for strong and steady recovery, economic activity, like the trajectory of the virus itself, has instead been choppy and uneven. Many households and businesses are still bearing the brunt of lingering distress, while others have emerged unscathed or even better off. Spending and employment in sectors tied to in-person services still lag their pre-pandemic levels and remain sensitive to the waxing and waning of the virus. Supply and demand mismatches, initially expected to be temporary, have been exacerbated by global waves of

COVID-19 cases. These mismatches are now expected to persist into 2022, boosting inflationary pressures and challenging the economic recovery as government assistance recedes.

Economic expectations in this September forecast are generally consistent with those included in the June 2021 forecast. Relative to June expectations, minor upward revisions were made to indicators of economic activity and inflation, with some growth shifting from late 2021 into 2022.

The U.S. and Colorado economies remain in unprecedented economic times, with shifting and still-elevated economic risks. There have been surprisingly few signs of lasting scarring from the pandemic-related recession, but there is still a great deal of uncertainty about how much of the shifts in consumer, business, and worker behavior will persist and whether short-term disruptions will have long-lasting ripple effects. The drag from receding government stimulus may increase if momentum supporting wage and business incomes does not offset the pull-back in public assistance.

Discussion of the economic outlook begins on page 39, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 15 and 16 on pages 59 and 60.

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## General Fund Budget Overview

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This section presents the General Fund overview based on current law. A summary of the General Fund overview is shown in Table 1. This section also presents expectations for the following:

- a summary of changes in expectations relative to the June 2021 forecast (Table 2);
- statutory transfers to transportation and capital construction funds (Table 3);
- the disposition of fiscal policies dependent on revenue collections;
- General Fund rebates and expenditures (Table 4); and
- cash fund transfers to and from the General Fund (Table 5).

### Legislative Adjustments and Fiscal Policy Assumptions

This forecast is based on current law, including changes from legislation passed during the 2021 regular legislative session and federal legislation enacted to date. This includes:

- changes to General Fund appropriations under the supplemental package for FY 2020-21 (Senate Bill 21-041 through Senate Bill 21-052), the Long Bill (Senate Bill 21-205), the mid-year adjustment for the school finance act (Senate Bill 21-053), and other legislation affecting appropriations;
- increases to the General Fund reserve requirement under Senate Bill 21-226;
- adjustments to the Referendum C cap under Senate Bill 21-260 (see page 15);
- changes to transfers to and from the General Fund (see Tables 3 and 5); and
- legislative impacts to General Fund revenue (see Table 7) and cash funds revenue (see discussion beginning on page 29).

**Federal ARPA funds.** Based on legislation enacted to date, this forecast assumes that the state allocation of funds from the federal American Rescue Plan Act (ARPA) of 2021 will not be deposited into the General Fund. Therefore, these funds are not included in amounts shown in the General Fund budget overview.

**November 2021 ballot measures.** Three measures will be on the ballot in the November 2021 statewide general election that impact state fiscal policy. Should one or more of these measures be approved by voters, their respective fiscal impacts will be incorporated into the December 2021 forecast.

### FY 2020-21

Preliminary estimates suggest that the General Fund ended FY 2020-21 with a 28.7 percent reserve, \$2.8 billion higher than the statutorily required 2.86 percent reserve (Table 1, line 19). The projected year-end reserve is \$239.9 million higher than what was expected in June, primarily reflecting adjustments to correct transfer estimates for legislation enacted late in the 2021 regular session. Based on preliminary figures, General Fund revenue grew 10.7 percent in FY 2020-21 relative to year-ago levels, reflecting surprisingly strong income tax collections given the economic impacts of the pandemic. Relative to the June forecast, revenue expectations came in \$96.1 million, or 0.7 percent, lower than expected.

Based on the September 1, 2021, TABOR certification published by the Office of the State Controller, revenue subject to TABOR exceeded the Referendum C cap by \$453.6 million. The TABOR surplus amount is set aside in the year in which it is collected and refunded in the following year. The FY 2020-21 TABOR surplus and \$17.8 million in under-refunds from surpluses in prior years will be refunded to taxpayers in the current FY 2021-22 via the three TABOR refund mechanisms in state statute. For more information, see the TABOR section of this forecast beginning on page 15.

## **FY 2021-22**

The General Fund is expected to end FY 2021-22 with a 28.6 percent reserve, \$1.9 billion higher than the statutorily required 13.4 percent reserve (Table 1, line 19). This amount incorporates legislation enacted in 2021, including SB 21-226, which increased in the reserve requirement from 2.86 percent to 13.4 percent. The ongoing economic expansion from the COVID-19 recession will increase General Fund revenue collections by a projected 6.1 percent above year-ago levels. Relative to the June forecast, revenue expectations were increased by \$246.4 million on slightly higher-than-expected collections year-to-date. Revenue is projected to exceed the Referendum C cap by \$1.0 million in FY 2021-22, resulting in a TABOR refund of an equal amount in FY 2022-23.

## **FY 2022-23**

Because a budget has not yet been enacted for FY 2022-23, Table 1 (line 21) shows the amount of revenue available in FY 2022-23 relative to the amount budgeted to be spent or saved in FY 2021-22. Based on this forecast, the General Assembly will have \$3.3 billion, or 22.1 percent, more to spend or save than in FY 2021-22. This amount assumes current law obligations for FY 2022-23, including transfers and rebates and expenditures (Table 1, lines 8 through 12), the TABOR refund obligation, and a 15.0 percent reserve requirement under SB 21-226. The \$3.3 billion amount is a cumulative amount based on prior year revenue expectations and the budget situation in FY 2021-22. Any changes in revenue expectations or changes made to the budget for FY 2021-22 will carry forward into FY 2022-23. The \$3.3 billion amount holds FY 2021-22 appropriations constant and therefore does not reflect any caseload, inflationary, or other budgetary pressures.

## **Changes Between the June 2021 and September 2021 Forecasts**

Table 2 summarizes the changes to the General Fund budget outlook between the June 2021 and this September 2021 forecast for FY 2020-21 and FY 2021-22. Most changes reflect adjustments to correct actual transfer and appropriation amounts as more complete information became available, including final fiscal notes for bills enacted during the 2021 legislative session. These corrections were larger than usual for the September forecast as a result of the shorter-than-usual time period between the end of the 2021 session and the June forecast.

General Fund revenue expectations increased relative to June forecast estimates. These increases result in larger estimated TABOR refund obligations and do not have a net impact on the General Fund budget outlook.



**Table 1**  
**General Fund Overview**  
*Dollars in Millions*

<b>Funds Available</b>		<b>FY 2020-21 Actual</b>	<b>FY 2021-22 Preliminary</b>	<b>FY 2022-23 Estimate</b>	<b>FY 2023-24 Estimate</b>
1	Beginning Reserve	\$1,825.7	\$3,150.9	\$3,513.4	*
2	General Fund Revenue	\$14,242.2	\$15,114.9	\$15,870.1	\$16,034.6
3	Transfers from Other Funds ( <i>Table 5</i> )	\$335.2	\$23.0	\$22.5	\$23.7
<b>4</b>	<b>Total Funds Available</b>	<b>\$16,403.1</b>	<b>\$18,288.7</b>	<b>\$19,406.0</b>	*
5	Percent Change	14.1%	11.5%	6.1%	*
<b>Expenditures</b>		<b>Preliminary</b>	<b>Budgeted</b>	<b>Estimate</b>	<b>Estimate</b>
6	General Fund Appropriations Subject to Limit <sup>1</sup>	\$10,978.9	12,281.9	*	*
7	TABOR Refund Obligation Under Art. X, §20, (7)(d)	\$471.4	\$1,032.3	\$1,176.4	\$1,397.3
8	Rebates and Expenditures ( <i>Table 4</i> )	\$295.8	\$149.9	\$149.3	\$150.0
9	Transfers to Other Funds ( <i>Table 5</i> )	\$1,318.4	\$545.4	\$549.9	\$574.1
10	Transfers to the State Education Fund <sup>2</sup>	\$113.0	\$123.0	\$0.0	\$0.0
11	Transfers to Transportation Funds ( <i>Table 3</i> )	\$30.0	\$294.0	\$115.0	\$0.0
12	Transfers to Capital Construction Funds ( <i>Table 3</i> )	\$43.0	\$348.9	\$20.0	\$20.0
<b>13</b>	<b>Total Expenditures</b>	<b>\$13,250.5</b>	<b>\$14,775.4</b>	*	*
14	Percent Change	3.7%	11.5%	*	*
15	Accounting Adjustments	*	*	*	*
<b>Reserve</b>		<b>Preliminary</b>	<b>Budgeted</b>	<b>Estimate</b>	<b>Estimate</b>
16	Year-End General Fund Reserve	\$3,150.9	\$3,513.4	*	*
17	Year-End Reserve as a Percent of Appropriations	28.7%	28.6%	*	*
18	Statutorily Required Reserve <sup>3</sup>	\$314.0	\$1,645.8	*	*
<b>19</b>	<b>Amount in Excess or (Deficit) of Statutory Reserve</b>	<b>\$2,836.9</b>	<b>\$1,867.6</b>	*	*
20	Excess Reserve as a Percent of Expenditures	21.4%	12.6%	*	*
<b>Perspectives on FY 2022-23 (Unbudgeted)</b>				<b>Estimate</b>	
<b>Scenario: Hold FY 2021-22 Appropriations Constant<sup>4</sup></b>				<b>Estimate</b>	
21	Amount in Excess or (Deficit) of Statutory Reserve Requirement			\$3,271.1	*
22	As a Percent of Prior-Year Expenditures			22.1%	*
<b>Addendum</b>		<b>Preliminary</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
23	Percent Change in General Fund Appropriations	-7.5%	11.9%	*	*
24	5% of Colorado Personal Income Appropriations Limit	\$16,759.8	\$17,609.2	\$18,474.8	\$19,620.2
25	Transfers to State Education Fund per Amendment 23	\$950.2	\$771.1	\$903.6	\$942.3

*Totals may not sum due to rounding. \*Not estimated.*

<sup>1</sup>Includes appropriations for bills passed by both chambers during the 2021 legislative session.

<sup>2</sup>Includes transfers pursuant to SB 19-246, HB 20-1420, and SB 21-208.

<sup>3</sup>The required reserve is calculated as a percent of operating appropriations, and is required to equal 2.86 percent in FY 2020-21, 13.4 percent in FY 2021-22, and 15 percent each year thereafter.

<sup>4</sup>This scenario holds appropriations in FY 2022-23 equal to appropriations in FY 2021-22 (line 6) to determine the total amount of money available relative to FY 2021-22 expenditures, net of the obligations in lines 7 through 12.

**Table 2**  
**Changes in the General Fund Budget Situation Relative to the June 2021 Forecast**  
*Dollars in Millions, Positive Amounts Reflect an Increase Relative to June*

Components of Change	2020-21	2021-22	2022-23	Description of Changes
<b>1 Funds Available</b>	<b>-\$97.9</b>	<b>\$489.8</b>	<b>\$256.0</b>	
2 Beginning Reserve	\$0.0	\$239.9	\$86.3	Carries higher prior-year end balance forward.
3 General Fund Revenue	-\$96.1	\$246.4	\$165.7	Higher revenue expectation on year-to-date collections.
4 Transfers from Other Funds	-\$1.8	\$3.5	\$3.9	See Table 5. Reflects corrections to the June forecast.
<b>5 Expenditures</b>	<b>-\$337.8</b>	<b>\$403.5</b>	<b>\$163.1*</b>	
6 Operating Appropriations	-\$1.6	-\$12.9	-\$12.9*	Adjustments to amounts based on updated information.
7 TABOR Refund Obligation	\$31.2	\$374.1	\$268.0	Higher General Fund and cash funds revenue forecast on stronger than expected collections to date.
8 Rebates and Expenditures	\$2.1	\$11.6	\$10.9	Increased on higher than expected year-to-date expenditures.
9 SEF Transfers	\$0.0	\$0.0	\$0.0	
10 Transportation Transfers	-\$124.0	\$124.0	\$0.0	See Table 3. Reflects corrections to the June forecast.
11 Capital Construction Transfers	\$0.0	\$0.1	\$0.0	See Table 3. Reflects corrections to the June forecast.
12 Other Cash Fund Transfers	-\$245.6	-\$93.5	-\$101.3	See Table 5. Reflects corrections to the June forecast.
13 Required Reserve	\$0.0	-\$1.7	-\$1.7*	Reflects adjustment to appropriations amounts.
<b>14 Surplus Relative to Required Reserve</b>	<b>\$239.9</b>	<b>\$88.1</b>	<b>\$93.2*</b>	

*\*Because a budget for FY 2022-23 has not yet been adopted, amounts assume that FY 2021-22 appropriations are held constant in FY 2022-23.*

## General Fund Transfers to Transportation and Capital Construction

Statutory transfers from the General Fund to transportation and capital construction funds are shown in Table 3. In the General Fund overview shown in Table 1, these transfers are reflected on lines 11 and 12. Other non-infrastructure-related transfers to and from the General Fund are summarized in Table 5, and shown on lines 3 and 9 of Table 1.

**Table 3**  
**Infrastructure Transfers to and from the General Fund**  
*Dollars in Millions*

<b>Transportation Funds</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
SB 21-110	\$30.0			
SB 21-260		\$170.0	\$115.0	
SB 21-265		\$124.0		
<b>Total</b>	<b>\$30.0</b>	<b>\$294.0</b>	<b>\$115.0</b>	<b>\$0.0</b>
<b>Capital Construction Funds</b>				
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
HB 15-1344*	\$20.0	\$20.0	\$20.0	\$20.0
HB 20-1378	\$3.0			
SB 21-064		\$0.1		
SB 21-112	\$20.0			
SB 21-224		\$328.8		
<b>Total</b>	<b>\$43.0</b>	<b>\$348.9</b>	<b>\$20.0</b>	<b>\$20.0</b>

*\*Transfers are contingent upon requests made by the Capital Development Committee.*

**General Fund contributions to transportation.** Following a one-time \$30.0 million transfer from the General Fund to the State Highway Fund for FY 2020-21, legislation enacted in 2021 directs an additional \$294.0 million transfer to the State Highway Fund in FY 2021-22.

For FY 2022-23 through FY 2025-26, Senate Bill 21-260 requires transfers from the General Fund to the State Highway Fund and the Multimodal Transportation and Mitigation Options Fund depending on the amount of revenue retained as a result of the TABOR limit adjustment in the bill. This forecast projects that the entire \$115 million transfer will be made in FY 2022-23, with no additional transfer requirement thereafter. The bill also repeals an ongoing obligation for \$50 million annual transfers from the General Fund to the State Highway Fund beginning in FY 2022-23. Finally, the bill creates new blocks of ongoing transfers to begin in FY 2024-25, beyond the current forecast period.

## Fiscal Policies Dependent on Revenue Conditions

Certain fiscal policies are dependent upon forecast revenue conditions. These policies are summarized below.

**Partial refundability of the conservation easement tax credit is expected to be available for tax years 2021 through 2024.** The conservation easement income tax credit is available as a nonrefundable credit in most years. In tax years when the state refunds a TABOR surplus, taxpayers may claim an amount up to \$50,000, less their income tax liability, as a refundable credit. The state collected a TABOR surplus in FY 2020-21. This forecast expects a TABOR surplus in each of FY 2021-22, FY 2022-23, and

FY 2023-24. Therefore, partial refundability of the credit is expected to be available for tax years 2021, 2022, 2023, and 2024.

**Contingent transfers for transportation.** Senate Bill 21-260 created conditional General Fund transfers for transportation between FY 2022-23 and FY 2025-26. The transfer amount each year is limited to one-half of the amount of revenue retained as a result of the Referendum C cap adjustment in the bill, and total transfers across all four years are limited to \$115.0 million. Based on this forecast, the state is expected to retain \$239.6 million as a result of the Referendum C cap adjustment in FY 2022-23, enough to fully fund the \$115.0 million transfer. Of the transfer amount, 94 percent is credited to the Multimodal Transportation and Mitigation Options Fund, and 6 percent is credited to the State Highway Fund.

**Contingent transfers for affordable housing.** House Bill 19-1322 created conditional transfers from the Unclaimed Property Trust Fund (UPTF) to the Housing Development Grant Fund for affordable housing projects for three fiscal years. House Bill 20-1370 delayed the start of these contingent transfers until FY 2022-23. The transfers are contingent based on the balance in the UPTF as of June 1 and the Legislative Council Staff June 2023 and subsequent June forecasts. For the fiscal year in which a relevant forecast is published, if revenue subject to TABOR is projected to fall below a “cutoff” amount equal to the projected Referendum C cap minus \$30 million dollars, a transfer will be made. The transfer is equal to the greater of \$30 million, or the UPTF fund balance. Based on this forecast, no transfer is expected for FY 2022-23 or FY 2023-24, as revenue subject to TABOR is expected to come in well above the cutoff amount.

**Table 4**  
**General Fund Rebates and Expenditures**  
*Dollars in Millions*

<b>Category</b>	<b>Preliminary FY 2020-21</b>	<b>Percent Change</b>	<b>Estimate FY 2021-22</b>	<b>Percent Change</b>	<b>Estimate FY 2022-23</b>	<b>Percent Change</b>	<b>Estimate FY 2023-24</b>	<b>Percent Change</b>
Senior and Veterans Property Tax Exemptions	\$157.9	4.4%	\$163.8	3.8%	\$165.1	0.8%	\$171.0	3.6%
TABOR Refund Mechanism <sup>1</sup>	\$0.0		-\$163.8		-\$165.1		-\$171.0	
Cigarette Rebate	\$9.3	4.2%	\$8.5	-8.4%	\$8.0	-5.8%	\$7.9	-1.6%
Old-Age Pension Fund	\$78.9	-7.0%	\$66.1	-16.2%	\$64.4	-2.6%	\$63.0	-2.3%
Aged Property Tax and Heating Credit	\$6.4	8.8%	\$6.7	5.6%	\$6.0	-10.5%	\$5.8	-3.5%
Older Coloradans Fund	\$8.0	-20.0%	\$10.0	25.0%	\$10.0	0.0%	\$10.0	0.0%
Interest Payments for School Loans	\$1.3	-80.6%	\$4.1	226.8%	\$4.1	0.0%	\$4.1	0.0%
Firefighter Pensions	\$4.3	1.2%	\$4.4	1.5%	\$4.5	1.5%	\$4.5	0.0%
Amendment 35 Distributions	\$0.8	-1.0%	\$0.8	2.1%	\$0.8	-3.6%	\$0.8	-1.1%
Marijuana Sales Tax Transfer to Local Governments	\$29.0	18.2%	\$30.3	4.5%	\$32.5	7.3%	\$34.6	6.5%
Business Personal Property Exemptions <sup>2</sup>	NA		\$18.9		\$19.0	0.5%	\$19.4	2.0%
<b>Total Rebates and Expenditures</b>	<b>\$295.8</b>	<b>103.0%</b>	<b>\$149.9</b>	<b>-49.3%</b>	<b>\$149.3</b>	<b>-0.4%</b>	<b>\$150.0</b>	<b>0.5%</b>

*Totals may not sum due to rounding. NA = Not applicable.*

<sup>1</sup>Pursuant to SB 17-267, local government reimbursements for these property tax exemptions are the first TABOR refund mechanism used to meet the prior year's refund obligation.

<sup>2</sup>Pursuant to HB 21-1312, local government are reimbursed for expanded business personal property tax exemptions beginning in FY 2021-22.

**Table 5**  
**Cash Fund Transfers**  
*Dollars in Millions*

<b>Transfers to the General Fund</b>		<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
HB 05-1262	Amendment 35 Tobacco Tax	\$0.8	\$0.8	\$0.8	\$0.8
SB 13-133 & HB 20-1400	Limited Gaming Fund	\$44.7	\$15.8	\$17.7	\$18.9
HB 20-1361	Reduce The Adult Dental Benefit	\$1.1	\$2.3		
HB 20-1380	Move Tobacco Litigation Settlement Moneys	\$40.0			
HB 20-1381	Cash Fund Transfers	\$88.5			
HB 20-1387	Transfers From Unexpended County Reimbursements	\$13.0			
HB 20-1395	End WORK Act Grants Transfer Money To General Fund	\$0.2			
HB 20-1401	Marijuana Tax Cash Fund Spending & Transfer	\$137.0			
HB 20-1406	Cash Fund Transfers To The General Fund	\$7.9			
HB 20-1427	2020 Tax Holding Fund	\$2.0	\$4.1	\$4.1	\$4.1
SB 21-209	Repealed Cash Funds		\$0.05		
<b>Total Transfers to the General Fund</b>		<b>\$335.2</b>	<b>\$23.0</b>	<b>\$22.5</b>	<b>\$23.7</b>
<b>Transfers from the General Fund</b>		<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
SB 11-047	Bioscience Income Tax Transfer to OEDIT	\$7.1	\$7.5	\$7.9	\$8.3
SB 14-215	Marijuana Tax Cash Fund	\$203.0	\$196.0	\$210.3	\$224.0
SB 15-244 & SB 17-267	State Public School Fund	\$32.9	\$34.3	\$36.8	\$39.2
HB 18-1323	Pay For Success Contracts Pilot Program Funding	\$0.5	\$0.4		
HB 19-1168 & SB 20-215	Health Insurance Affordability Cash Fund	\$5.2	\$19.8	\$39.9	\$52.0
HB 19-1245	Housing Development Grant Fund	\$15.0	\$54.8	\$57.9	\$60.7
HB 20-1116	Procurement Technical Assistance Program Extension	\$0.2	\$0.2	\$0.2	\$0.2
HB 20-1412	COVID-19 Utility Bill Payment-related Assistance	\$4.8			
SB 20-003	State Parks Improvement Appropriation	\$1.0			
HB 20-1427	2020 Tax Holding Fund	\$49.0	\$190.3	\$186.9	\$189.4
HB 20-1427*	Preschool Programs Cash Fund	\$0.3	\$0.9	\$0.6	\$0.3
SB 20B-002	Housing & Direct COVID Emergency Assistance	\$54.0			
SB 20B-003	Energy Utility Bill Payment Assistance	\$5.0			
SB 20B-004	Transfers for COVID Emergency	\$100.0			
EO D2020 230	Disaster Emergency Fund Transfer	\$148.9			

*\*HB 20-1427 requires the transfer of 73 percent of additional sales tax revenue due to the imposition of the minimum cigarette price to the Preschool Programs Cash Fund on June 30th in each of 2021, 2022, and 2023.*

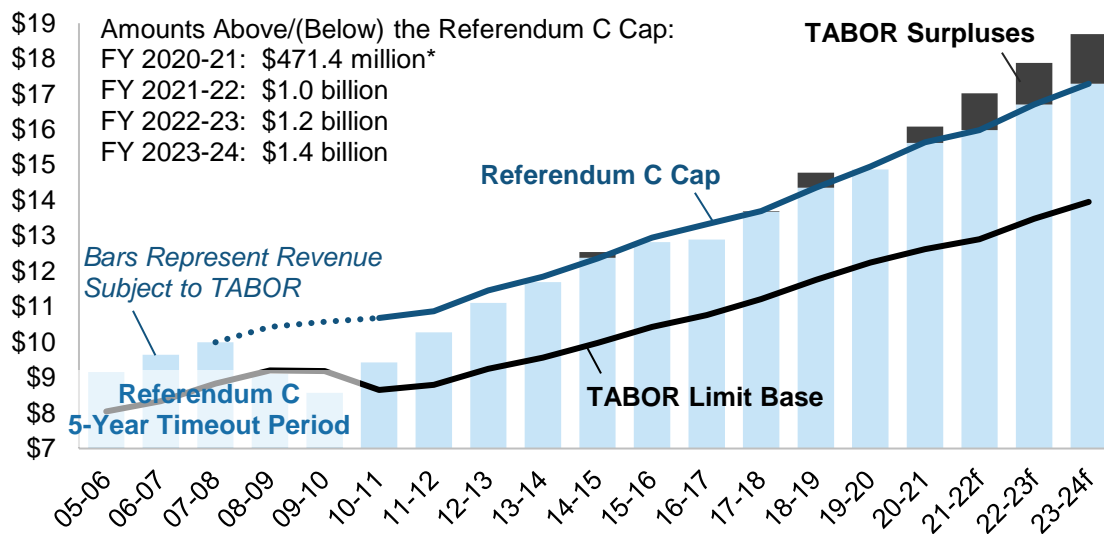
**Table 5 (continued)**  
**Cash Fund Transfers**  
*Dollars in Millions*

<b>Transfers from the General Fund (Continued)</b>		<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
HB 21-1149	Energy Sector Career Pathway in Higher Education		\$5.0		
HB 21-1215	Expansion of Justice Crime Prevention Initiative	\$3.5			
HB 21-1253	Renewable & Clean Energy Project Grants	\$5.0			
HB 21-1260	Implement State Water Plan	\$20.0			
HB 21-1262	Money Support Agricultural Events Organization	\$5.0			
HB 21-1263	Meeting & Events Incentive Program	\$10.0			
HB 21-1285	Funding to Support Creative Arts Industries		\$5.0		
HB 21-1288	Colorado Startup Loan Program	\$31.4			
HB 21-1290	Additional Funding For Just Transition	\$15.0			
HB 21-1326	Support DNR Programs	\$25.0			
SB 21-054	Wildfire Mitigation & Response	\$13.0			
SB 21-113	Firefighting Aircraft Wildfire Mgmt & Response	\$30.8			
SB 21-202	Public School Air Quality Improvement Grants	\$10.0			
SB 21-211	Adult Dental Benefit	\$1.1	\$2.3		
SB 21-225	Repay Cash Funds For 2020 Transfers		\$10.0		
SB 21-227	State Emergency Reserve	\$101.0			
SB 21-230	CO Energy Office Energy Fund	\$40.0			
SB 21-231	Energy Office Weatherization Assistance Grants	\$3.0			
SB 21-234	Agriculture & Drought Resiliency	\$3.0			
SB 21-235	Stimulus Funding Dept of Ag Efficiency Programs	\$3.0			
SB 21-240	Watershed Restoration Grant Program Stimulus	\$30.0			
SB 21-242	Housing Devt Grants Hotels Tenancy Support	\$15.0			
SB 21-243	CDPHE Appropriation Public Health Infrastructure		\$14.5		
SB 21-248	Loan Program for Colorado Agriculture	\$30.0			
SB 21-251	Loan Family Medical Leave Program	\$1.5			
SB 21-258	Wildfire Risk Mitigation	\$25.0			
SB 21-281	Severance Tax Trust Fund Allocation	\$9.5		\$9.5	
SB 21-283	Cash Fund Solvency		\$4.3		
SB 21-286	Home- & Community-based Services	\$260.7			
<b>Total Transfers from the General Fund</b>		<b>\$1,318.4</b>	<b>\$545.4</b>	<b>\$549.9</b>	<b>\$574.1</b>
<b>Net General Fund Impact</b>		<b>-\$983.1</b>	<b>-\$522.4</b>	<b>-\$527.4</b>	<b>-\$550.4</b>

## TABOR Outlook

The state TABOR outlook is presented in Table 6 and illustrated in Figure 1, which also provides a history of the TABOR limit base and the Referendum C cap. In FY 2020-21, state revenue subject to TABOR exceeded the Referendum C cap and is projected to exceed the Referendum C cap in each of FY 2021-22, FY 2022-23, and FY 2023-24, creating a state obligation for **TABOR refunds** to taxpayers in each of FY 2022-23, FY 2023-24, and FY 2024-25.

**Figure 1**  
**TABOR Revenue, TABOR Limit Base, and the Referendum C Cap**  
*Dollars in Billions*



Source: Office of the State Controller and Legislative Council Staff. f = Forecast.

\*The refund amount for FY 2020-21 differs from surplus amount because it includes \$17.8 million in under-refunds from prior TABOR surpluses.

**FY 2020-21.** On September 1, 2021, the State Controller certified that state revenue subject to TABOR exceeded the Referendum C cap by \$453.6 million. After accounting for an outstanding refund obligation attributable to under-refunds of prior TABOR surpluses, the Controller reports that the state is obligated to refund \$471.4 million in the current FY 2021-22. The FY 2020-21 surplus will be refunded to taxpayers via the three TABOR refund mechanisms under current law, which are explained in greater detail below. Pursuant to **Senate Bill 21-260**, the Referendum C cap was increased by \$225.0 million in FY 2020-21, reversing a reduction made to the FY 2017-18 Referendum C cap in Senate Bill 17-267.

**Forecasts for FY 2021-22 through FY 2023-24.** State revenue subject to TABOR is projected to exceed the Referendum C cap throughout the forecast period. In the current FY 2021-22, revenue is expected to exceed the Referendum C cap by \$1.0 billion, before exceeding the cap by \$1.2 billion in FY 2022-23 and \$1.4 billion in FY 2023-24. Refunds of equal amounts are expected to be returned to taxpayers in the year following each surplus. The actual refund obligation in any given year will incorporate any over- or under-refund of prior-year surpluses.



Relative to the June forecast, expectations for state revenue subject to TABOR were increased primarily on higher expectations for General Fund revenue (see the General Fund revenue section beginning on page 23 for more information).

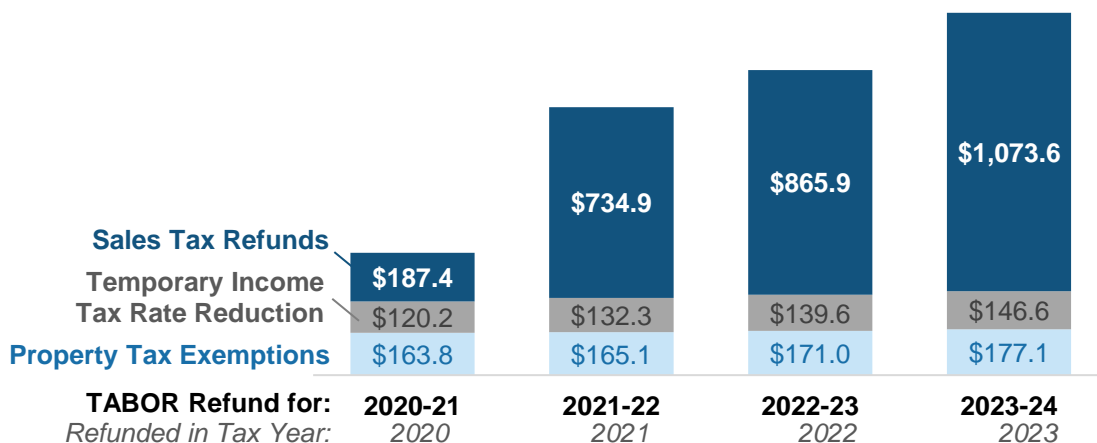
**Population adjustments.** Following each decennial census, the census population counts are used instead of population estimates for purposes of calculating the growth factors for the TABOR limit. As shown in Table 5, the 2020 decennial census count for Colorado’s population exceeded the 2019 estimate by 0.3 percent.

**Risks to the forecast.** Estimates of the TABOR surplus and TABOR refund obligation represent the amount by which state revenue subject to TABOR is expected to exceed the Referendum C cap. Therefore, any error in the General Fund or cash funds revenue forecasts will result in an error of an equal amount in the TABOR refund forecast.

**TABOR refund mechanisms.** Current state law includes three TABOR refund mechanisms: property tax exemptions for seniors and disabled veterans, a temporary reduction in the income tax rate from 4.55 percent to 4.50 percent, and the six-tier sales tax refund mechanism based on taxpayers’ incomes. Based on this forecast, all three refund mechanisms are expected to be triggered for each of tax years 2021, 2022, 2023, and 2024, as shown in Figure 2.

Refunds made via property tax exemptions reduce an obligation that would otherwise be paid from General Fund revenue. Refunds made via the income tax rate reduction and sales tax refund are paid to taxpayers when they file their state income tax returns. These two mechanisms are accounted for as an offset against the amount of surplus revenue restricted to pay TABOR refunds, rather than as a revenue reduction. Therefore, the General Fund revenue forecast does not incorporate downward adjustments as a result of these refund mechanisms being activated.

**Figure 2**  
**Expected TABOR Refunds and Refund Mechanisms**  
*Dollars in Millions*



Source: Legislative Council Staff September 2021 forecast.

**Table 6**  
**TABOR Revenue Limit and Retained Revenue**  
*Dollars in Millions*

	Actual FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24
<b>TABOR Revenue</b>				
1 General Fund <sup>1</sup>	\$13,860.2	\$14,621.5	\$15,358.0	\$16,034.6
2 Cash Funds <sup>1</sup>	\$2,237.7	\$2,399.3	\$2,526.5	\$2,655.5
3 <b>Total TABOR Revenue</b>	<b>\$16,097.9</b>	<b>\$17,020.8</b>	<b>\$17,884.4</b>	<b>\$18,690.0</b>
<b>Revenue Limit</b>				
4 Allowable TABOR Growth Rate	3.1%	2.2%	4.5%	3.5%
5 Inflation ( <i>from Prior Calendar Year</i> )	1.9%	2.0%	3.7%	2.4%
6 Population Growth ( <i>from Prior Calendar Year</i> )	1.2%	0.3%	0.8%	1.1%
7 TABOR Limit Base	\$12,628.1	\$12,905.9	\$13,486.7	\$13,958.7
8 Voter Approved Revenue Change (Referendum C)	\$3,016.3	\$3,082.6	\$3,221.3	\$3,334.1
9 Total TABOR Limit / Referendum C Cap	\$15,644.3	\$15,988.5	\$16,708.0	\$17,292.8
10 <b>TABOR Revenue Above (Below) Referendum C Cap</b>	<b>\$453.6</b>	<b>\$1,032.3</b>	<b>\$1,176.4</b>	<b>\$1,397.3</b>
<b>Retained/Refunded Revenue</b>				
11 Revenue Retained under Referendum C <sup>2</sup>	\$3,016.3	\$3,082.6	\$3,221.3	\$3,334.1
12 Fiscal Year Spending ( <i>revenue available to be spent or saved</i> )	\$15,644.3	\$15,988.5	\$16,708.0	\$17,292.8
13 Outstanding Under-refund Amount <sup>3</sup>	\$17.8			
14 <b>Revenue Refunded to Taxpayers</b>	<b>\$471.4</b>	<b>\$1,032.3</b>	<b>\$1,176.4</b>	<b>\$1,397.3</b>
15 TABOR Reserve Requirement	\$469.3	\$479.7	\$501.2	\$518.8

*Totals may not sum due to rounding.*

<sup>1</sup>Revenue differs from the amount in the General Fund and cash fund revenue summaries because of accounting adjustments across TABOR boundaries.

<sup>2</sup>Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.

<sup>3</sup>This amount represents under-refunds from prior years.

## School Finance Outlook

This section presents information on the outlook for school finance from a state budgetary perspective for the coming budget year (FY 2022-23) and incorporates new information from the September 2021 forecast for income tax diversions to the State Education Fund, federal mineral lease payments, and changes in inflation expectations. No new information is available for FY 2021-22 school finance funding, which was initially determined through passage of the 2021 Long Bill and the 2021 School Finance Act. Figure 3 illustrates budgeted and expected state aid and local shares for school funding for FY 2021-22 and FY 2022-23.

For FY 2022-23, the **state aid requirement** is expected to increase by at least \$154 million on a year-over-year basis due to the factors described below.

- **Total program requirements** will increase by \$276 million. Although the estimated funded pupil count is expected to decrease by about 4,214 pupils on a year-over-year basis, inflation expectations for 2021 have increased since the March forecast from 2.7 percent to 3.7 percent.
- On a year-over-year basis, revenue available for the **local share** will increase by up to \$122 million. This assumes that assessed values increase by \$2.7 billion relative to FY 2021-22, while specific ownership tax collections increase by 3 percent. The temporary assessment rate reductions for certain property types under Senate Bill 21-293 may result in a smaller increase in the local share.

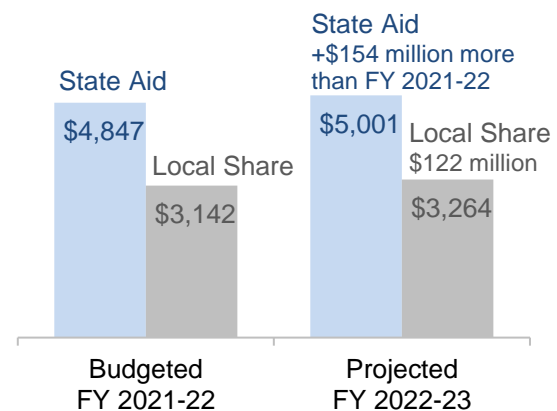
### How is state aid determined?

Subject to available budgetary resources, the difference between total program funding requirements and the local share is the amount the state must cover through state equalization payments, or state aid.

Enrollment is a major determinant of required formula funding (total program), since funding is allocated on a per pupil basis. Similarly, assessed values on real property determine a school district's property tax base, which, along with a school district's total program mill levy, is the major determinant of the local share of school district funding. This school finance funding update assumes FY 2022-23 enrollment estimates based on the December 2020 Legislative Council Staff forecast for K-12 enrollment, which will be updated in December.

This forecast assumes assessed value estimates from the December 2020 Legislative Council Staff forecast, totaling \$136 billion. In addition, specific ownership tax receipts are assumed to increase by 3 percent from the level appropriated for FY 2021-22. Given the enactment of SB 21-293, which temporarily reduces the assessment rate on certain types of properties in tax years 2022 and 2023, assessed values are expected to be lower and the December 2020 forecast may overestimate the actual totals as a result. The fiscal note for SB 21-293 estimates that the local share will be reduced by

**Figure 3**  
**Expectations for School Finance Funding**  
*Dollars in Millions*

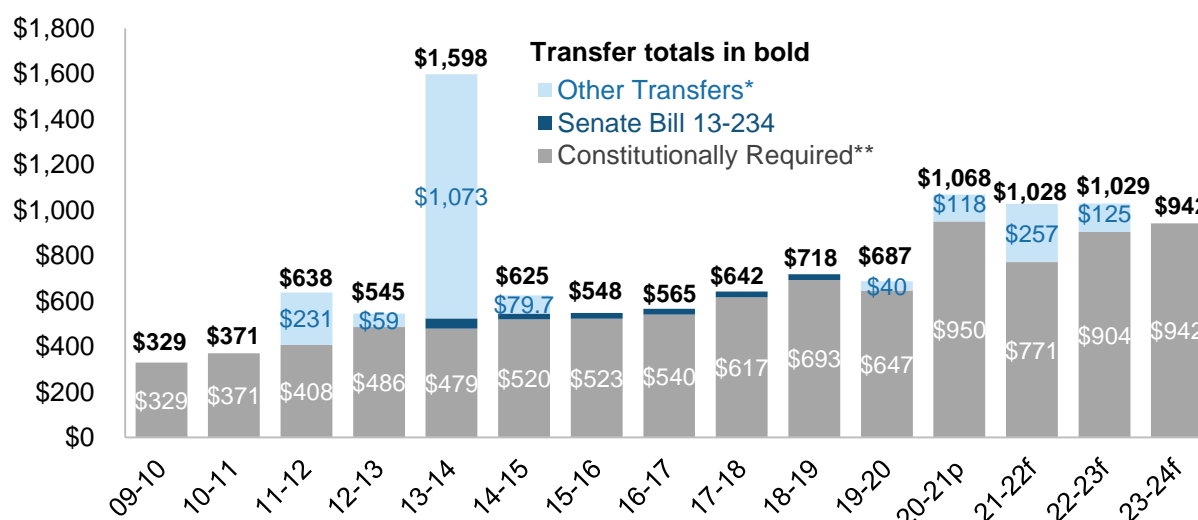


\$50.9 million in FY 2022-23 as a result of the assessment rate reductions under the bill. Similar to K-12 enrollment, assumptions for assessed values and the impact of the rate reduction will be updated with more complete information in December. This forecast also incorporates increased mill levies for some school districts according to the correction schedule required by House Bill 21-1164.

**State Education Fund.** For FY 2022-23, the available contribution for school finance from the State Education Fund is expected to increase by \$407 million relative to FY 2021-22 levels. Expenditures from the State Public School Fund will decrease by \$105 million, while the General Fund requirement will decrease by \$150 million on a year-over-year basis. These estimates assume a \$400 million ending balance for the State Education Fund in FY 2022-23, and the budget stabilization factor is maintained at its current level.

The Colorado Constitution requires the State Education Fund to receive one-third of 1 percent of taxable income. In FY 2021-22, the State Education Fund is expected to receive \$771.2 million as a result of this requirement, with higher amounts in the following year resulting from growth in taxable income among Colorado taxpayers. The FY 2021-22 amount also reflects a downward adjustment for over-diversions made in FY 2020-21. Figure 4 shows a history and forecast for revenue sources to the State Education Fund through the end of the forecast period.

**Figure 4**  
**Revenue to the State Education Fund**  
*Dollars in Millions*



Source: Colorado State Controller's Office and Legislative Council Staff forecast. p = Preliminary. f = Forecast.  
 \*Includes transfers under SB 09-260 for FY 2008-09, SB 11-183 and SB 11-156 for FY 2011-12, HB 12-1338 for FY 2012-13 and FY 2013-14, HB 14-1342 for FY 2014-15, SB 19-246 for FY 2019-20, HB 20-1420 for FY 2020-21 and FY 2021-22, HB 20-1427 for FY 2020-21 through FY 2022-23, and SB 21-208.  
 \*\*One-third of 1 percent of federal taxable income is required to be dedicated to the State Education Fund under Article IX, Section 17 of the Colorado Constitution.

In addition to the income tax diversion, the General Assembly has at different times authorized the transfer of additional moneys from the General Fund to the State Education Fund. Money in the State Education Fund is required to be used to fund kindergarten through twelfth grade public education. The 2020 school finance act, House Bill 20-1418, includes a one-time \$6.4 million transfer to the State

Education Fund from multiple cash funds in FY 2020-21. In addition, House Bill 20-1420 includes a transfer of \$113 million in FY 2020-21 and \$23 million in FY 2021-22 to the State Education Fund, and Senate Bill 21-208 includes a transfer of \$100 million in FY 2021-22.

Finally, Proposition EE, which was approved by voters in the November 2020 election, also transfers new revenue from increased cigarette, tobacco and nicotine taxes to the State Education Fund for three fiscal years. These amounts are currently estimated at \$4.9 million in FY 2020-21, \$133.6 million in FY 2021-22, and \$125.2 million in FY 2022-23. These amounts represent a portion of the transfers from the General Fund to the 2020 Tax Holding Fund shown in Table 6 under House Bill 20-1427.

**Appropriations are subject to change.** The final appropriation for state aid in FY 2021-22 will be made through passage of the mid-year supplemental bill for the Colorado Department of Education. The initial appropriation for state aid in FY 2022-23 will be made through passage of the 2022 Long Bill and the 2022 School Finance Act.

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## General Fund Revenue

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This section presents the Legislative Council Staff outlook for General Fund revenue, the state's main source of funding for discretionary operating appropriations. Table 8 on page 28 summarizes preliminary General Fund revenue collections for FY 2020-21 and projections for FY 2021-22 through FY 2023-24.

**FY 2020-21.** Preliminary figures suggest that General Fund revenue increased 10.7 percent over year-ago levels to total \$14.2 billion in FY 2020-21. Collections came in \$94.3 million, or 0.7 percent, lower than June forecast expectations.

**Forecast for FY 2021-22 through FY 2023-24.** General Fund revenue is expected to increase 6.1 percent to total \$15.1 billion in FY 2021-22. Growth is expected to moderate to rates slightly higher than inflation and population growth through the remainder of the forecast period, growing 5.0 percent to total \$15.9 billion in FY 2022-23, and increasing 4.4 percent to total \$16.6 billion in FY 2023-24. As the economy continues to adjust and recover from the COVID-19 pandemic, employment growth is expected to sustain income growth and consumer activity, bolstering income tax and sales tax collections. Additionally, recent tax policy changes, including voter approval of Proposition EE tobacco taxes, are expected to boost revenue on net.

**Forecast revisions.** The revenue outlook was increased by \$246.1 million, or 1.7 percent, for the current FY 2021-22 and by \$165.4 million, or 1.1 percent, for FY 2022-23. Increases reflect upward adjustments for individual and corporate income taxes and sales taxes on slightly higher than expected collections in the current fiscal year to date.

**Risks to the forecast.** Risks to the forecast remain elevated throughout the forecast period as the trajectory of the COVID-19 pandemic continues to evolve and taxpayers adjust to state and federal tax policy changes enacted in 2020 and 2021. This forecast assumes that the Delta variant will challenge but will not deter the jobs recovery in the years ahead. Heightened pandemic-related restrictions or business closures pose a downside risk to forecast estimates, while additional federal fiscal stimulus poses an upside risk. As the pandemic eases, faster than expected shifts in consumer behavior from goods back to services also pose a downside risk to the sales tax forecast.

Finally, limited information is available confirming the impact of recent income tax policy changes and the extent to which federal fiscal stimulus is supporting state income taxes. These policy impacts complicate the ability to assess the underlying health of the state tax base, which could be stronger or weaker than currently forecast.

**Legislative adjustments.** This forecast incorporates the estimated fiscal impacts of legislation enacted by the General Assembly during the 2021 legislative session, as shown in Table 7.

**Table 7**  
**General Fund Revenue Impacts of 2021 Legislation**  
*Dollars in Millions*

		<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
<b>Income Taxes</b>				
HB 21-1002	Income Tax Liability	-\$24.3	-\$24.0	-\$21.5
HB 21-1233	Conservation Easements	-\$11.5	-\$23.1	-\$23.1
HB 21-1311	Income Taxes		\$11.0	\$36.5
SB 21-229	Rural Jump Start Program		-\$0.1	-\$0.5
	<i>Income Tax Subtotal</i>	<i>-\$35.8</i>	<i>-\$36.2</i>	<i>-\$8.6</i>
<b>Sales and Use Taxes</b>				
HB 21-1261	Beetle Kill Wood Sales Tax Exemption		-\$0.5	-\$0.5
HB 21-1265	Sales Tax Retention		-\$45.1	
HB 21-1312	Digital Goods and Vendor Fee Changes		Up to \$18.0	Up to \$28.2
SB 21-229	Rural Jump Start Program		Minimal	Minimal
	<i>Sales and Use Tax Subtotal</i>		<i>-\$27.7</i>	<i>\$27.6</i>
<b>Insurance Premium Taxes</b>				
HB 21-1312	Insurance Premium Taxes		\$80.3	\$114.3
<b>Other General Fund Revenue</b>				
HB 21-1069	Exploitation of Children		Minimal	\$0.1
HB 21-1214	Record Sealing		\$0.1	\$0.1
SB 21-257	Mobile Machinery Registration		-\$0.1	-\$0.1
	<i>Other General Fund Subtotal</i>		<i>Minimal</i>	<i>Minimal</i>
<b>Net General Fund Impact</b>		<b>-\$35.8</b>	<b>\$16.4</b>	<b>\$19.0</b>

*Source: Legislative Council Staff fiscal notes.*

## Individual Income Tax

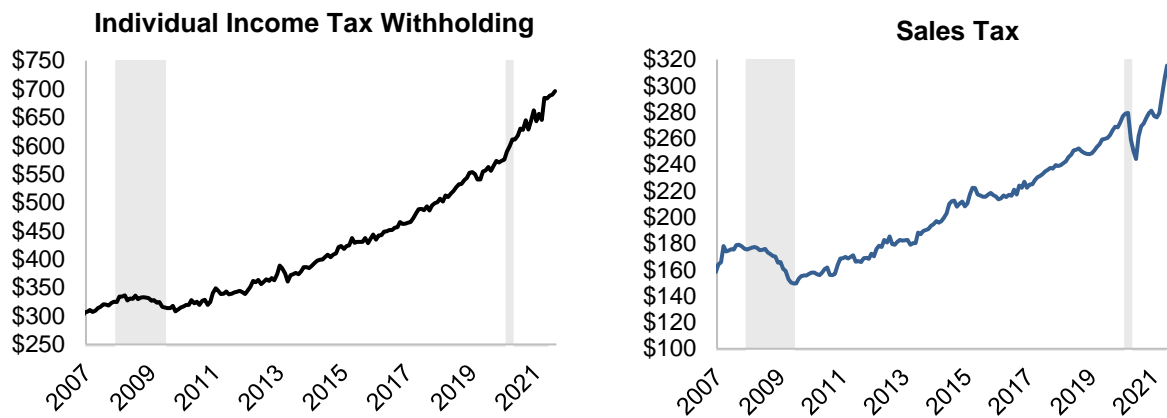
Taxable income earned by individuals and non-corporate businesses is taxed at a flat rate of 4.55 percent. Revenue is credited to the General Fund and is subject to TABOR, except that an amount equal to one third of 1 percent of taxable income is transferred to the State Education Fund (SEF) and exempt from TABOR. Individual income tax revenue is the largest source of General Fund revenue, accounting for about 63 percent of revenue to the General Fund in FY 2020-21, net of the SEF transfer.

**FY 2020-21.** Individual income tax collections exceeded expectations throughout FY 2020-21 as income growth was unabated by the pandemic recession (Figure 5, left). Preliminary collections for FY 2020-21 show that individual income tax revenue, before application of the SEF transfer, increased by 9.7 percent over year-ago levels to \$9.5 billion. FY 2020-21 collections posed an upside surprise throughout the fiscal year. Federal fiscal stimulus propped up employment through the federal paycheck protection program and boosted state taxable income via unemployment insurance benefits. Additionally, the pandemic had relatively minor impacts on many high-income earners, who comprise a larger share of the income tax base.

**Forecast for FY 2021-22 through FY 2023-24.** In the current FY 2021-22, individual income tax collections are expected to approach \$10.0 billion before application of the SEF transfer, an increase of 5.1 percent over year-ago levels. Individual income tax collections are expected to increase an additional 5.6 percent in FY 2022-23 and 4.9 percent in FY 2023-24 as job gains support ongoing wage growth. Throughout the forecast period, expectations were increased slightly from June 2021 forecast estimates on slightly higher than expected collections to date in the current fiscal year.



**Figure 5**  
**Selected General Fund Revenue Sources**  
*Millions of Dollars in Monthly Collections*



*Source: Office of the State Controller with Legislative Council Staff seasonal adjustments. Data are shown as a three-month moving average on a cash basis. July and August 2021 collections are preliminary.*

**Income tax rate.** This forecast expects the state TABOR refund obligation for each of FY 2020-21 through FY 2022-23 to be sufficient to trigger a temporary reduction in the income tax rate from 4.55 percent to 4.50 percent for each of tax years 2021, 2022, and 2023. The cost of the rate reduction is accounted as a debit against restricted prior year TABOR surpluses, rather than a reduction in current year revenue. Therefore, the forecast for all fiscal years reflects the application of a 4.55 percent tax rate for budget purposes.

**Legislative adjustments.** The General Assembly passed several bills with impacts on income taxes during the forecast period. **House Bill 21-1311** expanded the state earned income tax credit and activated the state child tax credit, while also restricting the application of federal itemized deductions and qualified business income deductions for the purpose of determining Colorado taxable income. **House Bill 21-1233** is expected to increase claims of the tax credit for conservation easement donations, thereby decreasing state revenue. On net, legislation enacted during 2021 is expected to reduce income tax revenue by between \$25 million and \$45 million annually, because large impacts of legislation in both directions are mostly expected to offset one another.

### Corporate Income Tax

Corporate income tax revenue totaled \$1,183.7 million in FY 2020-21, a 62.5 percent increase from the prior fiscal year. Despite the significant disruptions to the economy caused by the pandemic, corporate profits reached their nadir in the second quarter of 2020, and have since been growing at a rapid pace. Additionally, the pandemic caused a shift in consumer spending toward goods-producing businesses, which tend to account for a larger share of corporate income tax in Colorado, increasing corporate income tax revenue further.

Collections in FY 2020-21 reached record levels, and are expected to decline by 8.6 percent in FY 2021-22 to \$1,082.3 million. Despite this decline in reductions, corporate income tax revenue will remain more than \$160 million above collection in FY 2018-19, a very strong year for corporate income tax collections. As federal stimulus continues to wane, corporate profits are expected to grow at a slower pace. Additionally, as pandemic impacts subside, individuals are expected to shift back

towards spending on services. In combination, these shifts are expected to moderate growth in corporate income tax collections.

Corporate income tax collections are expected to resume their growth in FY 2022-23, growing by 4.4 percent to \$1,129 million. In FY 2023-24, collections are expected to grow by 0.7 percent to \$1,137 million, exceeding the record level set in FY 2020-21. Corporate income tax revenue is volatile, and to the extent that economic performance falls short of or exceeds expectations, revenue will likewise be lower or higher than forecast.

## **Sales Tax**

The 2.9 percent state sales tax is assessed on the purchase of goods, except those specifically exempted, and a relatively small collection of services. Sales tax receipts increased 7.0 percent to total \$3.4 billion during FY 2020-21, supported by robust consumer activity, large fiscal stimulus measures, and improving pandemic conditions. Revenue growth is expected to slow to 3.9 percent in FY 2021-22 as the impact of federal stimulus wanes and under House Bill 21-1265, which extends a sales tax exemption for certain retailers including restaurants and bars. In FY 2022-23 collections growth is expected to accelerate 6.7 percent as the impacts of HB 21-1265 expire. Growth is expected to moderate to 4.3 percent in FY 2023-24 as consumer activity shifts toward services and jobs growth slows.

**Out-of-state sales.** Legislative and rule changes made during 2019 bolstered sales tax collections from out-of-state, including online, retailers. The Department of Revenue reported that a total of \$79.3 million was collected in sales tax revenue from new out-of-state accounts during FY 2019-20. Total revenue attributable to out-of-state sales well exceed this amount. Revenue continues to grow as out-of-state retail activity expands. However, growth is expected to moderate moving into FY 2021-22 as the accelerated move toward online sales during the pandemic eases.

## **Use tax**

The 2.9 percent state use tax is due when sales tax is owed, but is not collected at the point of sale. Use tax revenue is largely driven by capital investment among manufacturing, energy, and mining firms. Revenue was up by 1.8 percent in FY 2020-21 following a 39.1 percent decline in FY 2019-20. During the forecast period, use tax is expected to grow by 6.9 percent in FY 2021-22, and then at a slower 5.9 percent and 4.6 percent pace in FY 2022-23 and FY 2023-24, respectively.

Use tax revenue fell sharply in FY 2019-20 as rules promulgated by the Department of Revenue and legislative changes from HB 19-1240 converted retail use tax collections to sales tax collections. The steep decline in retailers' use tax moderated and reversed over the past year. Retailer's use tax has grown consistently in 2021, up 6.7 percent from January to August. Consumers use tax has been impacted by tepid levels of business investment activity. However, modest investments in oil and gas activity and lagging improvement in nonresidential investment activity are expected to boost growth in use tax collections over the forecast period. Revenue will be further boosted in the forecast period by legislative changes passed in the 2021 session.

## **Proposition EE Cigarette, Tobacco, and Nicotine Taxes**

Table 8 includes a line for Proposition EE taxes, which are collected in the General Fund, transferred to the 2020 Tax Holding Fund, and distributed to fund affordable housing, eviction legal defense, rural

schools, tobacco education programs and, in the future, preschool programs. Table 8 shows expected revenue collections, while equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 5 on page 14.

Proposition EE was referred to voters under House Bill 20-1427 and approved in November 2020. The measure increased cigarette and tobacco taxes and created a new tax on nicotine products. Beginning January 1, 2021, the cigarette tax increased from \$0.84 to \$1.94 per pack; the tax for tobacco products increased from 40 percent to 50 percent of manufacturer's list price (MLP); and the new tax for nicotine products, 30 percent of MLP, was instituted. These tax rates will continue to increase incrementally until FY 2027-28, when they reach \$2.64 per pack for cigarettes and 62 percent of MLP for tobacco and nicotine products. Revenue from the new taxes is exempt from TABOR as a voter-approved revenue change.

**Table 8**  
**General Fund Revenue Estimates**  
*Dollars in Millions*

Category		Preliminary FY 2020-21	Percent Change	Estimate FY 2021-22	Percent Change	Estimate FY 2022-23	Percent Change	Estimate FY 2023-24	Percent Change
<b>Excise Taxes</b>									
1	Sales	\$3,419.5	7.0	\$3,554.0	3.9	\$3,791.5	6.7	\$3,956.1	4.3
2	Use	\$214.2	1.8	\$228.9	6.9	\$242.5	5.9	\$253.7	4.6
3	Retail Marijuana Sales	\$288.2	18.2	\$303.1	4.5	\$325.2	7.3	\$346.3	6.5
4	Cigarette	\$30.1	-7.5	\$30.2	0.2	\$28.4	-5.8	\$28.0	-1.6
5	Tobacco Products	\$29.0	19.1	\$24.6	-15.5	\$26.0	5.9	\$26.4	1.6
6	Liquor	\$53.4	6.6	\$55.8	4.6	\$57.7	3.3	\$59.5	3.2
7	Proposition EE Tobacco Taxes	\$49.0	NA	\$190.3	288.1	\$186.9	-1.8	\$189.4	1.4
8	<b>Total Excise</b>	<b>\$4,083.5</b>	<b>8.7</b>	<b>\$4,386.8</b>	<b>7.4</b>	<b>\$4,658.2</b>	<b>6.2</b>	<b>\$4,859.4</b>	<b>4.3</b>
<b>Income Taxes</b>									
9	Net Individual Income	\$9,482.7	9.7	\$9,966.1	5.1	\$10,527.3	5.6	\$11,048.0	4.9
10	Net Corporate Income	\$1,183.7	62.5	\$1,082.3	-8.6	\$1,129.6	4.4	\$1,137.4	0.7
11	Total Income Taxes	\$10,666.3	13.8	\$11,048.4	3.6	\$11,656.9	5.5	\$12,185.4	4.5
12	Less: Portion Diverted to the SEF	-\$950.2	46.9	-\$771.1	-18.8	-\$903.6	17.2	-\$942.3	4.3
13	<b>Income Taxes to the General Fund</b>	<b>\$9,716.1</b>	<b>11.3</b>	<b>\$10,277.2</b>	<b>5.8</b>	<b>\$10,753.3</b>	<b>4.6</b>	<b>\$11,243.1</b>	<b>4.6</b>
<b>Other Sources</b>									
14	Estate	\$0.0	NA	\$0.0	NA	\$0.0	NA	\$0.0	NA
15	Insurance	\$336.3	-0.3	\$362.5	7.8	\$373.9	3.1	\$388.4	3.9
16	Pari-Mutuel	\$0.3	-21.2	\$0.4	44.0	\$0.5	16.5	\$0.5	1.5
17	Investment Income	\$50.0	60.9	\$54.5	9.0	\$49.4	-9.5	\$43.2	-12.5
18	Court Receipts	\$3.5	-9.8	\$3.6	3.2	\$3.9	8.4	\$4.2	8.0
19	Other Income	\$50.6	422.4	\$29.8	-41.1	\$31.0	3.9	\$31.5	1.5
20	<b>Total Other</b>	<b>\$440.8</b>	<b>15.2</b>	<b>\$450.9</b>	<b>2.3</b>	<b>\$458.7</b>	<b>1.7</b>	<b>\$467.8</b>	<b>2.0</b>
21	<b>Gross General Fund Revenue</b>	<b>\$14,240.4</b>	<b>10.7</b>	<b>\$15,114.9</b>	<b>6.1</b>	<b>\$15,870.1</b>	<b>5.0</b>	<b>\$16,570.3</b>	<b>4.4</b>

*Totals may not sum due to rounding. NA = Not applicable. SEF = State Education Fund.*

## Cash Fund Revenue

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Table 9 summarizes the forecast for cash fund revenue subject to TABOR. Typically, the largest cash fund revenue sources subject to TABOR are motor fuel taxes and other transportation-related revenue, gaming taxes, and severance taxes. The end of this section also presents the forecasts for marijuana tax revenue, Federal Mineral Lease payments, and the outlook for the Unemployment Insurance Trust Fund. These forecasts are presented separately because they are not subject to TABOR limitations.

**FY 2020-21.** Preliminary figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled \$2.24 billion in FY 2020-21, an increase of 0.1 percent from the prior fiscal year. The most significant increases in percentage terms was in gaming revenues, which increased by 47.2 percent to \$101.8 million. The largest increase in nominal terms was other cash funds, which increased by 17.8 percent to \$838.7 million in part on transfers across TABOR boundaries from the Unclaimed Property Trust Fund. The largest decrease in both percentage and nominal terms was in severance tax collections, which shrank by \$117.0 million to \$14.7 million in FY 2020-21. The collapse of oil and gas prices in April 2020 and subsequent decline in production activity curtailed severance tax revenue significantly. Transportation-related revenue, the largest source of cash fund revenue subject to TABOR, also declined in FY 2020-21, contracting by \$42.4 million to \$1.16 billion, as demand for motor fuel and vehicle registrations fell significantly on pandemic-related disruptions and reduced travel activity.

**Forecast for FY 2021-22 through FY 2023-24.** Total cash fund revenue subject to TABOR in the current FY 2021-22 is expected to total \$2.40 billion, a 7.2 percent increase from FY 2020-21. In subsequent years, growth is expected to moderate to 5.3 percent and 5.1 percent in FY 2022-23 and FY 2023-24, respectively. Expectations relative to the June forecast were largely unchanged throughout the forecast period. The continued economic recovery, alongside rebounding energy markets and travel activity, are expected to boost most cash fund revenue through the forecast period. Specifically, revenues to transportation-related and severance cash funds are expected to increase, as are gaming revenues, through the forecast period.

**Transportation-related revenue** subject to TABOR ended FY 2020-21 down 3.5 percent relative to the already-low FY 2019-20 levels. Fuel tax revenue remained subdued in FY 202-21 as remote work depressed commuter traffic, while vehicle registrations recovered as motor vehicle offices reopened. Revenue is expected to increase by 6.4 percent in FY 2021-22 as travel activity resumes. Increased travel activity and new fee revenue under Senate Bill 21-260 will contribute to revenue growth through the forecast period with revenues growing by 8.3 percent in FY 2022-23 and 6.1 percent in FY 2023-24. The forecast for transportation-related revenue is presented in Table 10.

Most fuel taxes and vehicle registration fees are credited to the **Highway Users Tax Fund (HUTF)** and disbursed to the Department of Transportation, the State Patrol, the Division of Motor Vehicles, and to county and municipal governments for transportation purposes. In FY 2020-21, HUTF revenue decreased for the second-consecutive year, falling 2.6 percent on sagging fuel consumption. Fuel tax receipts are expected to rebound in FY 2021-22, but to remain below pre-pandemic peak levels. While fuel consumption is expected to grow through the forecast period, improving vehicle fuel efficiency and permanent shifts to remote work for some will dampen expected growth by FY 2023-24. In

**Table 9**  
**Cash Fund Revenue Subject to TABOR**  
*Dollars in Millions*

	Preliminary FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	CAAGR*
Transportation-Related Percent Change	\$1,155.8 -3.5%	\$1,229.9 6.4%	\$1,331.6 8.3%	\$1,412.9 6.1%	6.9%
Severance Tax Percent Change	\$14.7 -88.8%	\$105.8 620.2%	\$112.9 6.8%	\$123.0 8.9%	103.1%
Gaming Revenue <sup>1</sup> Percent Change	\$101.8 47.2%	\$116.1 14.0%	\$119.7 3.1%	\$123.3 3.0%	6.6%
Insurance-Related Percent Change	\$20.3 -18.6%	\$21.8 7.4%	\$21.0 -3.7%	\$21.2 1.0%	1.5%
Regulatory Agencies Percent Change	\$89.1 9.9%	\$89.4 0.4%	\$90.2 0.8%	\$90.9 0.8%	0.7%
Capital Construction Related - Interest <sup>2</sup> Percent Change	\$2.6 -58.3%	\$2.1 -21.1%	\$1.7 -19.6%	\$1.5 -12.1%	-17.7%
2.9% Sales Tax on Marijuana <sup>3</sup> Percent Change	\$15.5 16.2%	\$15.3 -1.4%	\$15.3 -0.1%	\$15.5 1.7%	0.0%
Other Cash Funds <sup>4</sup> Percent Change	\$838.7 17.8%	\$818.9 -2.4%	\$834.1 1.9%	\$867.3 4.0%	1.1%
<b>Total Cash Fund Revenue Subject to the TABOR Limit</b>	<b>\$2,238.6 0.1%</b>	<b>\$2,399.3 7.2%</b>	<b>\$2,526.5 5.3%</b>	<b>\$2,655.5 5.1%</b>	<b>5.9%</b>

*Totals may not sum due to rounding. FY 2020-21 estimates are preliminary and differ slightly from amounts shown in Table 6.*

*\* CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.*

<sup>1</sup>Gaming revenue in this table does not include Amendment 50 revenue, because it is not subject to TABOR.

<sup>2</sup>Includes interest earnings to the Capital Construction Fund, the Controlled Maintenance Trust Fund, and transfers from certain enterprises.

<sup>3</sup>Includes revenue from the 2.9 percent sales tax collected from the sale of medical and retail marijuana. This revenue is subject to TABOR.

<sup>4</sup>For FY 2020-21 and FY 2021-22, includes transfers from the Unclaimed Property Trust Fund to the General Fund pursuant to SB 19-261 and HB 20-1381. Revenue to this fund is TABOR exempt, but becomes subject to TABOR when transferred out of the fund.

FY 2020-21, falling fuel revenue was partially offset by vehicle registration fees. DMV office closures during the spring of 2020 shifted a portion of FY 2019-20 vehicle registrations into FY 2020-21 and elevated revenue growth. However, registrations are expected to slow to trend levels through the forecast period. From FY 2021-22 through FY 2023-24, registration fee revenue will be further impacted by SB 21-260, which temporarily reduces the road safety surcharge.

In addition to changes to the road safety surcharge, SB 21-260 also creates a road usage fee on gasoline and diesel fuel beginning in FY 2022-23 along with retail delivery fees credited to the HUTF and Multimodal Transportation and Mitigation Options Fund. SB 21-260 creates several other new fees collected by new state enterprises, which are exempt from TABOR and therefore excluded from Table 9.

**Table 10**  
**Transportation Revenue by Source**  
*Dollars in Millions*

	Preliminary FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	CAAGR*
<b>Highway Users Tax Fund (HUTF)</b>					
Motor and Special Fuel Taxes	\$593.6	\$640.7	\$657.1	\$660.3	3.6%
Percent Change	-4.9%	7.9%	2.6%	0.5%	
Road Usage Fees	\$0.0	\$0.0	\$60.0	\$90.0	
Percent Change	NA	NA	NA	50.0%	
Total Registrations	\$400.2	\$379.0	\$361.7	\$402.5	0.2%
Percent Change	4.8%	-5.3%	-4.6%	11.3%	
<i>Registrations</i>	\$234.1	\$242.7	\$244.5	\$249.4	
<i>Road Safety Surcharge</i>	\$137.8	\$107.5	\$91.4	\$126.8	
<i>Late Registration Fees</i>	\$28.3	\$28.9	\$25.8	\$26.3	
Other HUTF Receipts <sup>1</sup>	\$48.1	\$67.0	\$85.7	\$88.6	22.6%
Percent change	-23.7%	39.4%	27.9%	3.3%	
<b>Total HUTF</b>	<b>\$1,041.9</b>	<b>\$1,086.8</b>	<b>\$1,164.5</b>	<b>\$1,241.3</b>	<b>6.0%</b>
Percent Change	-2.6%	4.3%	7.2%	6.6%	
State Highway Fund (SHF) <sup>2</sup>	\$18.4	\$26.5	\$26.6	\$26.7	13.2%
Percent Change	-33.2%	43.9%	0.5%	0.3%	
Other Transportation Funds	\$95.5	\$116.6	\$140.5	\$144.9	14.9%
Percent Change	-5.8%	22.1%	20.5%	3.1%	
<i>Aviation Fund</i> <sup>3</sup>	\$16.9	\$28.9	\$31.8	\$32.4	
<i>Multimodal Transportation Options Fund</i> <sup>4</sup>	\$0.0	\$0.0	\$6.8	\$7.6	
<i>Law Enforcement-Related</i> <sup>5</sup>	\$6.9	\$6.3	\$5.1	\$5.1	
<i>Registration-Related</i> <sup>6</sup>	\$71.6	\$81.5	\$96.9	\$99.9	
<b>Total Transportation Funds</b>	<b>\$1,155.8</b>	<b>\$1,229.9</b>	<b>\$1,331.6</b>	<b>\$1,412.9</b>	<b>6.9%</b>
Percent Change	-3.5%	6.4%	8.3%	6.1%	

Totals may not sum due to rounding.

\*CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.

<sup>1</sup>Includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.

<sup>2</sup>Includes only SHF revenue subject to Article X, Section 20, of the Colorado Constitution (TABOR). Beginning in FY 2019-20, SHF revenue subject to TABOR no longer includes local government grants and contracts.

<sup>3</sup>Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.

<sup>4</sup>Retail delivery fee revenue credited to the fund under SB 21-260.

<sup>5</sup>Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.

<sup>6</sup>Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and POST Board registration fees.

**Severance tax** revenue, including interest earnings, totaled \$14.7 million in FY 2020-21, a decline from \$131.7 million in the prior year. After decreasing over the past two fiscal years, revenue is expected to increase to \$105.8 million in FY 2021-22, and \$112.9 million in FY 2022-23. While severance tax revenue is expected to grow throughout the forecast period, it is expected to remain below FY 2019-20 levels through FY 2023-24. Severance tax revenue is more volatile than other revenue sources due to the boom-bust nature of the oil and gas sector and Colorado's tax structure. The forecast for the major components of severance tax revenue is shown in Table 11.

**Table 11**  
**Severance Tax Revenue Forecast by Source**  
*Dollars in Millions*

	<b>Preliminary FY 2020-21</b>	<b>Estimate FY 2021-22</b>	<b>Estimate FY 2022-23</b>	<b>Estimate FY 2023-24</b>	<b>CAAGR*</b>
Oil and Gas	\$0.6	\$93.0	\$99.5	\$109.5	478.2%
Percent change	-99.5%	16319.5%	7.0%	10.0%	
Coal	\$1.9	\$1.8	\$2.0	\$2.2	4.5%
Percent change	-27.4%	-5.6%	8.3%	11.5%	
Molybdenum and Metallics	\$2.2	\$2.3	\$2.4	\$2.5	3.5%
Percent change	-5.7%	4.0%	3.0%	3.5%	
<b>Total Severance Tax Revenue</b>	<b>\$4.7</b>	<b>\$97.1</b>	<b>\$103.8</b>	<b>\$114.1</b>	189.5%
Percent change	-96.0%	1965.3%	6.9%	9.9%	
Interest Earnings	\$10.0	\$8.6	\$9.1	\$8.9	-3.8%
Percent change	-32.8%	-13.4%	5.2%	-2.3%	
<b>Total Severance Tax Fund Revenue</b>	<b>\$14.7</b>	<b>\$105.8</b>	<b>\$112.9</b>	<b>\$123.0</b>	103.1%
Percent change	-88.8%	620.2%	6.8%	8.9%	

\*CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.

Severance tax collections from **oil and natural gas** totaled \$0.6 million in FY 2020-21 and are forecast to increase in FY 2021-22 to \$93.0 million as rising oil and gas prices increase the value of production in the state. In early FY 2020-21, low oil prices constrained the U.S. oil and gas sector and resulted in production cuts. The ad valorem tax credit also put downward pressure on collections as property taxes for 2019 were paid on near-historic production levels. Severance taxes fell to \$0 for many oil wells in 2020 through the ad valorem credit, which allows oil and gas producers to deduct any property taxes paid from their severance tax liability.

After falling precipitously in early 2020, oil prices rose from around \$40 per barrel in October 2020 to over \$60 per barrel in February 2021 and have remained above \$60 since mid-April. Similarly, natural gas prices have risen to over \$4 per million BTU in mid-2021, after they fell below \$2 per million BTU for much of 2020. Despite the sharp rise in prices, production in Colorado, and the United States, remains subdued. Wells are shut and only 11 rigs are active in the state, down from 26 during September 2019. Oil prices are forecast at \$68.75 per barrel for the remainder of 2021, and \$62.42 in 2022. Natural gas prices are forecast at \$3.48 per million BTU for the remainder of 2021, and \$3.08 in 2022.



While production has not yet bounced back in Colorado, and is expected to remain below 2019 levels throughout the forecast period, higher prices will put upward pressure on severance tax collections, as taxes are paid on the value of oil and gas produced. Additionally, legislation passed in 2021, **HB 21-1312**, will increase oil and gas collections beginning in FY 2021-22, as it restricted the value of the netback deduction for producers.

**Coal severance tax** revenue declined 27.4 percent in FY 2020-21. **HB 21-1312** also phased out certain tax credits for coal production in the state, which will contribute to collections growth through FY 2023-24 when the credits are fully phased out. Based on current expectations, coal severance taxes are expected to decline 5.6 percent in FY 2021-22 to \$1.8 million before increasing to \$2.0 million in FY 2022-23 and \$2.2 million in FY 2023-24. In years beyond the forecast period, collections are expected to resume their previous decline as electricity generation continues to transition away from coal to renewable sources and natural gas.

**Metal and molybdenum** mines are expected to pay \$2.3 million in severance taxes on the value of minerals produced in FY 2021-22, an increase of 4.0 percent over FY 2020-21, and \$2.4 million in FY 2022-23. In 2021, prices for molybdenum have increased nearly 100 percent, and are expected to remain elevated in the near future, both spurring additional production and increasing the value of production in the state.

Finally, **interest earnings** on severance tax revenue are expected to total \$8.6 million in FY 2021-22 and \$9.1 million in FY 2022-23.

**Limited gaming revenue** includes taxes, fees, and interest earnings collected in the Limited Gaming Fund and the State Historical Fund. The state limited gaming tax is a graduated tax assessed on casino adjusted gross proceeds, the amount of wagers collected less the amount paid to players in winnings. Casinos on tribal lands in southwestern Colorado are not subject to the state tax.

Most gaming revenue is subject to TABOR. Revenue attributable to gaming expansions enacted under Amendment 50 and, more recently, Amendment 77, is TABOR-exempt. After the adoption of Amendment 77 at the November 2020 general election, voters in Black Hawk, Central City, and Cripple Creek subsequently passed ordinances that removed bet limits and allowed city councils to permit more games. Expanded gaming in each community began May 1, 2021.

Limited gaming revenue subject to TABOR declined by 35.4 percent to \$69.1 million in FY 2019-20 before rebounding by 47.2 percent to \$101.8 million in FY 2020-21. Revenue is expected to grow another 14 percent in FY 2021-22, and then slow to 3.1 percent in FY 2022-23 and to 3.0 percent in FY 2023-24. In March 2020, Colorado casinos were closed by executive order and were allowed to reopen with limited capacity and limited game offerings in June 2020. Most casinos remitted little tax revenue during the last quarter of FY 2019-20 as a result. Gaming revenue gradually improved over the latter half of calendar year 2020 and into 2021. However, revenue surged over the spring months, and in the second quarter of 2021 posted the highest amount of recorded quarterly revenue. Loosening restrictions combined with the passage of Amendment 77 helped increase casino revenue over the last two months of FY 2020-21. Revenue is expected to grow at a strong pace throughout the forecast period as the industry recovers from the health and economic crises, and the new bet limits

and games take effect. Additionally, a large expansion of the Monarch Casino and Resort, which recently opened, will further boost revenue.

House Bill 20-1400 changed the formula used to calculate gaming revenue subject to TABOR. The new formula was created to keep distributions to limited and extended revenue beneficiaries similar to the breakdowns between the two prior to the significant dip in tax revenue. These formulas supersede current statutory distribution formulas until the fiscal year after gaming tax revenues return to pre-downturn levels. The forecast predicts that revenue will exceed FY 2018-19 levels in FY 2021-22.

**Sports betting** was legalized in the state after the passage of Proposition DD during the November 2019 election. Betting launched on May 1, 2020, growing rapidly through the latter half of 2020 and into 2021. A forecast of sports betting revenue will be available in future forecasts, once tax collections data for several months become available.

Revenue collected from sports betting activity includes licensing fees, set at between \$1,200 and \$2,000 per operator, and a master license fee charged biannually, an operations fee, and tax revenue, which is set at 10 percent of casinos' net sports betting proceeds. As voter approved revenue, sports betting tax revenue is not subject to the TABOR limit; however, the fee revenue will be subject to TABOR. A Sports Betting Operations Fee was created under the rules adopted by the Limited Gaming Commission to cover a portion of administrative costs. The intent of the fee is to cover the remaining costs after license fees are paid, and was set for FY 2021-22 at \$73,000 for internet sports betting operators and master licensees and at \$12,300 for retail sports betting operators and master licensees. License fees, the sports betting operations fee, and other miscellaneous fees subject to TABOR collected during FY 2020-21 totaled \$2.4 million. Sports betting operations fees comprised about 88 percent of this revenue. TABOR exempt sports betting tax collections totaled \$8.1 million in FY 2020-21. Sports betting activity is growing rapidly, and collections increased nearly six times from third quarter of 2020 to the second quarter of 2021. In June 2021, tax collections rose as high as \$1.2 million. Sports betting revenue subject to TABOR is included in the Other Cash Funds forecast.

Preliminary figures from the Office of the State Controller indicate that **marijuana tax revenue** totaled \$426.3 million in FY 2020-21, a 22.7 percent increase from the prior fiscal year. Marijuana tax revenues will continue to grow throughout the forecast period, reaching \$444.9 million in FY 2021-22, \$472.9 million in FY 2022-23, and \$500.4 million in FY 2023-24. The majority of the revenue from the marijuana industry is voter-approved revenue exempt from TABOR; however, the 2.9 percent state sales tax is subject to the state's revenue limit. Tax revenue from marijuana sales is shown in Table 12.

The special sales tax is the largest source of marijuana revenue and is imposed at a rate of 15 percent of the retail price of marijuana. Preliminary figures show the special sales tax generated \$290.0 million in FY 2020-21. Revenue from the special sales tax is expected to reach \$303.1 million in FY 2021-22, a 4.5 percent increase from the prior year. Revenue is expected to grow through the forecast period, reaching \$325.2 million in FY 2022-23 and \$346.3 million by FY 2023-24. The state distributes 10 percent of the special sales tax to local governments and retains the rest in the Marijuana Tax Cash Fund, the General Fund, and the State Public School Fund. Following the 22.7 percent increase in special sales tax revenue seen in FY 2020-21, revenue is expected to continue to grow but at a slower pace over the forecast period.

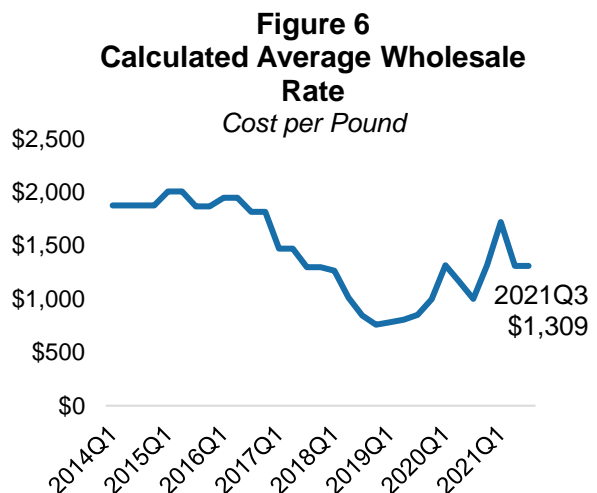
**Table 12**  
**Tax Revenue from the Marijuana Industry**  
*Dollars in Millions*

	Preliminary FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	CAAGR*
<b>Proposition AA Taxes</b>					
Special Sales Tax	\$290.0	\$303.1	\$325.2	\$346.3	6.1%
State Share of Sales Tax	\$261.0	\$272.8	\$292.7	\$311.7	
Local Share of Sales Tax	\$29.0	\$30.3	\$32.5	\$34.6	
15% Excise Tax	\$120.8	\$126.6	\$132.4	\$138.5	4.7%
<b>Total Proposition AA Taxes</b>	<b>\$410.8</b>	<b>\$429.6</b>	<b>\$457.6</b>	<b>\$484.9</b>	<b>5.7%</b>
<b>2.9 Sales Tax (Subject to TABOR)</b>					
Medical Marijuana	\$13.8	\$13.5	\$13.4	\$13.5	-0.7%
Retail Marijuana	\$1.6	\$1.6	\$1.7	\$1.9	6.1%
TABOR Interest	\$0.1	\$0.1	\$0.1	\$0.1	
<b>Total 2.9% Sales Tax</b>	<b>\$15.5</b>	<b>\$15.3</b>	<b>\$15.3</b>	<b>\$15.5</b>	<b>0.0%</b>
<b>Total Taxes on Marijuana</b>	<b>\$426.3</b>	<b>\$444.9</b>	<b>\$472.9</b>	<b>\$500.4</b>	<b>5.5%</b>

\*CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.

The excise tax is the second-largest source of marijuana revenue and is dedicated to the BEST Fund for school construction. However, for FY 2020-21 only, HB 20-1418 requires the first \$40 million in excise tax revenue go to the BEST Fund, with the remainder going to the State Public School Fund. In FY 2020-21, the excise tax generated \$120.8 million, a 36.5 percent increase from the prior year. Slowing demand for marijuana products, after strong growth in FY 2020-21, will result in more moderate growth in excise tax revenue through the current forecast period, as revenue from marijuana excise taxes is expected to total \$126.6 million in FY 2021-22, \$132.4 million in FY 2022-23, and \$138.5 million by FY 2023-24.

The excise tax is based on the calculated or actual wholesale price of marijuana when it is transferred from the cultivator to the retailer. There is considerable uncertainty about the calculated price due to a lack of available information. The wholesale price bottomed out at \$759 per pound of marijuana flower in the fourth quarter of 2018, but has risen to \$1,309 per pound in the third quarter of 2021 as shown in Figure 6. The wholesale price has faced upward pressure over the past year, as demand for marijuana has increased, and supply was negatively affected by the 2020 wildfires. The wholesale price is a significant determinant of excise tax revenue, and it is not clear if the price will continue to increase or fall, consistent with downward trends from 2016 to 2019. The wholesale price remains both an upside and downside risk to the forecast.



Source: Colorado Department of Revenue.

The 2.9 percent state sales tax rate applies to medical marijuana and marijuana accessories purchased at a retail marijuana store. Preliminary figures show medical marijuana sales tax revenue generated \$13.8 million in FY 2020-21, and is expected to decline modestly through the forecast period, generating \$13.5 million in FY 2021-22 and \$13.4 million in FY 2022-23. Retail marijuana dispensaries remitted the state sales tax on marijuana accessories totaling \$1.6 million in FY 2020-21, and this amount is expected to increase moderately through FY 2023-24. Revenue from the 2.9 percent sales tax is deposited in the Marijuana Tax Cash Fund and is subject to TABOR.

**Federal Mineral Lease (FML)** revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of mineral production on federal land and royalty rates between the federal government and mining companies. Since FML revenue is not deposited into the General Fund and is exempt from TABOR, the forecast is presented separately from other sources of state revenue.

As shown in Table 13, FML revenue totaled \$82.7 million in FY 2020-21, a 31.8 percent increase from FY 2019-20. In FY 2021-22, FML revenue is forecast to increase 1.6 percent to \$84.0 million. Producers are expected to increase production in the near future due to higher natural gas prices and increased expectations for demand. Natural gas prices fell in 2020 to below \$2 per million BTU, but have increased to over \$4 per million BTU in 2021 and are expected to remain elevated through 2023. Alongside rising natural gas production, FML revenue is forecasted to grow modestly in FY 2022-23 to \$86.2 million.

**Table 13**  
**Federal Mineral Lease Revenue Distribution**  
*Dollars in Millions*

	<b>Preliminary FY 2020-21</b>	<b>Estimate FY 2021-22</b>	<b>Estimate FY 2022-23</b>	<b>Estimate FY 2023-24</b>
<b>Total FML Revenue</b>	<b>\$82.7</b>	<b>\$84.0</b>	<b>\$86.2</b>	<b>\$91.7</b>
<b>Bonus Payments</b> (portion of total FML revenue)	<b>\$2.5</b>	<b>\$2.5</b>	<b>\$2.6</b>	<b>\$2.8</b>
Local Government Perm Fund	\$1.2	\$1.3	\$1.3	\$1.4
Higher Ed FML Revenues Fund	\$1.2	\$1.3	\$1.3	\$1.4
<b>Other (non-bonus) FML Revenue</b>	<b>\$80.2</b>	<b>\$81.5</b>	<b>\$83.6</b>	<b>\$89.0</b>
State Public School Fund	\$38.8	\$39.4	\$40.4	\$43.0
Colorado Water Conservation Board	\$8.0	\$8.2	\$8.4	\$8.9
DOLA Grants	\$16.0	\$16.3	\$16.7	\$17.8
DOLA Direct Distribution	\$16.0	\$16.3	\$16.7	\$17.8
School Districts	\$1.4	\$1.4	\$1.4	\$1.5
<b>Total Higher Education FML Rev Fund</b>	<b>\$1.2</b>	<b>\$1.3</b>	<b>\$1.3</b>	<b>\$1.4</b>

*DOLA = Department of Local Affairs.*

*Note: The table shows the actual and projected revenue distributions to the various FML recipients. It does not reflect transfers of FML revenue from the recipients and funds to other funds, such as the General Fund, that have occurred.*

The **Unemployment Insurance (UI) Trust Fund** ended FY 2020-21 with a deficit of \$1.0 billion, as the high levels of benefits paid during the pandemic exhausted the fund without sufficient revenue to offset losses. The fund is expected to return to solvency in FY 2023-24. Forecasts for UI revenue, benefit payments, and year-end balances are shown in Table 14. Revenue to the UI Trust Fund is not subject to TABOR and is therefore excluded from Table 9. Revenue to the

Employment Support Fund, which receives a portion of the UI premium surcharge, is subject to TABOR and is included in the revenue estimates for other cash funds in Table 9.

UI benefits paid remain elevated after seeing an unprecedented increase during the COVID-19-related rapid economic contraction. Benefits paid reached \$1.3 billion in FY 2019-20, an increase of 247.1 percent, with nearly \$1 billion in the last quarter of the fiscal year alone. Benefits paid increased further in FY 2020-21, to \$2.0 billion. As a consequence, the fund was nearly depleted on June 30, 2020, triggering a move to the second highest premium rate schedule beginning January 1, 2021, and became insolvent on August 18, 2020.

When the balance of the UI Trust Fund falls below zero, the federal government requires that another revenue source be found to continue funding the UI program. Colorado began borrowing from the Federal Unemployment Account to fund benefit payments in August 2020. Loans were extended interest free until September 6, 2021 and at a rate of 2.28 percent since then. As of September 14, 2021, the state had \$1,014.2 million in federal loans outstanding. The state will be required to make an estimated interest payment of \$1.5 million on outstanding loans by September 30, 2021. By law, employer contributions to the trust fund cannot be used for these payments.

The amount of UI benefits paid is expected to decline in FY 2021-22, to \$783.5 million, and to fall further in FY 2022-23 and FY 2023-24, to \$583.5 million and \$499.1 million, respectively. The forecast benefit amounts include only regular unemployment insurance benefits, as these are the only benefits funded by the state UI Trust Fund under current law. The negative fund balances beginning in FY 2020-21 are expected to result in a shift to the highest rate schedule beginning January 1, 2022. This forecast incorporates the adjustments to fund revenues enacted with Senate Bill 20-207. Namely, the solvency surcharge is suspended for 2021 and 2022, and the chargeable wage base is held constant at \$13,600 for 2021. Beginning in 2022, the chargeable wage base will increase incrementally, to \$17,000 in 2022 and to \$20,400 in 2023. The solvency surcharge will be turned on beginning January 1, 2023. Fund revenues are expected to increase through the forecast period, surpassing benefits paid in FY 2022-23. The forecast fund balances do not account for the required federal borrowing to maintain the fund balance at \$0 or above.

**Table 14**  
**Unemployment Insurance Trust Fund**  
**Revenues, Benefits Paid, and Fund Balance**  
*Dollars in Millions*

	<b>Preliminary FY 2020-21</b>	<b>Estimate FY 2021-22</b>	<b>Estimate FY 2022-23</b>	<b>Estimate FY 2023-24</b>	<b>CAAGR*</b>
Beginning Balance	\$412.2	(\$1,014.2)	(\$1,036.1)	(\$528.8)	
Plus Income Received					
UI Premium	\$600.2	\$761.6	\$967.7	\$1,229.5	27.0%
Solvency Surcharge	\$0.0	\$0.0	\$123.1	\$262.0	
Interest	\$0.7	\$0.0	\$0.0	\$0.0	
<b>Total Revenues</b>	<b>\$600.9</b>	<b>\$761.6</b>	<b>\$1,090.7</b>	<b>\$1,491.6</b>	<b>35.4%</b>
Percent Change	7.6%	26.7%	43.2%	36.8%	
Less Benefits Paid	\$2,027.3	\$783.5	\$583.5	\$499.1	-37.3%
Percent Change	59.8%	-61.4%	-25.5%	-14.5%	
Accounting Adjustment	\$0.0	\$0.0	\$0.0	\$0.0	
<b>Ending Balance</b>	<b>(\$1,014.2)</b>	<b>(\$1,036.1)</b>	<b>(\$528.8)</b>	<b>\$463.7</b>	
Solvency Ratio					
Fund Balance as a Percent of Total Annual Private Wages	-0.72%	-0.72%	-0.35%	0.29%	

*Totals may not sum due to rounding.*

*\*CAAGR: Compound average annual growth rate for FY 2020-21 to FY 2023-24.*

## Economic Outlook

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Broad measures of U.S. and Colorado economic activity indicate continued recovery from the pandemic-induced recession, although the economy faces continued challenges. There are early signs that the rapid summer spread of the Delta variant of COVID-19 across the U.S. and Colorado poses a potential drag on economic growth in the near term. With the return to normalcy just beyond reach, the virus has reasserted itself as a prime driver of the economic recovery as consumers, businesses, and workers once again adjust their behavior to fluctuating health risks. Rather than the hoped-for strong and steady recovery accompanying the ebbing pandemic, economic activity, like the trajectory of the virus itself, has instead been choppy and uneven. Many households and businesses are still bearing the brunt of lingering distress, while others have emerged unscathed or even better off. Spending and employment in sectors tied to in-person services still lag their pre-pandemic levels and remain particularly sensitive to the waxing and waning of the virus. Supply and demand mismatches, initially expected to be temporary, have been exacerbated by the global waves of COVID-19 cases. These mismatches are now expected to persist into 2022, boosting inflationary pressures and challenging the economic recovery as government assistance recedes.

Economic expectations in this September forecast are generally consistent with those included in the June 2021 forecast. Relative to June expectations, minor upward revisions were made to indicators of economic activity and inflation, with some growth shifting from late 2021 into 2022.

As the recent resurgence of COVID-19 case counts illustrates, we remain in unprecedented economic times, with shifting and still-elevated economic risks. There have been surprisingly few signs of lasting scarring from the pandemic-related recession, but there is still a great deal of uncertainty about how much of the shifts in consumer, business, and worker behavior will persist and whether short-term disruptions will have long-lasting ripple effects. The drag from receding government stimulus may increase if momentum supporting wage and business incomes does not offset the pull-back in public assistance.

Tables 15 and 16 on pages 59 and 60 present histories and expectations for key indicators for the U.S. and Colorado economies, respectively.

### Gross Domestic Product

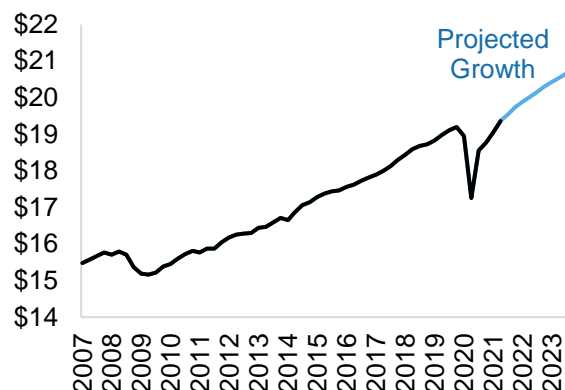
The most commonly cited indicator of total economic activity in the U.S. is real gross domestic product (GDP), an estimate of the inflation-adjusted value of all final goods and services produced in the United States. Following the unprecedented 31.2 percent decline in economic activity in the second quarter of 2020, economic activity rebounded by 33.8 percent in the third quarter, according to data from the U.S. Bureau of Economic Analysis. Real GDP declined by an average of 3.4 percent in 2020 as the severe contraction during the first half of the year pulled annual levels of economic activity below those experienced in 2019. In 2021, GDP has grown by 6.3 percent and 6.6 percent in the first and second quarters, respectively, marking the third and fourth consecutive quarters of growth (Figure 7).

- Real U.S. GDP is expected to grow by 5.7 percent in 2021 and to rise an additional 3.4 percent in 2022, before returning to slower trend levels of activity, growing by 2.6 percent, in 2023.

### Consumption spending props up GDP growth.

Consumer spending, as measured by personal consumption expenditures, accounts for more than two-thirds of total economic activity; it accounted for a majority of the decline in GDP in the second quarter of 2020, and is also fueling the recovery. With 11.9 percent growth in the second quarter of 2021, consumer spending offset declines in the remaining components of GDP. As of the second quarter of 2021, personal consumption expenditures exceeded pre-recession levels by 3.1 percent. Consumer spending on goods and services continued to show divergent patterns, however, with spending on goods exceeding pre-recession levels by 17.9 percent, but spending on services still lagging its pre-recession levels by 3.5 percent. Consumption of services is expected to remain subdued amid a resurgence of COVID-19 cases and a return of stricter public health guidelines, while consumption of goods is expected to remain above trend.

**Figure 7**  
**U.S. Real Gross Domestic Product**  
*Trillions of Dollars*



Source: U.S. Bureau of Economic Analysis and Legislative Council Staff September 2021 forecast. Data reflect seasonally adjusted annual rates.

**Business investment lackluster in 2021.** Business investment, as measured by gross private domestic investment, rebounded sharply in the second half of 2020, after declining for the three previous quarters. Business investment grew by 82.1 percent and 24.7 percent in the third and fourth quarters of 2020, respectively, exceeding pre-recession levels. However, the first half of 2021 has seen business investment decline again, by 2.3 percent and 4.0 percent in the first and second quarters, respectively. Investment in nonresidential equipment and intellectual property continued their strong growth, while investment in residential structures declined for the first time since the 2020 recession. Investment in nonresidential structures continued its lackluster performance, and remains 20 percent below its pre-recession levels. Recent declines likely represent a shift toward more employees working from home and less need for office space. The reduction of private inventories in the first and second quarters of 2021 further contributed to the decline in business investment, likely resulting from sales exceeding current production capacities.

**Export activity improves, net exports decline.** Net exports continued to be a drag on economic activity in 2021. Exports of U.S. goods and services to foreign consumers increased modestly but remained well below pre-pandemic levels. Imports of foreign goods have risen for three consecutive quarters, and have returned to pre-recession levels. Ongoing impacts of the COVID-19 pandemic on economies across the globe are expected to mute demand for U.S. goods for a significant portion of 2021. Exports and imports of services remain down 21.8 percent and 16.7 percent, respectively, below pre-pandemic levels, likely reflecting dampened international tourist activity.

**Waning federal stimulus drags on growth.** Government spending rose precipitously in the first quarter of 2021 with the March passage of the American Rescue Plan Act of 2021. This act included direct payments to households, extended unemployment benefits, individual tax relief and financial



assistance, business assistance, public health spending, and aid to state and local governments amounting to approximately \$1.9 trillion. The impact of federal stimulus waned in the second quarter of 2021 with the expiration in May of the Paycheck Protection Program providing loans to small businesses. After increasing by 11.3 percent in the first quarter, federal government spending declined by 5.2 percent in the second quarter, with overall government spending a net drag on GDP growth. The waning federal stimulus is expected to continue to weigh on the recovery.

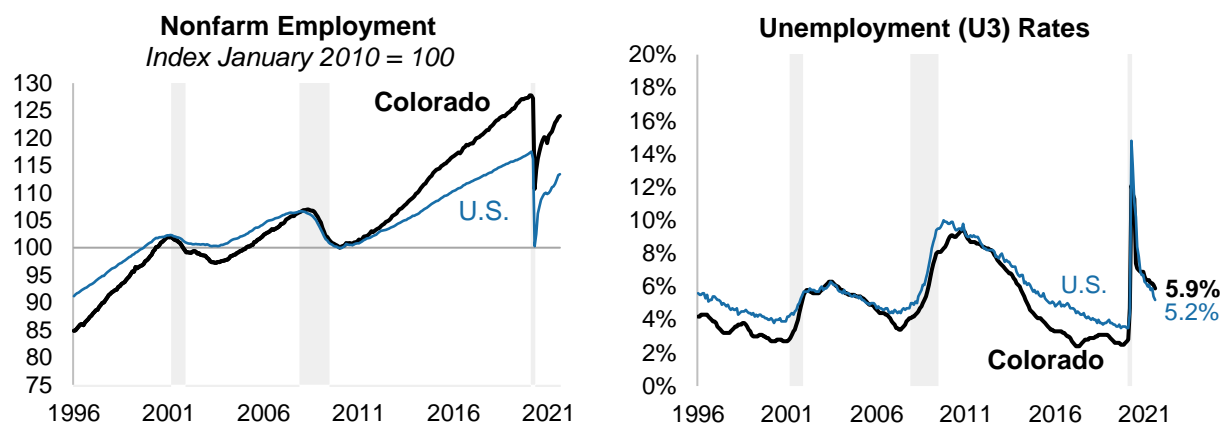
## Labor Markets

After surging in early summer, employment growth stumbled in August amidst the spread of the Delta variant of COVID-19, particularly impacting the virus-sensitive sectors dependent on in-person work, including accommodations and food services, as well as retail trade. Despite the slowdown in some sectors, businesses in other sectors continue to report difficulty finding workers as the jobs recovery continues to impact geographic regions, industries, and demographic groups unevenly. The near-term jobs recovery may face additional headwinds from the waning federal stimulus, including the expiration of additional unemployment insurance benefits in early September, and the economic recovery remains highly dependent on the trajectory of the pandemic. At the current rate, employment levels are not expected to reach pre-pandemic levels until late 2022.

- After decreasing at a rate of 5.7 percent in 2020, U.S. nonfarm employment is expected to increase by 2.7 percent in 2021 and 3.3 percent in 2022. The U.S. unemployment rate is expected to decline from 8.1 percent in 2020 to 5.6 percent in 2021 and 4.5 percent in 2022.
- In Colorado, nonfarm employment declined by 5.2 percent in 2020 and is expected to grow by 2.6 percent and 3.5 percent in 2021 and 2022, respectively. The Colorado unemployment rate is expected to decline slowly, from 7.3 percent in 2020 to 6.1 percent in 2021 and 4.5 percent in 2022.

**Job growth stumbles in August.** Following gains of over 1 million jobs in July, the employment recovery slowed significantly in August. The U.S. economy added only 235,000 jobs in August, the lowest since January 2021 and well-below the year-to-date average monthly job growth of 585,900 (Figure 8, left). The August pullback signals concerns over the Delta variant of COVID-19, with much of the slowdown in virus-sensitive sectors. Employment in leisure and hospitality was unchanged in August, after increasing by an average of 350,000 per month over the previous six months. A gain of 36,000 jobs in arts, entertainment, and recreation was more than offset by the loss of 42,000 jobs in accommodations and food service. Retail trade employment was also down, by 29,000. The U.S. economy is still down 5.3 million jobs, or 3.5 percent, since the pandemic began, for a 76.2 percent job recovery rate. Between July and August, the unemployment rate fell by 0.2 percent, to 5.2 percent (Figure 8, right). The labor force participation rate was unchanged from July, at 61.7 percent, and is 1.6 percent below its pre-pandemic level.

**Figure 8**  
**Selected U.S. and Colorado Labor Market Indicators**

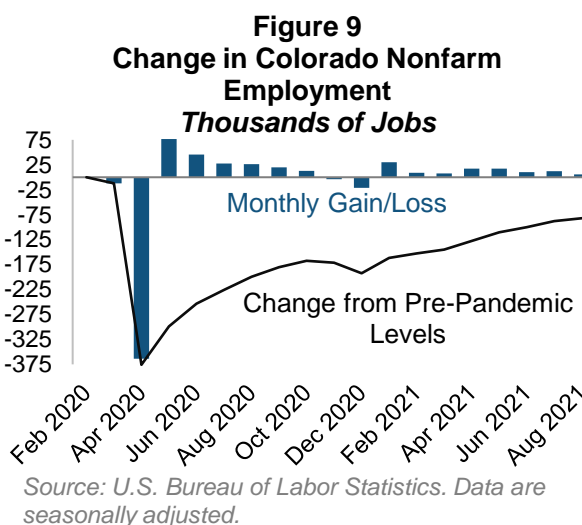


Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Data are through August 2021.

**Colorado's labor force grows rapidly, keeping unemployment elevated.** Colorado's unemployment rate in August was 5.9 percent, down from the July rate of 6.1 percent, reflecting both job gains along with fluctuating labor force participation (Figure 8, right). At 68.3 percent, Colorado's labor force participation rate ranks 4<sup>th</sup> highest among the 50 states, and is just 0.4 percent below the pre-pandemic rate, which helps relieve labor supply constraints while paradoxically elevating the unemployment rate (See box below). Among the states with the lowest unemployment rates, Colorado ranks 35<sup>th</sup> among the 50 states, equal to Maryland and Texas. The lowest and highest rates belong to Nebraska, (2.2 percent), and Nevada (7.7 percent), respectively.

Colorado's labor market recovery has been slow but relatively steady in 2021, with the economy adding 5,600 nonfarm jobs in August, following gains of 10,000 and 12,200 jobs in June and July, respectively and bringing the 2021 monthly average to 13,700 jobs per month (Figure 9). Employment in Colorado is still down 82,400 jobs, or 3 percent, since the pandemic began, for a job recovery rate of 78.1 percent.

Colorado's leisure and hospitality super-sector is the leader in 2021 job growth, with 56,400 jobs added in accommodation and food services and another 12,800 in arts, entertainment, and recreation. Together, these subsectors account for over 60 percent of Colorado's total nonfarm payroll gains in 2021 (109,900 jobs). Finance and insurance, as well as construction have a net loss of 2,800 and 2,700 jobs in 2021, respectively.



**Why is Colorado's unemployment rate higher than the nation's?** Historically, Colorado's unemployment rate is consistently lower than that of the nation as a whole, including during the pandemic-induced recession and early recovery. However, the U.S. unemployment rate has fallen more quickly than Colorado's, and has been below it since November 2020. In August, the gap between the two rates persisted, with the U.S. rate falling to 5.2 percent, while the Colorado rate fell to 5.9 percent. It is important to note that the pandemic has impacted reliable measurement of employment and unemployment, with higher margins of error in reported statistics. According to the U.S. Bureau of Labor Statistics, Colorado's unemployment rate is not statistically significantly different from the national rate.

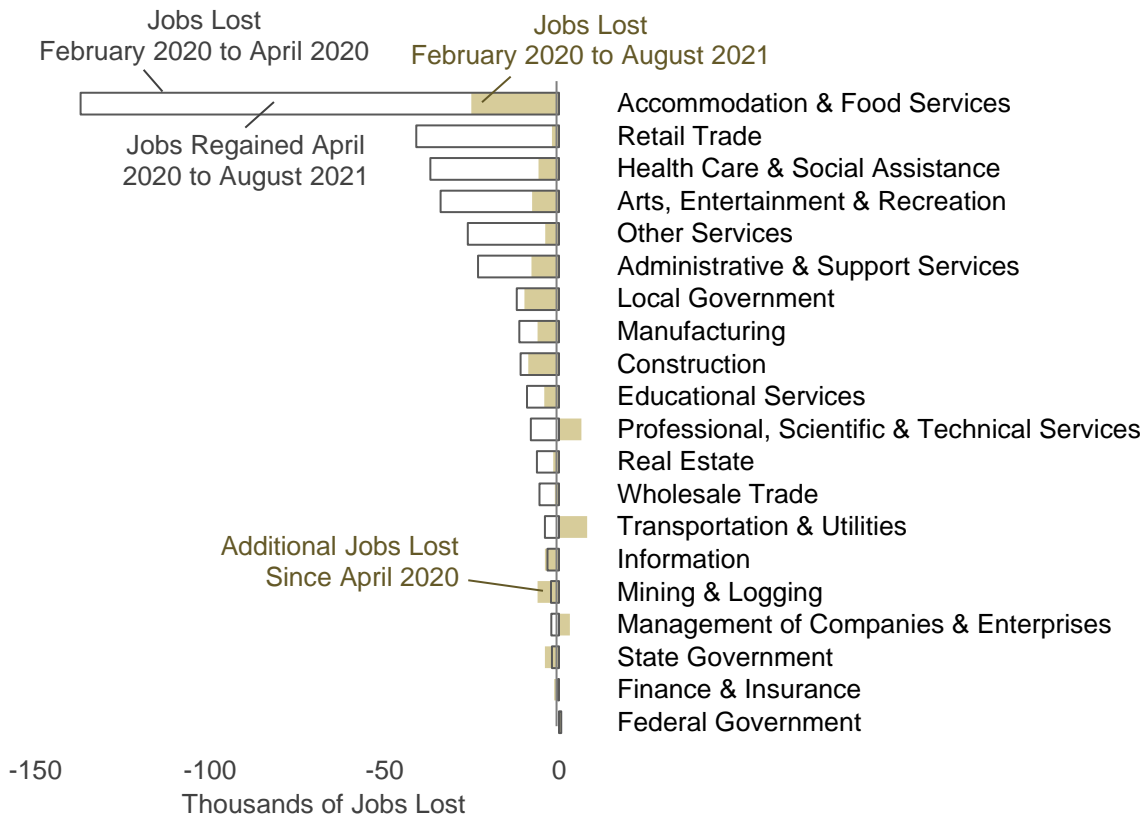
Even absent statistical error, Colorado's labor force participation is also impacting the unemployment rate, measured as the ratio between unemployed people and the labor force. The pandemic impacted both, with an initial sharp decline in the labor force accompanied by a sharp increase in unemployment, and with both recovering at different rates since the initial economic shocks. Since the unemployment rate depends on the labor force, when labor force growth outpaces employment growth it can lead to a higher unemployment rate.

Colorado's labor force has recovered at more than twice the national rate despite a similar pace of employment growth. Colorado's labor force has increased by 7.1 percent since April 2020, compared with 3.1 percent in the U.S. Concurrently, Colorado's labor force participation rate has approached pre-recession levels, while the nation's rate remains well below its pre-recession peak. Along with employment growth, a growing labor force and high participation rate are generally positive indicators for an economy, suggesting an abundant labor supply to support growth, while paradoxically slowing improvement in the unemployment rate.

**The jobs recovery continues to be uneven.** The jobs recovery varies across the state. Mountain resort counties have seen a notable turnaround in labor market indicators, and for the most part are no longer among the hardest-hit as they were early in the pandemic. Counties in the Pueblo and southern mountain region are still experiencing relatively high rates of unemployment. In August 2021, the state's highest unemployment rates were in Pueblo (7.9 percent), Huerfano (7.8 percent), Las Animas (6.8 percent), and Fremont (6.5 percent) counties. Cheyenne (2.3 percent) and Baca (2.4 percent) counties in the eastern plains region had the state's lowest unemployment rates.

As shown in Figure 10, Colorado's jobs recovery has been uneven across industries. Private industry sectors that have recovered more jobs than were initially lost at the beginning of the pandemic include transportation, warehousing, and utilities (up 8,000 jobs), professional, scientific, and technical services (up 6,400 jobs), and management of companies and enterprises (up 3,100 jobs). The mining and logging sector has continued to shed jobs, as have information (which includes movie theaters), finance and insurance, and state government. The accommodation and food services sector remains the biggest loser in number of jobs in spite of big gains, still down 25,200 jobs since April 2020, for an 82 percent recovery rate. Construction and manufacturing remain relatively slow to recover, with job recovery rates of 20 percent and 46 percent, respectively.

**Figure 10**  
**Colorado Job Losses, February 2020 to August 2021**

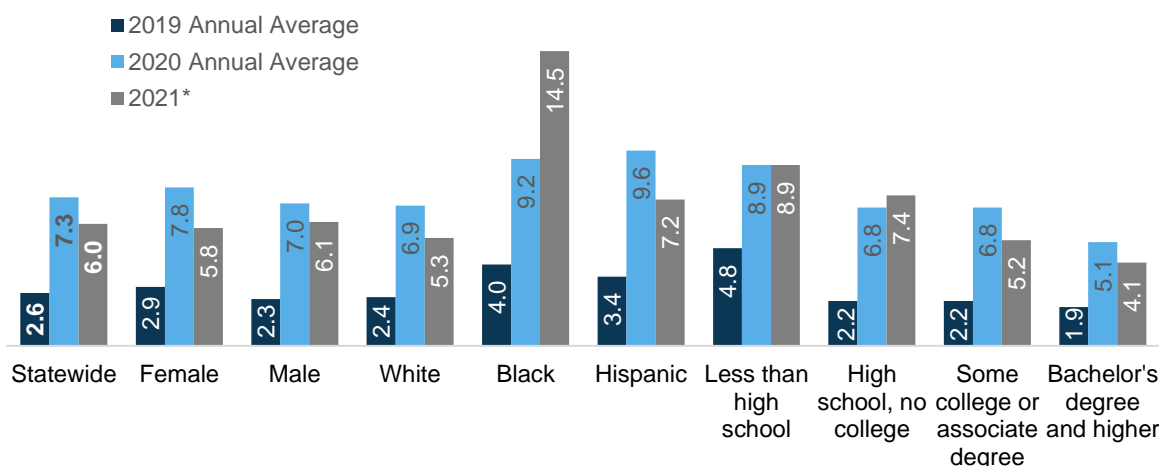


Source: U.S. Bureau of Labor Statistics with Legislative Council Staff calculations. Data are seasonally adjusted.

As shown in Figure 11, Colorado's recession and recovery, like that of the nation as a whole, has also been uneven across demographic groups. Prior to the pandemic, annual average unemployment rates differed across demographic groups, with higher rates for women, Blacks, Hispanics, and those without a high school diploma. The pandemic-related recession and recovery have in some cases exacerbated those differences. Statewide, average annual unemployment rates rose by 4.7 percent between 2019 and 2020, to 7.3 percent. Compared to the statewide average, unemployment rates rose more for women (by 4.9 percent, to 7.8 percent), Blacks (by 5.2 percent, to 9.2 percent), and Hispanics (by 6.2 percent, to 9.6 percent).

In 2021, annual average unemployment rates remain elevated compared to pre-pandemic rates, with the gap shrinking more slowly or even widening for some groups, according to the most recent available data. Statewide, at 6.0 percent, average unemployment rates remain 3.4 percent above pre-pandemic levels, having declined by 1.3 percent through August 2021. Average unemployment rates have continued to rise for Blacks (by 5.3 percent, to 14.5 percent) and for those with a high school diploma (by 0.6 percent, to 5.2 percent). Compared to the statewide average, unemployment rates are declining, but recovering more slowly for men, Hispanics, and those with less than a high school diploma.

**Figure 11**  
**Colorado Unemployment Rates by Demographic Group**



Source: U.S. Bureau of Labor Statistics, Current Population Survey. Data are not seasonally adjusted. Unemployment rates by gender, race, and ethnicity for individuals 16 and over. Unemployment rates by educational attainment for individuals 25 and over. Twelve-month moving averages are calculated differently than the official estimates of unemployment and should not be compared directly.

\* 2021 twelve-month average, September 2020 to August 2021.

## Personal Income

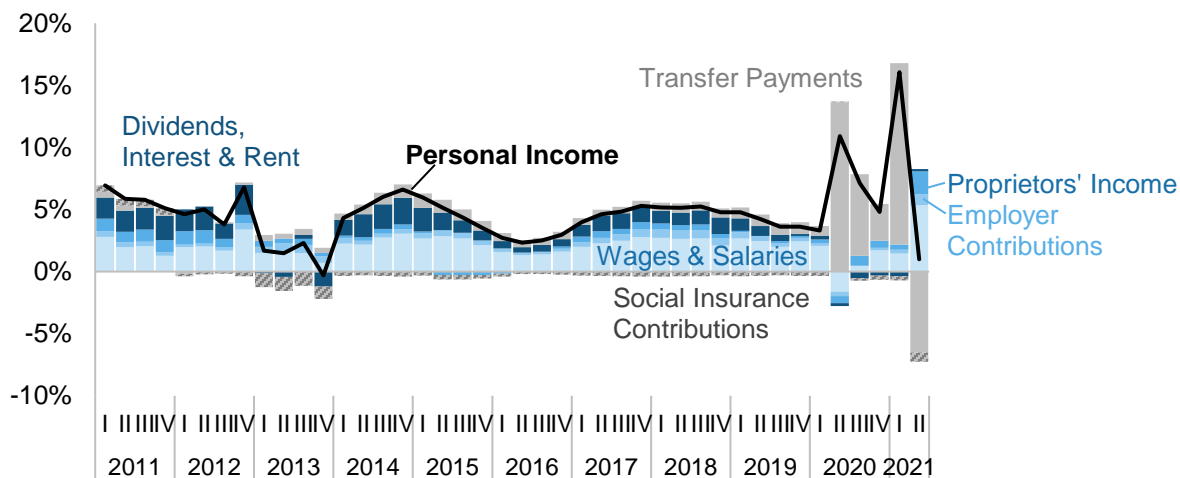
Personal income serves as an aggregate measure of most sources of household and non-corporate business income. The federal policy response to the pandemic resulted in a record-breaking boost to personal income in 2020 and at the start of 2021. Specifically, the boost from direct economic assistance payments to households and enhanced unemployment insurance benefits more than offset pandemic-related declines.

- Government transfer payments will continue to foster growth in personal income during 2021, when U.S. and Colorado personal incomes are expected to increase 6.9 percent and 6.2 percent, respectively. As transfer payments dissipate, personal income growth is expected to slow considerably in 2022, increasing 0.5 percent at the national level and 0.8 percent in Colorado.
- Wages and salaries will resume their role as the primary driver in personal income through the remainder of 2021 and into 2022. U.S. and Colorado wages and salaries are projected to grow 7.7 percent and 7.8 percent, respectively, in 2021. In 2022, national and state wages and salaries will both grow by 5.9 percent.

**Declining transfer payments offset rising incomes across most major components.** Personal income data year-to-date through the second quarter for the U.S. suggest that nearly all major sources of personal income are on the rise in 2021. However, a large decline in transfer payments offset much of this growth, as shown in Figure 12. In the second quarter of 2021, non-farm proprietors' income experienced the strongest growth, increasing by 21.6 percent, signaling ongoing recovery in business incomes. Job gains and a tight labor market for many industries continue to bolster wages and salaries, which increased by 12.1 percent. Transfer payments were the largest drag on personal income growth, declining by 23.5 percent. Much of the decline in transfer payments is due to the expiration of pandemic unemployment benefits, as roughly half of states have terminated all or portions of the federal enhanced unemployment benefits in advance of the early September deadline. This decline is

expected to continue in the third quarter of 2021, as enhanced unemployment benefits expire in the remaining states, including Colorado.

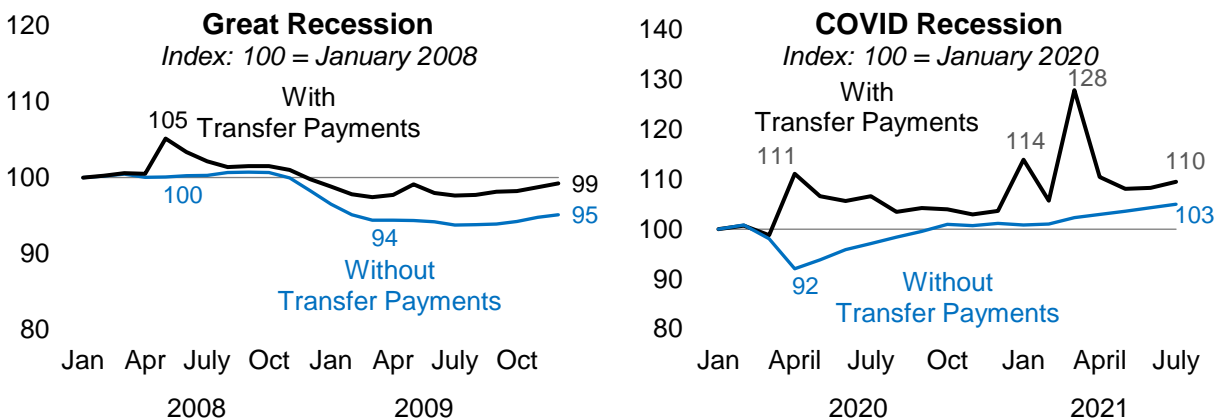
**Figure 12**  
**U.S. Personal Income and Its Contributions**  
*Contributions to Percent Change, Year-over-Year*



Source: U.S. Bureau of Economic Analysis. Data shown at seasonally adjusted annualized rates.

**Unprecedented federal stimulus begins to expire.** Transfer payments, which include government payments to households in the form of income support, dominated growth in personal income through the first quarter of 2021. In particular, the additional rounds of direct economic stimulus payments to households and expanded and extended unemployment insurance benefits were a strong boost to growth. During the pandemic to date, transfer payments more than offset declines in other sources of income. Figure 13 compares personal income growth with and without transfer payments during the Great Recession and COVID-19-related recession. This figure illustrates the relative magnitude of declines in economic activity and the relative magnitude of the income support from state and federal policy responses to combatting each economic downturn.

**Figure 13**  
**Personal Income, With and Without Transfer Payments, During Recessions**



Source: U.S. Bureau of Economic Analysis. Data are indexed and shown at seasonally adjusted annual rates.

Amidst a recovering economy and the termination of many stimulus programs, including enhanced unemployment benefits, transfer payments have receded significantly in recent months. Personal income growth will slow as result, until economic momentum supporting wage and business incomes begins to more than offset the pull-back in public assistance.

## **Consumer Activity**

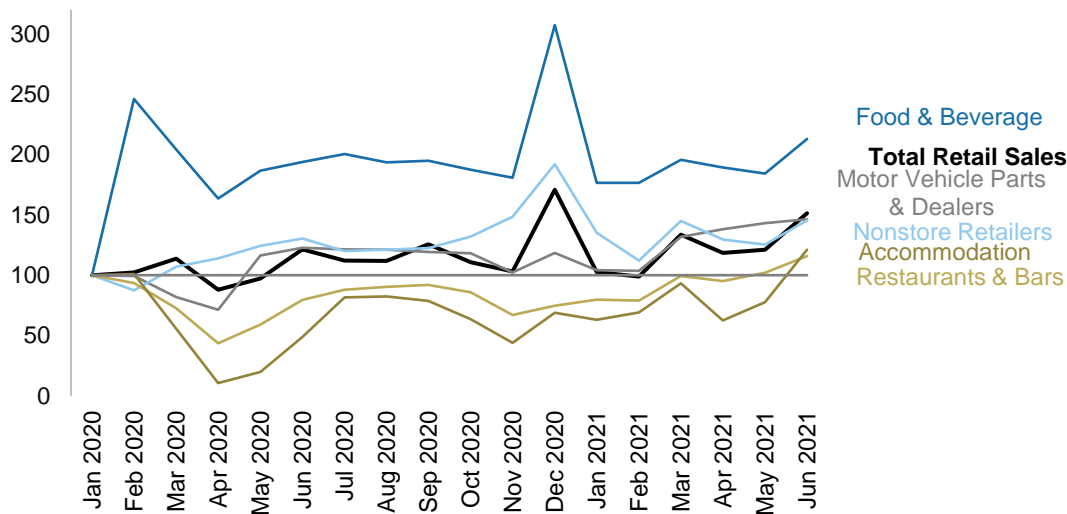
The main driver of the U.S. economy, consumer spending, saw a steep decline with the onset of the pandemic. In the subsequent recovery, goods consumption rebounded quickly, while consumers are hesitant or unable to resume spending on many in-person services. As a result, the in-person service sectors continue to lag pre-recession peaks through the second quarter of 2021. Elevated concerns over the Delta variant of COVID-19 weigh once again on leisure and hospitality spending. Additionally, shortages of parts and delayed production for many durable goods have impacted spending on big-ticket items, such as motor vehicles and appliances. Prolonged impacts from either of these developments pose downside risks to the outlook.

**Robust Colorado retail sales in 2021, leisure and hospitality returns to pre-pandemic levels.** Colorado retail sales were up nearly 25 percent year-over-year in June and up 16.6 percent year-to-date (Figure 14). In June, not-seasonally-adjusted retail sales in Colorado were more than 50 percent above pre-pandemic levels recorded in January 2020. More current data from Opportunity Insights indicate consumer spending activity on retail goods grew throughout the summer. Weekly spending activity since June has bounced between 12.5 percent and 28.7 percent above pre-pandemic levels. Large fiscal stimulus measures, growing consumer sentiment, and easing pandemic conditions have buoyed the state's consumer spending activity.

Retail trade encompasses industries that primarily sell retail goods as a service. Typically, retail trade comprises about half of the state's retail sales activity. Through June, growth in the state's retail trade industries was led by sales of motor vehicles and parts. Compared with the first half of 2020, sales in the industry were up by nearly \$3 billion year-to-date and accounted for about 31 percent of retail trade growth. Strong sales were also recorded in clothing, furniture, sporting goods, and gasoline stations, industries that were among the most adversely impacted during the recession. Through June, each retail trade industry recorded double-digit growth year-to-date, except for food and beverage stores. Sales at food and beverage stores increased just 3.7 percent.

Through June, sales improved significantly for restaurants and hotels, as both industries exceeded pre-pandemic levels for the first time. Weekly data tracked by Opportunity Insights indicate spending at Colorado's restaurants and hotels returned to pre-pandemic levels by the first week in June, and exceeded pre-pandemic levels by 4.2 percent through mid-August. Sales through the summer were boosted by the state's rebounding travel and tourism activity. However, rising COVID-19 case counts pose a downside risk for the leisure and hospitality sector and could dampen the rebound in consumer spending heading into the fall.

**Figure 14**  
**Colorado Retail Sales**  
 Index January 2020 = 100

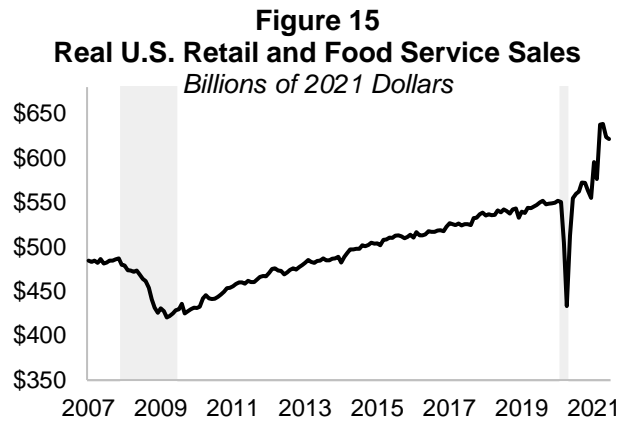


Source: Colorado Department of Revenue.

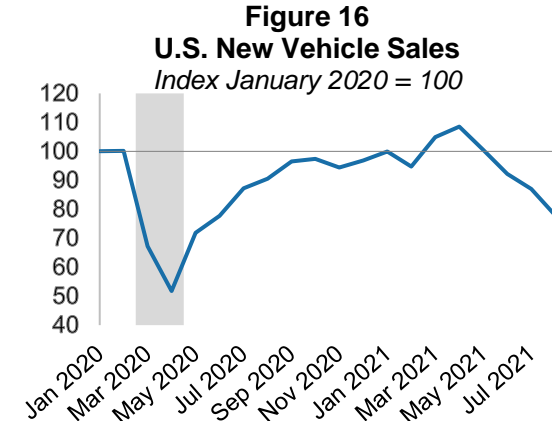
**Rapid growth in U.S. retail spending in 2021, but supply shortages limit some categories.** Advance estimates indicate that inflation-adjusted (real) U.S. retail trade and food service sales continued to grow in the second quarter. Sales were up 12 percent year-over-year and 19 percent year-to-date in June 2021 (Figure 15, left). However, sales contracted in May and June as auto sales fell 2 percent, accounting for about 70 percent of the monthly decline. The supply of new motor vehicles has been impacted by a shortage of semiconductor chips that has caused production cuts among the nation's manufacturers including Ford, General Motors, and Toyota. Consequently, new vehicle sales were down 14 percent year-over-year in August, and were at their lowest point since June 2020 (Figure 15, right). Supply disruptions have also impacted other industries such as electronics and appliances, furniture, and building materials. Each of these industries posted lower sales from April to June 2021. The impact of supply chain disruptions on consumer activity is expected to be temporary, with growth resuming during the forecast period. However, extended delays pose a downside risk. Consumers may substitute used items, refurbish and repair items, or delay purchasing activity in response to backlogs.

**U.S. consumer spending on leisure and hospitality improving, but COVID-19 poses downside risk for the sector.** Multiple sources indicate that consumer spending on leisure and hospitality services was close to recovery over the summer of 2021. Heading into the summer, data on real personal consumption expenditures for food services and accommodations through the second quarter indicated that spending was about 97 percent of pre-pandemic levels recorded in the fourth quarter of 2019. Encouragingly, data tracked by Opportunity Insights indicated continued growth into the third quarter, with spending about 8.9 percent over pre-pandemic baseline levels by mid-August. The leisure and hospitality sector was among the hardest hit during the pandemic, severely impacting the nation's employment base, business income, and state and local tax revenues. Economic recovery will depend in part on the sector's performance.





Source: U.S. Census Bureau. Adjusted for inflation using the CPI-U index for all U.S. urban areas. Seasonally adjusted data through June.



Source: Federal Reserve Bank of St. Louis. Data shown at seasonally-adjusted annual rate.

**Consumer sentiment dips, but overall household expectations remain solid.** Consumer sentiment fell in August according to the University of Michigan's Consumer Sentiment Index, as consumers were impacted by the spread of the Delta variant, inflation, slow wage growth, and unemployment. The index reflected both worsening perceptions of current economic conditions and expectations for the economic outlook. The change in sentiment among the nation's consumers will likely impact consumer activity heading into the fall and winter.

According to the New York Federal Reserve's Survey of Consumer Expectations (SCE), the number of households expecting a worse financial situation in the year ahead has trended upward over the past few months. Between April and July 2021, the share of households expecting their year-ahead financial situation to be worse rose from 16.9 percent to 23.9 percent. However, more broadly, the survey results indicated households have maintained positive expectations for spending growth, availability of credit, growth in household incomes, and labor market outlook. The mixed outlook could reflect waning stimulus, in addition to natural disasters and surging COVID-19 case counts, among other things.

Overall consumer activity in Colorado is expected to improve over the next year despite current headwinds that could impact near-term spending. Pandemic conditions continue to pose the largest downside risk and source of uncertainty to the outlook. Extended stress on the health care system and other impacts related to the surge in COVID-19 cases could slow the trajectory of recovery in service-sector industries, eroding consumer confidence and slowing consumer spending growth.

## Business Activity

Business activity in 2021 has been surging, according to most indicators, as businesses benefitted from increased vaccinations, the easing of public health restrictions, and federal COVID-related spending, which included support for small businesses and additional fiscal assistance for individuals. Notably,

for much of the pandemic-related recession, the manufacturing sector outshone the non-manufacturing sector as consumers shifted from spending for in-person services to purchasing goods for use at home. In recent months, some indicators of business activity have begun to level off however, due in part to supply constraints and the recent surge in COVID-19 cases resulting from the Delta variant.

**Amid strong growth, business output growth surpasses pre-recession levels overall.** The Kansas City Federal Reserve produces a monthly index of Tenth District manufacturing business activity based on a survey of firms, with values above 50 representing expansion.<sup>1</sup> After falling to a value of 20 in April 2020, the index remains well into expansionary territory, registering 80 as of July 2021 (Figure 17).

**Some sectors face ongoing challenges.**

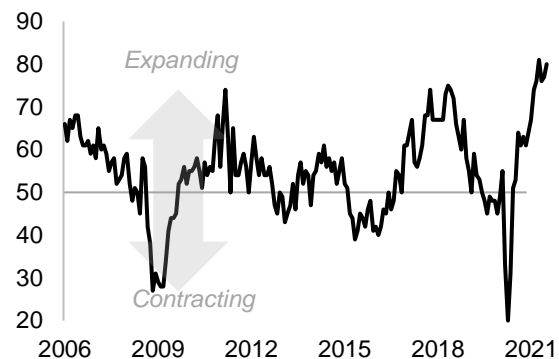
Businesses tied to the goods sector began recovering sooner than those that offer in-person services. Work-from-home orders and capacity restrictions boosted demand for housing-related items such as wood products for remodeling or new home construction, and supermarket-related items like laundry detergent and toiletries, while business tied to in-person services such as transportation or live entertainment have only recently begun to recover. This disparity was expected to shrink throughout 2021 as vaccine adoption increased, but the current surge in COVID-19 cases may continue to deter individuals from utilizing in-person services.

**Business dissolutions and new business filings in Colorado.** The pandemic has taken a toll on many businesses in Colorado, with data from the Secretary of State's Office indicating that about 38,400 businesses dissolved over the past year, a year-over-year increase of about 7.9 percent. However, some entrepreneurs are finding opportunities within the changing landscape, with the number of new business filings with the Secretary of State surging by 26.3 percent over the past year.

## Monetary Policy and Inflation

**Monetary policy remains expansionary, while emergency programs expire.** Beginning in early March 2020, the Federal Reserve (Fed) made a number of monetary policy changes in response to the economic damage caused by the COVID-19 pandemic. It began by cutting the federal funds rate to zero, implementing a new \$700 billion round of large-scale asset purchases (also known as quantitative easing), expanding or establishing a number of emergency lending facilities, and easing a number of banking regulations, all in an effort to create additional liquidity and boost economic activity. As economic activity and employment conditions have improved, these emergency lending facilities have largely expired, and more stringent capital requirements for banks have been restored. The federal funds rate is expected to remain near zero through 2022, with the summer surge in the Delta variant of COVID-19 complicating recent Fed signals of an earlier tapering of policy support.

**Figure 17**  
**Tenth District Manufacturing Activity Index**

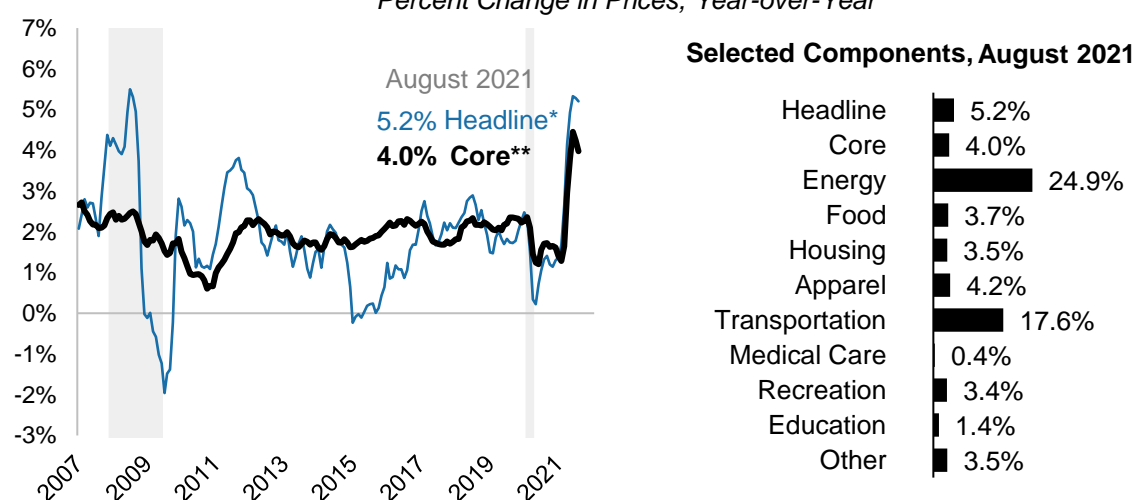


Source: Kansas City Federal Reserve Manufacturing Survey. Diffusion index based on the ISM calculation.

<sup>1</sup> The Tenth District includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico.

**Inflation exceeds Federal Reserve target in August, partially due to transitory factors.** U.S. inflation, or the year-over-year change in prices, reached 5.2 percent in August 2021, moderating slightly from 5.3 percent in July 2021 (Figure 18). The main drivers of this increase were transportation prices, which increased 17.6 percent year-over-year. Transportation prices rose significantly over the past year in part due to vehicle production disruptions caused by COVID-19 and semiconductor chip shortages, as well as the increase in energy prices. The sharp increase in energy prices partially reflects growth from the low level early in the COVID-19 recession. Many economists expected this inflationary spike to moderate quickly. However, the recent surge in coronavirus cases and persisting supply chain disruptions raise the risk of more persistent inflationary pressures. Core inflation, which excludes the more volatile food and energy prices, reached 4.0 percent in July 2021.

**Figure 18**  
**U.S. Consumer Price Index (CPI) Inflation**  
*Percent Change in Prices, Year-over-Year*



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.

Bi-monthly data for the Denver-Aurora-Lakewood combined statistical area suggest a similar trend as that of the U.S. city average.

- Headline inflation for U.S. urban consumers is expected to rise by 4.2 percent in 2021 and 2.3 percent in 2022. Similarly, headline inflation in the Denver-Aurora-Lakewood combined statistical area is forecast at 3.7 percent in 2021 and 2.4 percent in 2022

### **A shift to average inflation targeting will likely result in dovish monetary policy in the near term.**

In August 2020, the Fed announced it would adopt a new policy framework to guide future interest rate decisions: average inflation targeting. Rather than maintaining a strict inflation target of 2 percent, the Fed will target an average inflation rate of 2 percent over a period of years, allowing for periods of below-target inflation to be offset by periods of above-target inflation. This new framework will likely result in the Fed maintaining lower interest rates for longer during the current expansion. Relatedly, the Fed announced that it will be more responsive to periods in which employment falls below full employment, compared to periods in which employment is in excess. Taken together, these decisions suggest that the Fed will place greater near-term emphasis on fulfilling the full employment rather than the stable prices portion of its dual mandate.

## Real Estate and Construction Activity

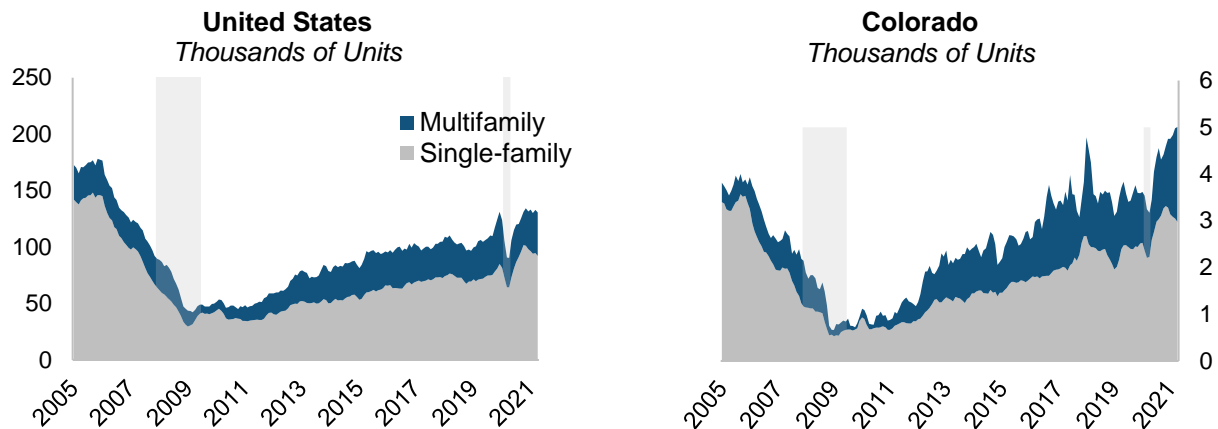
**Single-family price growth impacts affordability, multifamily market strengthens.** Single-family home prices across the U.S. rose rapidly over the past year, with prices for the 12 months ending May 2021 up 17 percent year-over-year, the highest 12-month gain in the series history back to 1975, according to the Freddie Mac House Price Index. Prices have been pushed upward by surging demand, low interest rates, and low inventories. Single-family home prices are expected to appreciate at a more modest pace in 2022 and through the forecast period as demand cools, rates increase, and new construction activity eases supply constraints. The impact on affordability has contributed to a strengthening multifamily market in 2021 where vacancy rates have fallen and rents have increased.

In July, the Colorado Association of Realtors reported that the state's median single-family home price was up 17.9 percent year-to-date amid falling inventory and fewer average days on the market. The state has been challenged by many of the same factors impacting the national market. Like the nation, home prices are expected to moderate over the forecast period. For additional information on housing prices and construction across regions of the state, see the regional sections beginning on page 61.

**Population growth and residential construction activity are coming into balance.** In recent years, new construction activity has started to catch up with population growth in Colorado. Housing permits, including both single and multi-family units, averaged about 45,000 units over the past three years (Figure 19). Net migration to the state is expected to average about 44,000 new residents per year over the next three years, and natural population growth (births minus deaths) to average 22,500 people per year. This equates to a ratio of about 1.5 additional people for each new housing unit. Over the past decade, the ratio was closer to 2.6 new people for each new unit. The average household size in Colorado is 2.5 people per home, suggesting that new construction activity may begin to better satisfy elevated demand for homes in the state.

- Builders have responded to strong price growth and low inventory. The number of residential permits is expected to surge by 21.6 percent in 2021 with strong growth in both single-family and multi-family activity. The pace of construction will moderate in 2022, contracting by 3.9 percent before resuming a more modest pace of 0.2 percent growth in 2023.
- While home prices are expected to rise in 2021, housing prices are expected to level off in most areas of the state in coming years, as additional inventory comes online, and demand wanes with higher interest rates and home prices.

**Figure 19**  
**Monthly Residential Construction Permits**



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are seasonally adjusted.

**Nonresidential construction activity faces an uphill climb.** U.S. nonresidential construction activity receded during 2020 and was on pace to contract in 2021. Despite improving activity in other sectors of the economy, spending was down across most nonresidential property types, contracting by 4.2 percent from year-ago levels in July. Sectors that were directly impacted by the pandemic continued to fare the worst, with lodging down 30 percent and amusement and recreation down by 8.3 percent. Spending on educational (down 8.7 percent) and health care (down 1.7 percent) were also down year-over-year. Encouragingly, commercial activity began to improve and was up 3.4 percent, along with manufacturing which rose by 1.9 percent. Through the pandemic, private construction has been more impacted than public activity. However, public spending was faring worse in July, down 5.1 percent compared with a decline of 3.6 percent for private, nonresidential activity.

Investors in commercial real estate anticipate a bumpy road ahead. Demand for hotels and other lodging is not expected to return to 2019 levels until beyond the current forecast period. Likewise, the shift toward remote work has dampened the outlook for office space. Low demand is expected to suppress construction activity in these areas, suppressing headline figures despite growth opportunities in other areas, including warehouses and industrial space. Differences across the nation are expected to be less pronounced than differences across property types, though urban retail space and storefronts have generally suffered larger hits than similar properties in the suburbs.

- The value of nonresidential construction starts in Colorado is expected to decline by 4.8 percent in 2021 before a partial rebound of 5.7 percent in 2022 amidst low demand and cautious investors. Construction will remain well below peak levels recorded in 2018, but will grow by a further 16.1 percent in 2023.

## Global Economy and International Trade

The global economy continues to improve, with the impacts of the pandemic much less severe than initially expected. Despite better-than-expected performance in 2020, the pandemic increased economic disparities between many advanced and developing countries and resulted in marked setbacks for poverty reduction, education, and economic development.

Pandemic-related patterns of economic performance in the U.S. have also been realized in many other countries. For instance, labor force participation has significantly decreased in both advanced and developing economies. Further, consumers globally shifted spending away from many services while maintaining demand for goods. Like many areas within the U.S., tourism-based economies were severely affected by the pandemic, and countries that rely on commodity exports faced challenges from supply-chain disruptions. As nations emerge from the pandemic, they will likely deal with a similar array of challenges to those currently posed for the U.S., including volatile commodity and asset prices, structural shifts in labor markets, and changing consumer behavior. Further, global supply chains have suffered from ongoing disruptions that have impacted consumer and business activity. Ports around the world have reported container ship bottlenecks and mounting congestion as goods are left waiting for loading and unloading.

In July, the International Monetary Fund (IMF) left the outlook for 2021 unchanged from its April update of 6.0 percent projected growth in 2021. The outlook reflects weaker growth in emerging markets alongside stronger growth in the world's advanced economies. The IMF also revised its 2022 forecast up by 0.5 percentage points to 4.9 percent, largely reflecting stimulus measures in the U.S. and European Union. However, the IMF now views risks to the forecast as weighted to the downside as opposed to more balanced. Downside risks included: slower-than-expected vaccine rollout in emerging and developing economies; consumer uncertainty and a slower-than-expected drawdown in household savings; smaller-than-forecast fiscal support packages in the United States; and faster-than-anticipated monetary tightening in response to inflationary pressures. Upside risks mentioned by the IMF included more rapid improvement of pandemic conditions, higher confidence, and increased business investment.

**U.S. and global trade volumes increasing, trade in services still lags.** In July, the IMF reduced its estimate of the magnitude of world trade volume contraction for 2020, to 8.3 percent from 9.6 percent in January. The IMF now anticipates 2021 trade volume will exceed the pre-recession peak with a 9.7 percent increase from 2020 levels. Global trade volumes are expected to improve further in 2022, growing by another 7.0 percent, representing a 0.5 percentage point upward revision. Trade growth will be fueled mainly by shipments of goods while trade in services lags. Ongoing travel restrictions, reduced tourism, and reduced business travel will continue to weigh on trade in services.

U.S. trade volumes improved over the latter half of 2020 and through July 2021 (Figure 20). According to data from WiserTrade, exports and imports were up by nearly 24 percent and more than 23 percent year-to-date, respectively, over year-ago levels. Through July, the nation's largest trade partners recorded double-digit trade volume growth, including Mexico, Canada, China, Japan, and Germany. Notably, trade volumes for several trade partners, including Japan, Germany, and the United Kingdom surged after tepid growth in the first quarter. North American trade partners accounted for 35 percent of improved U.S. trade volume year-to-date, China for about 15 percent, and the European Union for about 13 percent.

### Colorado trade volumes improve, imports and exports on track for continued growth in 2021.

After weak first quarter export activity compared with 2020 levels, Colorado's exports rebounded in the second quarter, supported by a resurgence in the state's North American trade partners, South Korea, and Malaysia. According to the IMF, the outlook for Canada and Mexico – Colorado's largest trade partners – continues to improve. The IMF increased 2021 GDP growth forecasts for Canada and Mexico by 1.3 percentage points each, and both are expected to record 6.3 percent growth this year.

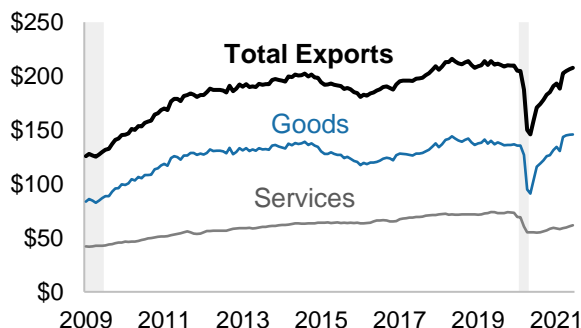
In 2022, Canada's GDP is expected to grow by 4.5 percent and Mexico's by 4.2 percent. The improved outlook is welcome news for Mexico where the effects of the pandemic resulted in an 8.3 percent contraction. Continued improvement for Colorado's large trade partners is expected to support further growth in exports into 2022 and to boost business activity from agriculture to aerospace.

Colorado's strengthening recovery has boosted the state's imports through the first seven months of 2021. In July, imports were up by 24.2 percent year-to-date, with Canadian imports accounting for about 30 percent of import activity. Through July, the state's imports from Canada were up by nearly 67 percent, led by imports of crude oil, Colorado's largest import commodity, up more than 72 percent. Imports of building materials such as particle board, lumber, flooring, and other materials also comprise a large portion of the state's Canadian imports.

### Energy Markets

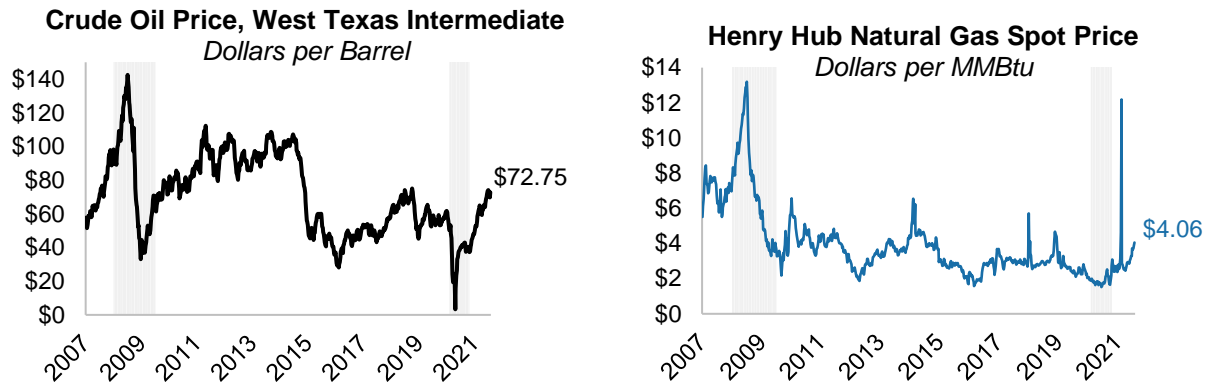
**Rising economic activity boosts energy prices.** The ongoing economic recovery has continued to boost demand in energy markets, with the price of West Texas Intermediate crude oil rising from about \$38 per barrel in November 2020 to \$70 per barrel in June 2021 (Figure 21, left). Prices have remained relatively flat through July and August 2021, reflecting increased production by the Organization of the Petroleum Exporting Countries and softening demand caused by the recent surge in COVID-19 cases. Since July 2020, crude oil stocks in the United States have generally been declining, as demand has consistently outstripped supply, contributing to higher oil prices. Natural gas prices spiked in early 2021 as a result of an intense cold snap that simultaneously drove up demand for heating and interrupted supply lines. Henry Hub natural gas prices rose again in early summer, from around \$2.90 per million BTU at the end of May 2021 to around \$4.10 at the end of July 2021, as warmer-than-average temperatures in the West increased cooling demand. Rising natural gas prices will likely shift electricity generation toward coal and away from natural gas in the near term.

**Figure 20**  
**U.S. Monthly Exports**  
*Billions of Dollars*



*Source: U.S. Bureau of Economic Analysis (balance of payments basis). Data are through June 2021 and are seasonally adjusted but not adjusted for inflation.*

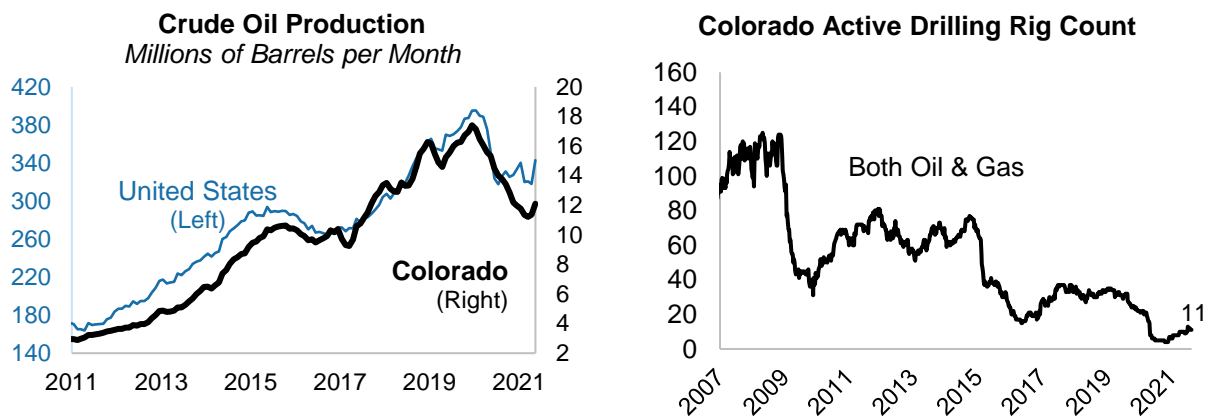
**Figure 21**  
**U.S. Energy Prices**



Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted. Oil price data are through the week of August 6, 2021; natural gas price data are through the week of July 30, 2021.

**Oil and gas production remain below pre-pandemic levels.** Oil and gas production in both the U.S. and Colorado began to decline at the outset of the COVID-19-related recession in early 2020 (Figure 22, left). Nationally, oil and gas production leveled off in mid-2020, while production in Colorado continued to decline through early 2021. According to the Energy Information Administration, natural gas production is expected to surpass pre-recession levels in 2021, while oil production is not expected to recover until at least 2023. The oil and gas drilling rig count in Colorado remains about 50 percent of the count in January 2020, although five additional rigs have come online in 2021 (Figure 22, right).

**Figure 22**  
**Select Energy Market Indicators**



Source: U.S. Energy Information Administration. Data are shown as a three-month moving average and are not seasonally adjusted. Data are through May 2021.

Source: Baker Hughes. Data are not seasonally adjusted. Data are through August, 2021.



## Agriculture

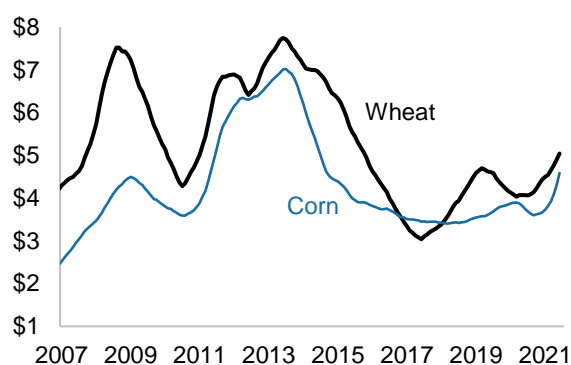
Colorado's agricultural economy continues to improve for many producers, although conditions in the cattle industry remain weaker than for crops, and drought continues to plague farmers and ranchers in the western part of the state. Farm income and agricultural credit conditions strengthened for the third consecutive quarter in the Federal Reserve's Tenth District, which includes Colorado,<sup>2</sup> supported by record-low farm loan interest rates, support from government programs, and elevated commodity prices.

**Grain prices reach multi-year highs.** Grain prices, led by corn, rose to multi-year highs in June 2021. In Colorado, corn reached \$6.43 per bushel in June, an eight-year high, pushing 12-month average prices up 52.1 percent year-to-date compared to the same period last year. Wheat prices saw a six-year high of \$6.03 per bushel, and are up 28.0 percent on average through June 2021 compared to the same period in 2020 (Figure 23).

**Drought conditions improve but the Western Slope remains dry.** The southwestern United States, including Colorado's Western Slope, continues to suffer from a multi-year drought, while spring and summer precipitation brought substantial relief to the eastern half of the state. By September 2021, 49 percent of the state suffered from moderate to exceptional drought, down from 100 percent in February 2021, according to the U.S. drought monitor. Much of the western half of the state is still in drought, although the areas of extreme and exceptional drought have shrunk from 29 to 15 percent and are mostly confined to the northwestern quadrant of the state. The Western Slope has suffered a drought three of the last four years, and the continued dry conditions have contributed to record-low water supplies and high risk of fire. Ranchers in the state's south and west have had to relocate herds or reduce herd size amid depleted forage and water.

**Government aid supports farm income.** U.S. farm income hit a nine-year high in 2020, largely due to record levels of government payments to farmers. The Coronavirus Food Assistance Program (CFAP 1 and CFAP 2) provided \$30 billion in financial assistance to agricultural producers facing market disruptions and losses due to COVID-19. In March 2021, the USDA announced the Pandemic Assistance for Producers (PAP) initiative to address gaps in previous aid and to assist socially disadvantaged farmers and ranchers and small- to medium-sized operations. CFAP 2 was reopened in April 2021, with Colorado producers receiving \$216.3 million, or 1.6 percent of the nationwide total of \$13.8 billion, by August 2021. Top supported commodities in Colorado included cattle; corn; sales commodities including specialty crops, aquaculture, nursery, and floriculture; wheat; and milk.

**Figure 23**  
**Prices Received for Colorado Crops**



Source: U.S. Department of Agriculture, National Agriculture Statistics Service. Data shown as a 12-month moving average through June 2021.

<sup>2</sup> The Tenth District includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. Data for Colorado are generally combined along with that of Wyoming and northern New Mexico into the category "mountain states" due to limited survey responses.

## Summary

The economy continues to recover from the pandemic recession, but faces increasing headwinds from a new wave of coronavirus infections, ongoing supply chain bottlenecks, and waning government stimulus. The economic recovery remains tied to the trajectory of the pandemic, and continues to be uneven as spending and employment in in-person services sectors remain subdued. Supply and demand mismatches are now expected to persist into 2022 and signal a recovery marked by fits and stimulus-supported starts. While employment in most industries has met or exceeded pre-pandemic levels, several sectors reliant on in-person work remain hard hit.

## Risks to the Forecast

Several factors could result in either stronger or weaker economic activity than forecast. Risks to the forecast remain elevated and have shifted since the June forecast with the trajectory of COVID-19 cases once again taking center stage and with the impact of federal stimulus fading sharply.

**Downside risks.** The most sizeable downside risk to the economic outlook concerns the course of the pandemic and the ongoing economic recovery. To the extent that the current wave of COVID-19 cases results in more lasting shifts in the behavior of consumers, business, and workers, or exacerbates supply and demand mismatches leading to longer-term disruptions, the recovery may continue to be choppy and subdued in some areas for longer than expected. Economic shocks may occur as the effects of fiscal stimulus wear off sooner than expected. Rising energy and other prices and unprecedented stimulus coupled with accommodative monetary policy pose upside inflationary risks, raising the potential for financial market volatility, economic overheating, and earlier-than-expected interest rate hikes by the Fed to snuff out inflationary pressures. Over the medium and long term, additional risks include elevated levels of corporate debt, and ongoing gaps in workforce skills and training.

**Upside risks.** The most sizeable upside risk to the current forecast is the passage of a federal infrastructure spending package, which could accelerate the recovery, boosting job growth and incomes. While spending and employment in industries hardest-hit by shutdowns remains below pre-pandemic levels, a faster rebound in these sectors could accelerate the recovery. A post-pandemic boom in spending on services could promote business expansion and lift economic growth more quickly back to or above pre-recession trend levels. Pandemic-related shifts toward remote work, technological change, and simpler, more localized supply chains could result in stronger productivity gains and economic growth in the longer term.

**Table 15**  
**National Economic Indicators**

Calendar Years						Legislative Council Staff Forecast		
	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP ( <i>Billions</i> ) <sup>1</sup>	\$17,680.3	\$18,079.1	\$18,606.8	\$19,032.7	\$18,384.7	\$19,432.6	\$20,093.3	\$20,615.7
Percent Change	1.7%	2.3%	2.9%	2.3%	-3.4%	5.7%	3.4%	2.6%
Nonfarm Employment ( <i>Millions</i> ) <sup>2</sup>	144.3	146.6	148.9	150.9	142.3	146.1	150.9	155.4
Percent Change	1.8%	1.6%	1.6%	1.3%	-5.7%	2.7%	3.3%	3.0%
Unemployment Rate <sup>2</sup>	4.9%	4.4%	3.9%	3.7%	8.1%	5.6%	4.5%	4.2%
Personal Income ( <i>Billions</i> ) <sup>1</sup>	\$16,096.9	\$16,850.2	\$17,706.0	\$18,424.4	\$19,627.6	\$20,981.9	\$21,086.8	\$21,824.9
Percent Change	2.6%	4.7%	5.1%	4.1%	6.5%	6.9%	0.5%	3.5%
Wage and Salary Income ( <i>Billions</i> ) <sup>1</sup>	\$8,091.3	\$8,474.7	\$8,900.5	\$9,323.5	\$9,444.1	\$10,171.3	\$10,771.4	\$11,374.6
Percent Change	2.9%	4.7%	5.0%	4.8%	1.3%	7.7%	5.9%	5.6%
Inflation <sup>2</sup>	1.3%	2.1%	2.4%	1.8%	1.2%	4.2%	2.3%	2.2%

Sources:

<sup>1</sup>U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.

<sup>2</sup>U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).

**Table 16**  
**Colorado Economic Indicators**

Calendar Years	2016	2017	2018	2019	2020	Legislative Council Staff Forecast		
						2021	2022	2023
Population ( <i>Thousands, as of July 1</i> ) <sup>1</sup>	5,543.8	5,617.4	5,697.2	5,758.5	5,773.7	5,819.9	5,883.9	5,954.5
Percent Change	1.6%	1.3%	1.4%	1.1%	0.3%	0.8%	1.1%	1.2%
Nonfarm Employment ( <i>Thousands</i> ) <sup>2</sup>	2,601.5	2,660.2	2,727.1	2,789.9	2,645.9	2,714.7	2,809.7	2,880.0
Percent Change	2.4%	2.3%	2.5%	2.3%	-5.2%	2.6%	3.5%	2.5%
Unemployment Rate <sup>2</sup>	3.1%	2.6%	3.0%	2.7%	7.3%	6.1%	4.5%	3.7%
Personal Income ( <i>Millions</i> ) <sup>3</sup>	\$290,670	\$312,046	\$335,196	\$352,185	\$369,496	\$392,404	\$395,544	\$407,014
Percent Change	2.1%	7.4%	7.4%	5.1%	4.9%	6.2%	0.8%	2.9%
Wage and Salary Income ( <i>Millions</i> ) <sup>3</sup>	\$151,086	\$160,848	\$170,323	\$182,087	\$184,978	\$199,406	\$211,171	\$223,208
Percent Change	3.1%	6.5%	5.9%	6.9%	1.6%	7.8%	5.9%	5.7%
Housing Permits ( <i>Thousands</i> ) <sup>1</sup>	39.0	40.7	42.6	38.6	40.5	49.2	47.3	47.4
Percent Change	22.3%	4.4%	4.8%	-9.4%	4.8%	21.6%	-3.9%	0.2%
Nonresidential Building ( <i>Millions</i> ) <sup>4</sup>	\$5,987.8	\$6,154.9	\$8,146.4	\$5,101.3	\$5,482.4	\$5,219.2	\$5,516.7	\$6,404.9
Percent Change	20.0%	2.8%	32.4%	-37.4%	7.5%	-4.8%	5.7%	16.1%
Denver-Aurora-Lakewood Inflation <sup>5</sup>	2.8%	3.4%	2.7%	1.9%	2.0%	3.7%	2.4%	2.3%

Sources:

<sup>1</sup>U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.

<sup>2</sup>U.S. Bureau of Labor Statistics.

<sup>3</sup>U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.

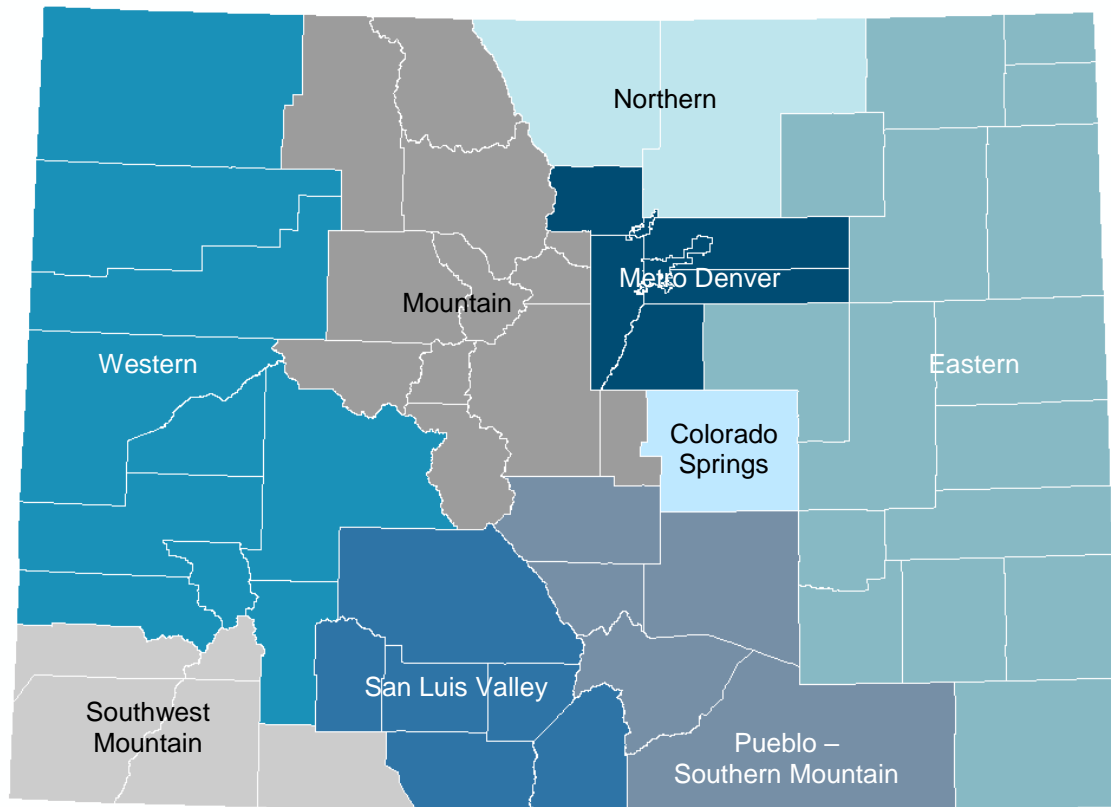
<sup>4</sup>F.W. Dodge.

<sup>5</sup>U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index.

Note: Legislative Council Staff has discontinued the Colorado retail trade forecast due to data limitations.

## Colorado Economic Regions

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### A Note on Data Revisions

Economic indicators reported in this forecast document are often revised by the publisher of the data and are therefore subject to change. Employment data are based on survey data from a “sample” of individuals representative of the population as a whole. Monthly employment data are based on the surveys received at the time of data publication, and data are revised over time as more surveys are collected to more accurately reflect actual employment conditions. Because of these revisions, the most recent months of employment data may reflect trends that are ultimately revised away. Additionally, employment data are revised in March of each year. This annual revision may affect one or more years of data values.

Like the employment data, residential housing permits and agriculture data are also based on surveys. These data are revised periodically. Nonresidential construction data in the current year reflects reported construction activity. These data are revised the following year to reflect actual construction activity.

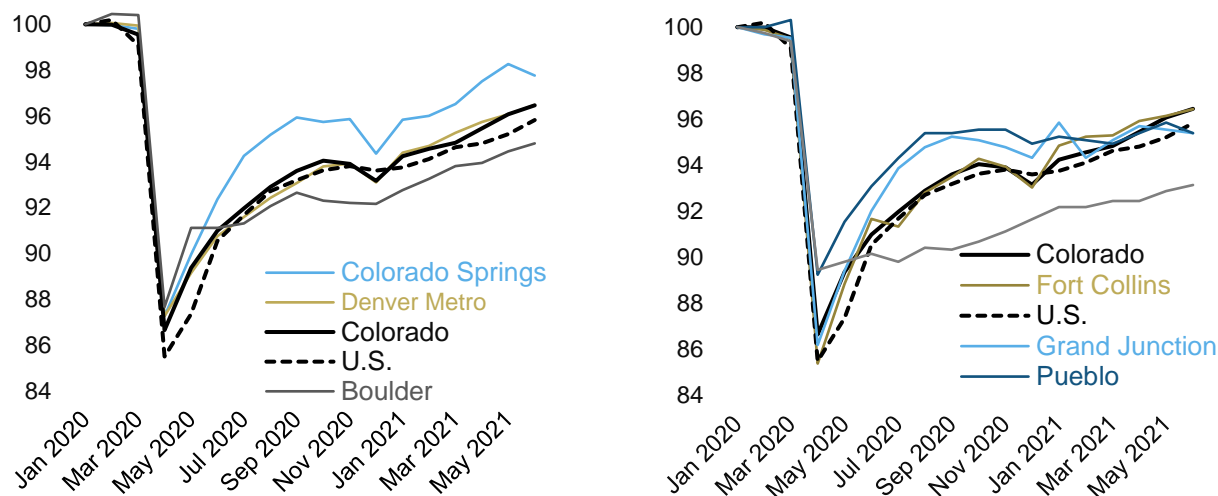
## Comparing Regional Employment Growth during the COVID-19 Pandemic

A key aspect of the COVID-19-related recession and recovery has been its differential impacts across demographic groups, including by geographical region. Within Colorado, statewide measures mask differences in economic performance across regions. Figure 24 shows the change in employment levels since January 2020 by Colorado's metropolitan statistical areas (MSAs). This figure provides a comparison of jobs growth during the COVID-19 pandemic and how far the state's metro areas still are to pre-pandemic levels.

Statewide, Colorado lost a smaller share of jobs than the nation as a whole during the COVID-19 recession, with a decline of 13.3 percent compared to the nationwide job loss of 14.7 percent between January 2020 and April 2020. Within the state, Greeley and Pueblo outperformed other metropolitan areas during the recession, with employment losses of 10.3 percent and 10.8 percent, respectively. Regions experiencing the largest employment losses were Fort Collins (14.5 percent) and Grand Junction (13.5 percent) MSAs.

Colorado continues to outperform the nation during the recovery, with employment at 96.5 percent of its January 2020 level as of June 2021. Nationwide, employment recovery lags, at only 95.8 percent of its pre-recession level. Regional employment performance during the recovery has also differed, with Colorado Springs and Denver leading, with employment losses of 2.2 percent and 5.5 percent, respectively. Greeley and Boulder MSAs are lagging, with employment levels still down 6.9 percent and 5.2 percent, respectively compared to pre-recession levels.

**Figure 24**  
**Employment Growth by Region**  
*January 2020 = 100*



Source: U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through June 2021.

One factor influencing regional differences in employment changes during the recession and recovery is the local industry mix of jobs. For example, based on data from the U.S. Census Bureau's Quarterly Workforce Indicators pre-pandemic employment data for January 2020, the Pueblo and Greeley MSAs had a lower share of jobs than the state as a whole in what was the hardest-hit sector early in the pandemic, leisure and hospitality (8.4 percent and 10.5 percent, respectively, versus 13.0 percent statewide). On the other hand, Greeley had a disproportionate share of employment in the mining, quarrying, and oil and gas extraction sector (7.2 percent versus 1.0 percent statewide), which has continued to shed jobs, as well as in the construction (11.0 percent versus 6.6 percent statewide), and manufacturing (13.9 percent versus 5.9 percent statewide) sectors, which have been among the slowest to recover jobs. While differences in industry mix can help explain differences in employment changes, they are not the only factor. Further, data revisions may alter regional patterns as more information becomes available (see below).

**Expected employment data revisions.** Based on Quarterly Census of Employment and Wages (QCEW) data available for the fourth quarter of 2020 and the first quarter of 2021, employment estimates for Colorado, as well as for the Boulder, Colorado Springs, Denver, and Grand Junction MSAs are expected to be revised upward in the March 2022 annual revision. Estimates for the Greeley and Pueblo MSAs are expected to be revised downward. Expected revisions for the Fort Collins MSA are mixed.

## Metro Denver Region

Of the nine economic regions identified in this forecast, Colorado's diverse seven-county metro Denver region holds the largest share of the state's population and represents more than 60 percent of the state's workers. The impacts of the pandemic and related recession continue to influence the region's labor market. Leisure and hospitality industries continue to be impacted most and the recent resurgence in COVID-19 cases heightens risks to the region's jobs recovery. Reflecting ongoing elevated demand, low inventories, and low interest rates, area home prices continue to appreciate, supporting additional residential construction activity. Nonresidential construction activity, however, remains subdued. Economic indicators for the region are summarized in Table 17.



**Table 17**  
**Metro Denver Region Economic Indicators**  
 Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth <sup>1</sup>	2.1%	2.6%	2.3%	-5.1%	1.0%
Unemployment Rate <sup>2</sup>	2.5%	2.9%	2.5%	7.4%	6.1%
Housing Permit Growth <sup>3</sup>					
Denver-Aurora MSA Single Family	3.8%	7.9%	-6.1%	1.5%	38.1%
Boulder MSA Single Family	-4.3%	15.7%	-9.5%	-6.2%	-8.0%
Nonresidential Construction Growth <sup>4</sup>					
Value of Projects	-10.9%	46.6%	-38.5%	-8.4%	-4.6%
Square Footage of Projects	-14.8%	-10.8%	-8.9%	0.5%	23.2%
Level ( <i>Millions</i> )	19,274	17,193	15,670	15,748	8,617
Number of Projects	-23.8%	-18.3%	-12.4%	-1.9%	11.0%
Level	946	773	677	664	373

MSA = Metropolitan statistical area.

<sup>1</sup>U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through June 2021.

<sup>2</sup>U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2021.

<sup>3</sup>U.S. Census. Growth in the number of residential building permits. Data through June 2021.

<sup>4</sup>F.W. Dodge. Data through June 2021.

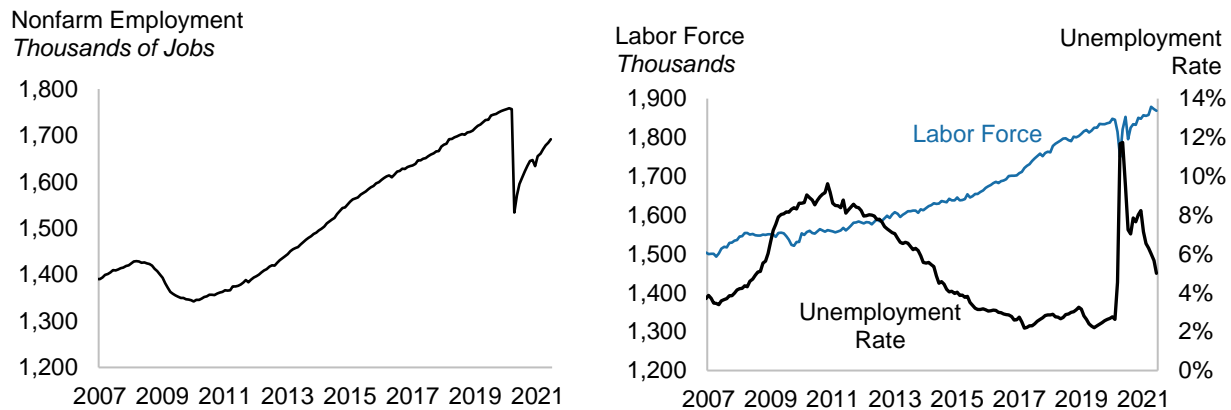
**Labor market.** After declining 5.1 percent in 2020, nonfarm employment remains below pre-pandemic levels (Figure 25, left). As of June 2021, the region had recovered 70.1 percent of the jobs lost in April 2020, yet remains 67,100 below February 2020 highs. Consistent with statewide and national trends, job losses remain concentrated in leisure and hospitality industries. The recent resurgence in COVID-19 cases in the region is expected to maintain downward pressure on job growth. Unemployment rates remain elevated, averaging 6.1 percent year-to-date through June (Figure 25, right). The number of workers in the labor force (those employed and those seeking employment) exceeds pre-pandemic levels. Participation in the labor force is propping up the unemployment rate but also signals optimism about an improving economic landscape.

The metro Denver region is home to a wide range of tourism-related and business travel activities, with Denver International Airport (DIA) serving as the main air transit hub in and out of Colorado. Passenger traffic continues to improve from 2020 lows, but remains below pre-pandemic levels. Year-to-date through June, total passenger traffic is up 55.2 percent relative to 2020 lows but down



24.5 percent from pre-pandemic 2019 levels. Resumed spring and summer vacation activity has brought many tourists to the state in recent months, yet business travel remains subdued on pandemic-related health concerns.

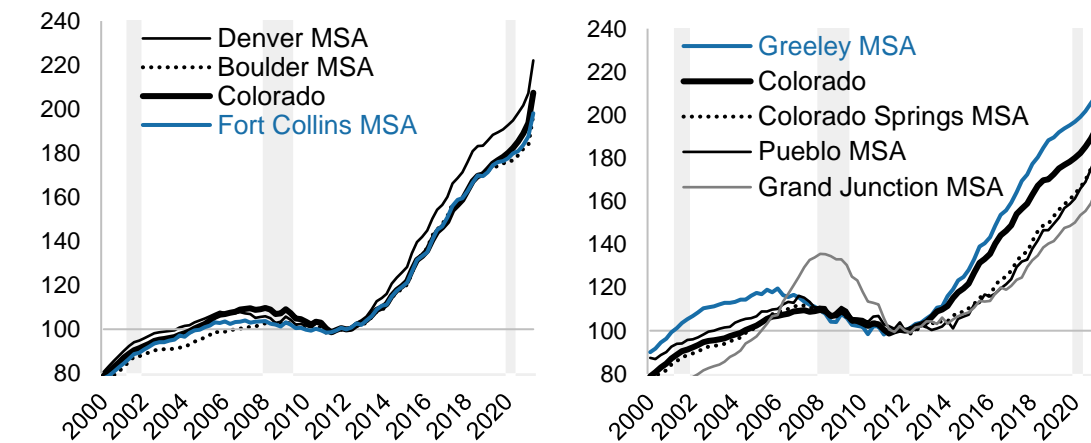
**Figure 25**  
**Metro Denver Region Labor Market Activity**



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted and shown through June 2021.

**Home prices.** Along with other regions of the state, home price appreciation in the metro Denver region accelerated at the end of 2020 and the first half of 2021 (Figure 26). Historically low interest rates have propped up demand, while pandemic-related uncertainty has kept homeowners from putting their homes on the market. While inventories have improved in recent months, home prices are expected to remain elevated as demand for housing in the metro Denver area continues to outstrip limited supply. According to data from the Denver Metro Association of Realtors, in July the median sales price for a single-family detached home saw double-digit growth over 2020 prices across all counties in the region except Boulder (up 8.9 percent), and exceeded 20 percent in Denver and Douglas counties.

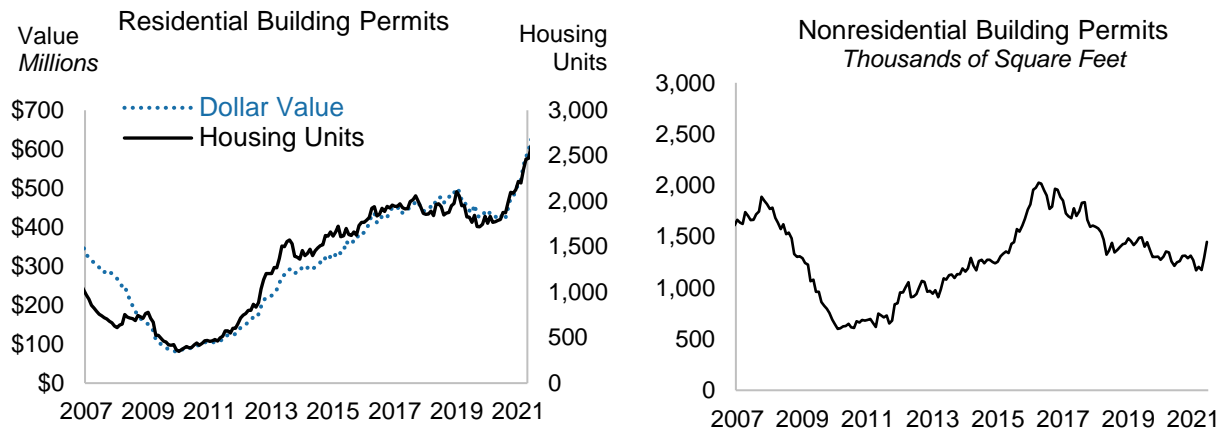
**Figure 26**  
**FHFA All-Transaction Home Price Indices**  
*Index 100 = 2012Q1 (Recessionary Trough in Grey Bars)*



Source: Federal Housing Finance Agency (FHFA). Data are seasonally adjusted and through 2021Q2.

**Residential construction.** Metro Denver residential construction activity continued to accelerate throughout the first half of 2021 (Figure 27, left). Permits for new single-family residential construction activity in the Denver-Aurora metropolitan statistical area (MSA) rose 38.1 percent in the first half of the year over year-ago levels, while the Boulder MSA saw an 8.0 percent decline.

**Figure 27**  
**Metro Denver Region Construction Activity**



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through June 2021.

**Nonresidential construction.** Year-to-date through June, metro Denver nonresidential building activity remains subdued relative to 2016 highs (Figure 27, right). Nonresidential construction activity slowed in Denver and Boulder counties, dragging down region-wide activity in the first half of the year over year-ago levels. The shift toward remote work and the continued business impacts of the pandemic are expected to put downward pressure on demand for commercial real estate in the region, slowing nonresidential construction activity in the years ahead. Future nonresidential building is expected to shift from office space and new commercial storefronts or brick-and-mortar retail establishments to favor nonresidential development that supports e-commerce, such as warehousing space. The impact of the federal stimulus spending on public sector infrastructure projects poses an upside risk to the nonresidential construction outlook.

## Northern Region

Larimer and Weld counties comprise the diverse economies of the northern region. Larimer County's economy continues to perform above most regions in the state, supported by population growth, while Weld County's economic activity is driven largely by the oil and gas and agricultural industries. Colorado's energy industry faced significant headwinds in 2020 resulting from low oil prices and reduced global demand for oil and gas, which threatened both the private sector through industry income and the public sector through property, severance, and sales taxes. The price of oil and gas has been on the rise in recent months, as positive economic news has increased economic growth expectations in the medium term. After declining for most of 2020 and into 2021, oil and gas production in the region increased by ten percent in March 2021 compared to the previous month, but remained significantly below pre-recession levels. The region's labor market has historically been one of the tightest in the state, but will likely remain subdued until oil and gas production recovers more fully. Residential construction in the region has rebounded strongly in the first half of 2021; however, nonresidential construction has lagged. Table 18 shows economic indicators for the northern region



**Table 18**  
**Northern Region Economic Indicators**  
Weld and Larimer Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth <sup>1</sup>					
Fort Collins-Loveland MSA	3.1%	2.6%	2.2%	-5.0%	1.5%
Greeley MSA	5.0%	4.8%	3.6%	-6.9%	-2.3%
Unemployment Rate <sup>2</sup>					
Fort Collins-Loveland MSA	2.3%	2.6%	2.3%	6.3%	5.3%
Greeley MSA	2.5%	2.8%	2.5%	7.0%	6.3%
State Cattle and Calf Inventory Growth <sup>3</sup>	6.7%	2.6%	8.0%	1.9%	5.4%
Natural Gas Production Growth <sup>4</sup>	5.5%	17.1%	22.0%	8.3%	-12.2%
Oil Production Growth <sup>4</sup>	13.9%	29.5%	10.7%	-11.9%	-28.9%
Housing Permit Growth <sup>5</sup>					
Fort Collins-Loveland MSA Total	-18.2%	8.4%	-18.2%	-0.3%	19.6%
Fort Collins-Loveland MSA Single Family	21.0%	-14.1%	-4.9%	34.7%	4.9%
Greeley MSA Total	23.1%	24.6%	-2.2%	9.1%	32.5%
Greeley MSA Single Family	16.4%	32.1%	-8.4%	28.1%	28.8%
Nonresidential Construction Growth <sup>6</sup>					
Value of Projects	32.2%	64.5%	-71.5%	73.7%	-16.6%
Square Footage of Projects	17.8%	-29.0%	-14.6%	4.9%	-1.5%
Level ( <i>Thousands</i> )	3,996	2,838	2,424	2,543	1,291
Number of Projects	2.9%	13.0%	-17.1%	-12.0%	-25.0%
Level	284	321	266	234	105

MSA = Metropolitan statistical area.

<sup>1</sup>U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through June 2021.

<sup>2</sup>U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2021.

<sup>3</sup>National Agricultural Statistics Service. Cattle and calves on feed through July 2021.

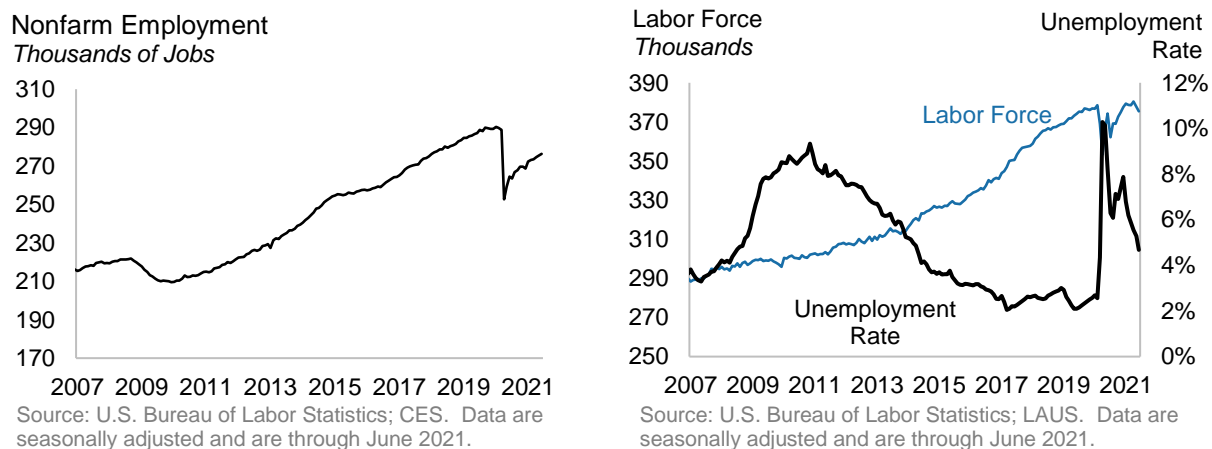
<sup>4</sup>Colorado Oil and Gas Conservation Commission. Data through March 2021.

<sup>5</sup>U.S. Census Bureau. Growth in the number of residential building permits. Data through June 2021.

<sup>6</sup>F.W. Dodge. Data through June 2021.

**Labor market.** The region's labor market saw some of the fastest job growth and lowest unemployment rates in the state leading up to 2020 (Figure 28). Even accounting for significant layoffs in March 2020, the unemployment rate averaged 6.3 percent in 2020 in the Fort Collins-Loveland area and averaged 7.0 percent in Greeley in 2020, maintaining some of the lowest unemployment rates in the state. Year-to-date through June 2021, the unemployment rate has fallen in both regions to 5.3 percent in the Fort Collins-Loveland area and 6.3 percent in the Greeley area. Despite consistent growth throughout the first half of 2021, nonfarm employment in the northern region remains 4.9 percent below its pre-recession peak of 290,400 in January 2020. Employment is not expected to fully recover until pandemic conditions improve and energy markets return to pre-crisis levels.

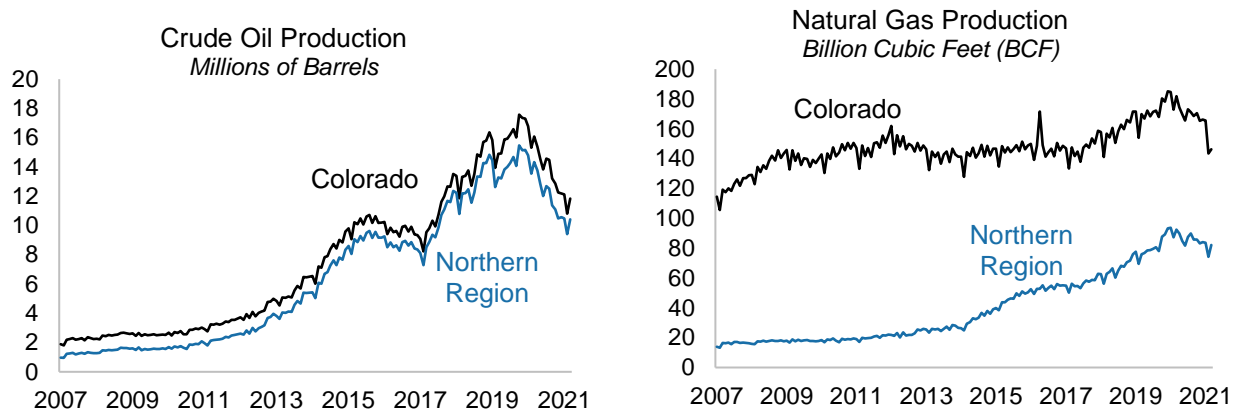
**Figure 28**  
**Northern Region Labor Market Activity**



**Agriculture.** The northern region produces about a quarter of Colorado's agricultural value due to the heavy concentration of the livestock industry in Weld County. Colorado's agricultural sector faced significant headwinds in 2020, with supply chain disruptions, COVID-19 outbreaks in meat processing facilities, wildfires, and severe drought. The region's cattle and calf inventory grew only 1.9 percent through 2020, a slowdown from 8.0 percent growth during 2019. As the negative effects of COVID-19 have begun to abate and pasture conditions in the northeastern part of the state have improved, cattle and calf inventories have rebounded, growing 5.4 percent through July over year-ago levels. Increased commercial demand, resulting from restaurant openings and the return to in-person learning at area universities, is expected to spur additional growth throughout 2021.

**Energy sector.** Oil production in the northern region, particularly in Weld County, has dominated statewide production for over a decade. Oil and gas production has largely been in decline since the end of 2019, as a result of the collapse in demand for oil and gas and significant declines in prices (Figure 29). Year-to-date through March, oil production remains 28.9 percent below 2020 levels, and natural gas production remains 12.2 percent below 2020 levels. However, monthly production of both oil and gas in the northern region jumped by about 10 percent in March 2021, the most recent data available. After remaining around \$40 per barrel for much of the latter half of 2020, oil prices began rising in December and have been hovering around \$70 per barrel during June and July 2021. Prices are expected to remain around \$66 per barrel for the remainder of 2021, based on estimates from the U.S. Energy Information Administration. Increased demand for oil and gas in the near- and midterm, alongside rising prices, is expected to spur additional production.

**Figure 29**  
**Colorado Energy Production**

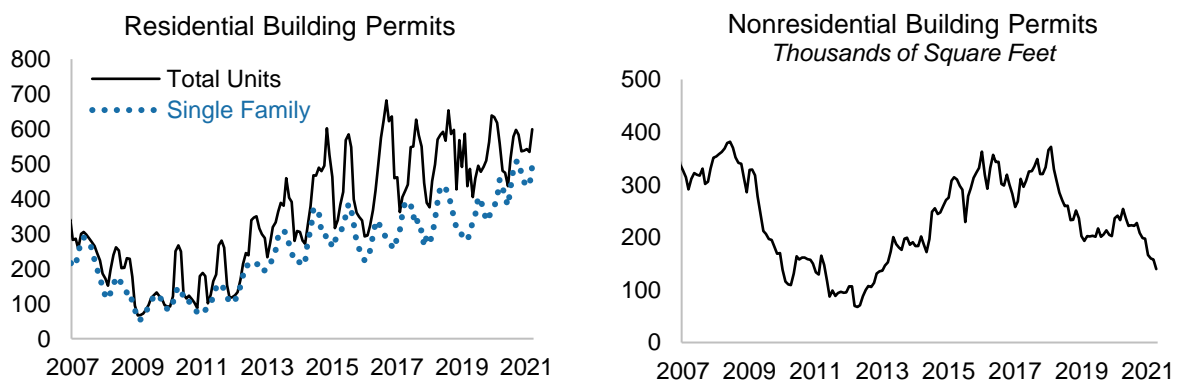


Source: Colorado Oil and Gas Conservation Commission. Monthly data through March 2021.

**Housing.** Following a strong year in 2020, new single-family housing permits in the Greeley area have increased by an additional 28.8 percent year-to-date through June 2021, and by 4.9 percent in the Fort Collins-Loveland area (Figure 30, left). Both areas have experienced a sharp increase in demand for single-family units. Average prices for single-family units in Weld County rose 16.0 percent in 2021 on a year-to-date basis, and prices in Larimer County are up 18.0 percent, according to the Colorado Association of Realtors. Additionally, as further evidence of the increased demand for single-family units, the time that listings spend on the market has declined significantly, falling 20.4 percent year-to-date in Weld County, and 28.1 percent in Larimer County.

**Nonresidential construction.** After sustaining moderate nonresidential construction activity in 2020, the negative effects of COVID-19 appear to have materialized for this industry in 2021. Year-to-date through June, nonresidential construction has decreased significantly, with the number of projects declining by 25 percent, the value of new projects declining by 16.5 percent, and total square footage declining by 1.5 percent from year-ago levels (Figure 30, right). Future commercial construction activity will depend in part on the recovery in energy prices and production, which may translate into more commercial projects in later 2021 and into 2022.

**Figure 30**  
**Northern Region Construction Activity**



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through June 2021.

Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through June 2021.

## Pueblo – Southern Mountains Region

The Pueblo – Southern Mountains region encompasses five counties along the eastern slope of the Sangre de Cristo Mountains, and includes the City of Pueblo. The region was hit hard by the pandemic-induced recession, posting the second-highest unemployment rate of any region in Colorado in 2020 based on revised data. Employment growth continues in the region, but is accompanied by an elevated unemployment rate, indicating supply and demand mismatches that are expected to wane in the coming months. Nonresidential and residential construction remains strong in spite of pandemic-related challenges. Indicators for the regional economy are presented in Table 19.



**Table 19**  
**Pueblo – Southern Mountains Region Economic Indicators**  
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth					
Pueblo Region <sup>1</sup>	2.5%	0.6%	1.1%	-2.4%	4.0%
Pueblo MSA <sup>2</sup>	1.0%	0.5%	1.3%	-2.5%	-0.4%
Unemployment Rate <sup>1</sup>	4.0%	4.6%	4.0%	8.1%	8.0%
Housing Permit Growth <sup>3</sup>					
Pueblo MSA Total	14.9%	45.1%	3.8%	18.4%	39.9%
Pueblo MSA Single Family	16.2%	52.6%	-6.2%	31.1%	39.9%
Nonresidential Construction Growth <sup>4</sup>					
Value of Projects	-64.5%	222.9%	45.2%	30.2%	71.8%
Square Footage of Projects	-52.6%	145.1%	-19.7%	52.8%	69.5%
Level ( <i>Thousands</i> )	162	397	318	486	483
Number of Projects	-72.2%	50.0%	23.3%	91.9%	-27.9%
Level	20	30	37	71	31

MSA = Metropolitan statistical area.

<sup>1</sup>U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through June 2021.

<sup>2</sup>U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2021.

<sup>3</sup>U.S. Census Bureau. Growth in the number of residential building permits. Data through June 2021.

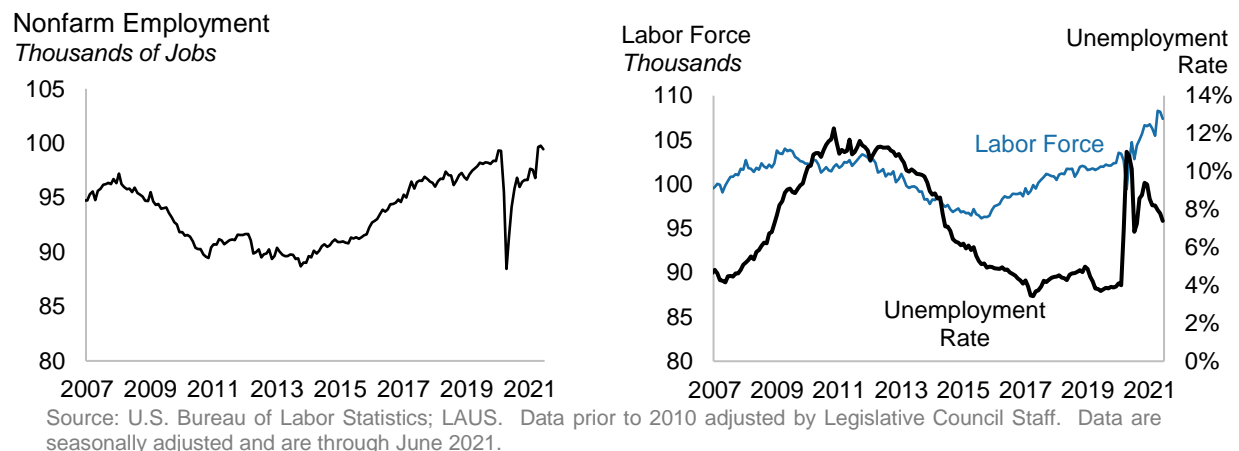
<sup>4</sup>F.W. Dodge. Data through June 2021.

**Labor market.** Labor market indicators in the region appear mixed in 2021. According to household survey data, the unemployment rate in the region averaged 8.1 percent during 2020, behind only the mountain region (8.3 percent) for the highest in the state (Figure 31). Through the second quarter of 2021, the unemployment rate, at 8.0 percent, remains the highest among the regions in the state, well above the next highest rate of 6.2 percent in Colorado Springs. The high unemployment rate can largely be explained by a spike in the labor force, which well exceeds pre-pandemic levels. Employment growth of 4.0 percent through June 2021 compared to the same period last year has been outpaced by growth in available workers, relieving labor supply constraints while paradoxically keeping the unemployment rate elevated. By April, 2021, the Pueblo region had recovered all of the jobs lost since the pandemic began (Figure 31, right). The apparent mismatch between supply and demand in the labor market is expected to wane through 2021 as economic recovery continues.



Pandemic-induced job losses in the Pueblo Metropolitan Statistical Area, i.e. Pueblo County, were significant, but slightly less severe than for other urban areas in the state. Pueblo establishments reported cutting employment by 2.5 percent in 2020, less than other Colorado cities. Pueblo County's employment has since steadily improved, but remained below pre-pandemic peak levels by about 3,000 jobs in June 2021.

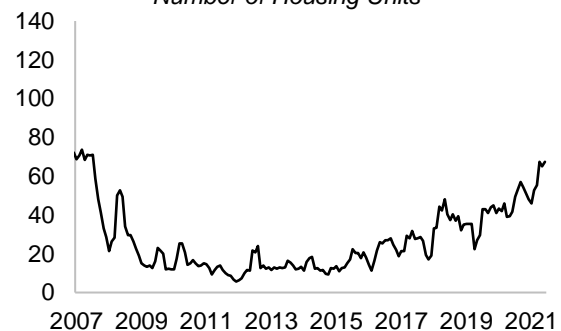
**Figure 31**  
**Pueblo Region Labor Market Trends**



**Housing and population growth.** Population in the region grew by 10,820, or 4.7 percent between 2010 and 2020, according to the 2020 Census, well below the statewide average of 14.8 percent. Significant growth in the region's northern counties of Custer, Fremont, and Pueblo was offset by slower growth in the southern mountain counties of Las Animas and Huerfano.

Homebuilding in Pueblo remains on the upswing. Despite pandemic conditions, Pueblo County homebuilders increased residential building permits by 18.4 percent during 2020, with the increase heavily concentrated in single-family units (Figure 32). In fact, all of Pueblo's recorded housing permits have been for single-family units since the start of 2020. Single-family construction permits were up almost 40 percent year-to-date, signaling continued strong activity that is expected to continue into 2022.

**Figure 32**  
**Single-family Residential Permits**  
*Number of Housing Units*



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through June 2021.

Despite rapid home price appreciation, Pueblo's housing market remains an affordable option compared with neighboring Colorado Springs. The median sales price for a single-family home in Pueblo County was \$280,000, up 21.8 percent through July 2021, compared to the same period a year ago, according to the Colorado Association of Realtors. In comparison, the median price in neighboring El Paso County was \$430,000, approaching the statewide median price of \$500,000. As in other areas of the state, the low inventory of homes for sale is contributing to accelerated home price appreciation. July data indicate the inventory of homes for sale remains suppressed, with 323

single-family homes for sale that month, down 19.5 percent from the same month in 2020. Despite rising prices, home values are expected to remain below the statewide median.

Rapid price appreciation and low inventory were also recorded in other areas of the southern mountain region. The median single-family home price in Fremont County increased by 22.4 percent year-to-date through July, to \$290,000. Although data are more volatile for less populated areas, median prices were also up significantly in Custer, Las Animas, and Huerfano counties.

**Nonresidential construction.** Despite the pandemic, 2020 was a banner year for the region's builders. Nonresidential construction in the region grew across all indicators, with both the value and square footage of nonresidential projects reaching their highest levels since 2008. Robust activity continued through the first four months of 2021 with a reported \$133.8 million in more than 483,000 square feet of new projects. In April, Pueblo School District 60 announced it broke ground on the new Pueblo East and Centennial high schools, part of a \$218 million bond program approved by voters in 2019. Over the forecast horizon, nonresidential construction will be supported by several new projects. In addition to the two new high schools, the Pueblo School District also announced it would build a new K-8 school, slated to begin in 2022. New construction will be boosted further by the announcement that the Turkey Creek Solar Farm will begin construction in 2022.

The Pueblo region will likely have few new construction opportunities for traditional commercial real estate (office, industrial, retail) through 2021. The market will be challenged by several large retail properties that remain vacant, in addition to permanent restaurant closures and the shift toward remote work. However, the influx of new households in Pueblo may boost the market for local neighborhood-serving retail, small office, and similar projects in 2022 and 2023 that compliment household growth.



## Colorado Springs Region

The Colorado Springs region encompasses El Paso County, home to the state's second-largest city. Colorado Springs has posted encouraging labor market growth during the economic recovery, residential construction activity continues to rise and, after unusually strong activity in 2020, nonresidential builders are on pace for solid construction activity in 2021. Nevertheless, job losses were significant, and the labor market faces a multi-year path to recovery. Indicators for the Colorado Springs regional economy are presented in Table 20.



**Table 20**  
**Colorado Springs Region Economic Indicators**  
El Paso County

	2017	2018	2019	2020	YTD 2021
Employment Growth <sup>1</sup>					
Colorado Springs MSA	2.9%	2.2%	2.6%	-3.5%	2.2%
Unemployment Rate <sup>2</sup>	3.1%	3.7%	3.2%	7.3%	6.2%
Housing Permit Growth <sup>3</sup>					
Total	-3.9%	15.4%	-3.8%	25.7%	39.4%
Single Family	6.7%	9.6%	-4.1%	24.4%	21.8%
Nonresidential Construction Growth <sup>4</sup>					
Value of Projects	-22.6%	20.9%	0.5%	41.3%	-27.6%
Square Footage of Projects	10.5%	9.3%	5.0%	112.7%	-63.3%
Level ( <i>Thousands</i> )	2,599	2,841	2,984	6,346	1,936
Number of Projects	30.0%	-1.3%	-31.1%	16.3%	-41.8%
Level	550	543	374	435	135

MSA = Metropolitan statistical area.

<sup>1</sup>U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through June 2021.

<sup>2</sup>U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2021.

<sup>3</sup>U.S. Census Bureau. Growth in the number of residential building permits. Data through June 2021.

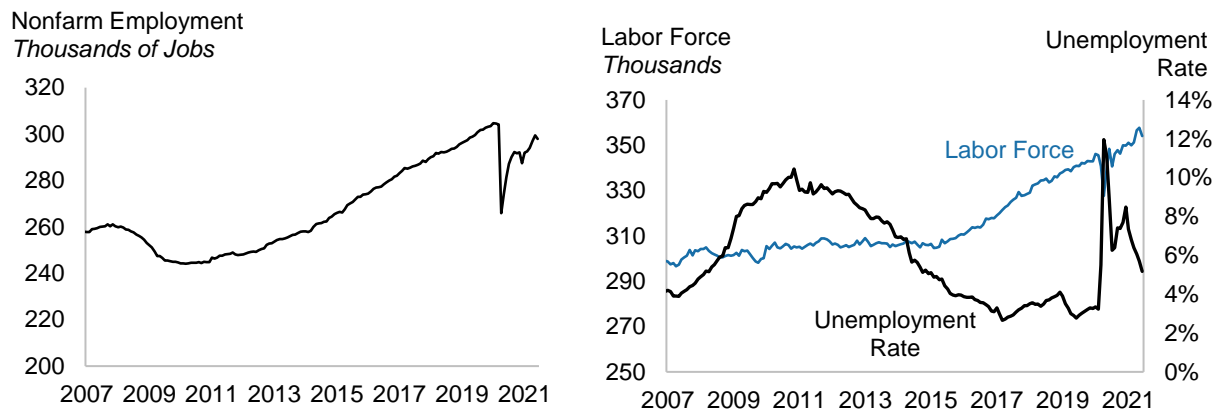
<sup>4</sup>F.W. Dodge. Data through June 2021.

**Labor market.** The labor market in the Colorado Springs region continues to strengthen through the economic recovery with employment growth ranking among the fastest of Colorado's metro areas, concurrent with an improving unemployment rate. In the second quarter of 2021, the region continued to add jobs and by June had recovered about 83 percent of jobs lost at the height of pandemic closures (Figure 33, left). In June, the Current Establishment Survey from the U.S. Bureau of Labor Statistics indicated seasonally adjusted nonfarm employment was up 2.2 percent year-to-date in the region, ahead of Fort Collins (up 1.5 percent) and the metro Denver area (up 1 percent). Employment growth has been supported largely by a rebound in the leisure and hospitality sector, combined with strong growth in professional and business services. Recent expansion announcements for the area's aerospace companies bode well for continued momentum.

The regional unemployment rate improved through the first half of 2021, falling to 6.2 percent in June from 8.5 percent in December. Rising COVID-19 case counts through the fall of 2020 put upward pressure on the unemployment rate in many areas of the state including Colorado Springs. Encouragingly, the regional labor force solidly surpassed pre-pandemic peak levels in the fourth quarter of 2020 and has continued to post robust growth (Figure 33, right). In June, the labor force

was up 3.5 percent year-to-date. Sustained labor force engagement indicates households are responding to job opportunities, rising employment, and better economic conditions.

**Figure 33**  
**Colorado Springs Labor Market Activity**



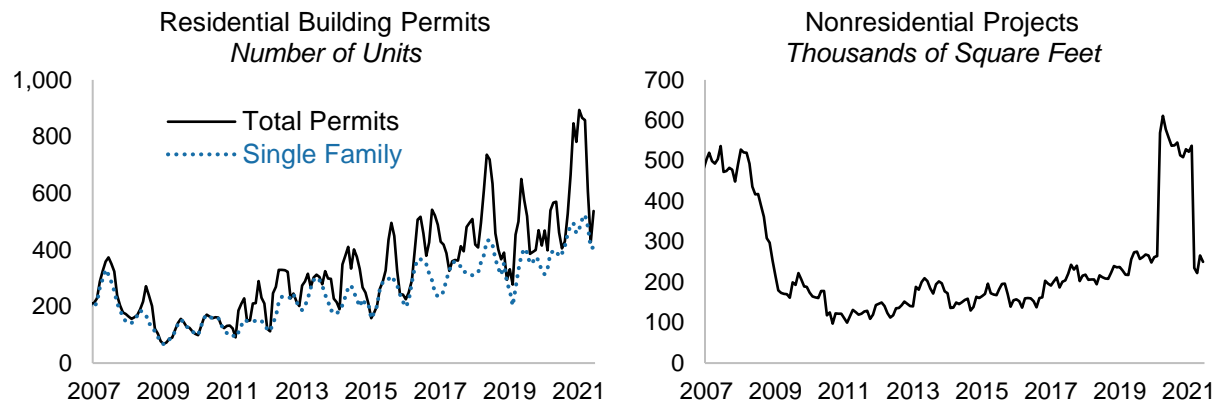
Source: U.S. Bureau of Labor Statistics; CES data (left) and LAUS data (right). Data are seasonally adjusted through June 2021.

**Housing.** Sustained demand and strong homebuilding activity have supported robust growth in the Colorado Springs housing market. The Colorado Association of Realtors reports that median single-family home sales prices in El Paso County reached \$430,000 in July 2021, up 19.6 percent year-to-date. Sales activity also remains strong, with sales through the first seven months of the year up 8 percent compared with the same period in 2020. Low inventory and strong demand have contributed to the region’s rapid price appreciation. The inventory of homes for sale was down nearly 57 percent from year-ago levels and homes remained on the market for an average of 7 days, down from 18 days in July 2020.

Residential construction activity has accelerated in 2021, with permit activity on pace for the most permits issued since 2005 (Figure 34, left). Through June, builders were approved for nearly 4,200 permits, up 39.4 percent year-to-date. While the pace of single-family home permits slowed from last year, the acceleration is attributed to a surge in multifamily units permitted in the first quarter. Permit activity is expected to grow through the forecast period, supported by rapid price growth and sustained demand. Longer-term, the market will be bolstered by improved transportation options including the I-25 Gap project between Monument and Larkspur and expanded air service between Colorado Springs and Denver with the addition of Southwest Airlines to the market.

**Nonresidential construction.** In 2020, Colorado Springs experienced a construction boom. The region added nearly \$1 billion in nonresidential projects and 6.3 million square feet, boosted largely by the 3.7 million-square-foot Amazon Fulfillment Center (Figure 34, right). The project opened this summer and is slated to employ 1,000 workers. The surge in construction activity from the fulfillment center continues to impact growth rates in 2021 as the value of construction was down 28 percent year-to-date and square-footage was down 63 percent (Table 34). However, construction activity is still robust compared with the end of the economic expansion in 2019. Year-to-date, the region recorded over 1.9 million square feet of nonresidential construction activity, higher than the 1.6 million square feet posted through the first half of 2019. Construction activity is expected to continue at a strong pace through the remainder of 2021.

**Figure 34**  
**Colorado Springs Construction Activity**



Source: U.S. Census Bureau. Data are shown as three-month moving averages. Data are not seasonally adjusted and are through June 2021.

Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through June 2021.

## San Luis Valley Region

Among the nine economic regions of the state identified in this forecast, the San Luis Valley has the state's smallest and oldest population with the lowest household incomes. The economy of the region's six counties is largely agricultural. The San Luis Valley has seen a slow but consistent recovery in 2021, with both unemployment rates and drought conditions moderating. Continued water shortages, however, plague agricultural producers. Nonfarm employers include commercial, health, and government services, as well as a small but resilient tourism sector. Economic indicators for the region are summarized in Table 21.



**Table 21**  
**San Luis Valley Region Economic Indicators**  
 Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth <sup>1</sup>	4.3%	3.0%	1.0%	-4.6%	5.0%
Unemployment Rate <sup>1</sup>	3.6%	4.1%	3.6%	6.6%	6.1%
Barley <sup>2</sup>					
Acres Harvested	68,000	53,000	52,000	45,000	NA
Crop Value (\$/Acre)	\$607	\$660	\$672	\$703	NA
Potatoes <sup>3</sup>					
Acres Harvested	55,600	55,000	51,000	53,800	52,700
Crop Value (\$/Acre)	\$3,572	\$3,942	\$4,709	\$4,816	NA
Housing Permit Growth <sup>4</sup>	16.8%	16.3%	-11.1%	13.9%	73.5%
National Park Recreation Visits <sup>5</sup>	25.4%	-9.0%	19.1%	-12.5%	132.5%

NA = Not available.

<sup>1</sup>U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2021.

<sup>2</sup>National Agricultural Statistics Service, statewide data.

<sup>4</sup>F.W. Dodge. Data through June 2021

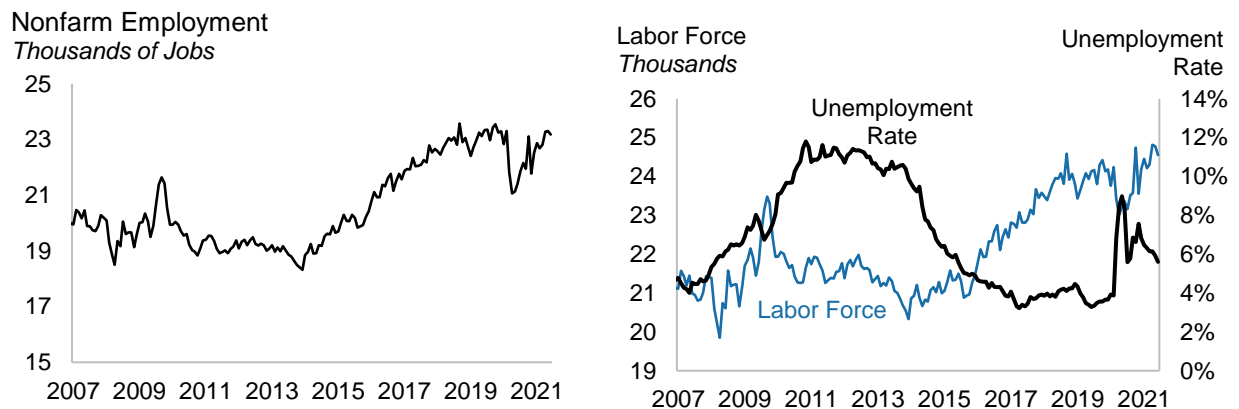
<sup>5</sup>National Park Service. Data through June 2021. Recreation visits for Great Sand Dunes National Park and Preserve.

**Agricultural industry.** With over 70 varieties grown in the region, potatoes are a key San Luis Valley crop. Other principal crops include head lettuce, wheat, and barley, with hemp and quinoa acreages on the upswing. Grazing and alfalfa hay are important in areas lacking sufficient access to water rights. After plummeting during statewide COVID-related shutdowns in 2020, year-to-date potato shipments through August 2021 are up 10.0 percent from year-ago levels. Since March, drought conditions have substantially moderated in the Rio Grande Basin, which spans the San Luis Valley, with drought receding almost completely from the region, according to the U.S. Drought Monitor. Yet, longer term shifts in precipitation have reduced snowpack to below-average spring levels in 9 of the past 11 years, according to the Natural Resources Conservation Service. Weather and access to water remain significant concerns for San Luis Valley agriculture producers, with depleted runoff into streams, reservoirs, and irrigation canals. Groundwater wells for some ranchers have been ordered to shut down for the first time in the history of the Rio Grande Water Conservation District, which has managed water in the San Luis Valley since 1967.

**Labor market.** In addition to the agricultural industry, tourism, a regional medical center, a large retirement community, and government services, including Adams State University, support the San Luis Valley economy. The arts community has a growing regional economic presence as well. Labor

market conditions have improved, albeit somewhat inconsistently, since declining sharply with statewide shutdowns in early 2020. By June 2021, the San Luis Valley had regained 94.4 percent of jobs lost since the pandemic began, up from 77.6 percent in March 2021. Employment in the region is up 5.0 percent year-to-date compared to the same period last year (Figure 35, left). Although the number of unemployed individuals has declined steadily since November 2020, a growing labor force has kept the unemployment rate elevated at 5.6 percent in June 2021, or an average of 6.1 percent year-to-date (Figure 35, right).

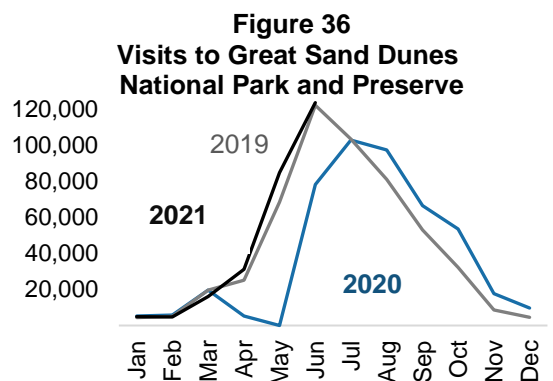
**Figure 35**  
**San Luis Valley Labor Market Activity**



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through June 2021.

**Housing and population growth.** At 0.2 percent population growth, or a net gain of 81 people between 2010 and 2020, the San Luis Valley is among the slowest growing of the state's nine regions, just ahead of the eastern region, which gained a net 68 people over the decade. Significant gains in Alamosa County were offset by population declines in Conejos and Rio Grande counties, according to newly released 2020 Census data. After declining by 11.1 percent in 2019, housing permits issued in the San Luis Valley region rebounded in 2020 to 13.9 percent growth. Year-to-date permits are up 73.5 percent over the same period last year through June 2021. Median single-family home prices in Alamosa County are up 7.5 percent through July 2021 over the same period last year. At \$230,000, however, median home prices remain less than half of the statewide median of \$500,000.

**Tourism.** Visits to the Great Sand Dunes National Park and Preserve recovered rapidly during the summer months of 2020 to surpass year-ago levels, although remained down by 12.5 percent compared to 2019 total visitation. Park visits through June 2021 were up 132.5 percent from the same period last year, reflecting the closure of the park from April 2020 to early June 2020 (Figure 36). The San Luis Valley Potato Festival returned to Monte Vista this year in early September, after COVID-related health concerns forced a one-year hiatus.



Source: National Park Service. Data through June 2021.

## Southwest Mountain Region

The southwest mountain region comprises five counties in the southwest corner of the state. The area's diverse economy receives significant contributions from agriculture, tourism, and natural gas extraction, as well as typical regional services like health care and social assistance. Like many regions of the state with heavier concentrations of employment supported by tourism, the COVID-19 pandemic significantly impacted economic activity in the southwest mountains. Local government budgets were also impacted by the pandemic, further dampening employment in the region. Recent data indicate a strengthening recovery with labor market growth and robust home building activity. Economic indicators for the region are summarized in Table 22.



**Table 22**  
**Southwest Mountain Region Economic Indicators**  
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth <sup>1</sup>	2.2%	1.8%	-0.2%	-5.2%	6.0%
Unemployment Rate <sup>1</sup>	2.7%	3.3%	2.9%	7.1%	5.7%
Housing Permit Growth <sup>2</sup>	29.8%	24.1%	-33.9%	12.4%	78.8%
National Park Recreation Visits <sup>3</sup>	4.4%	-7.6%	-2.1%	-48.1%	195.0%

<sup>1</sup>U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2021.

<sup>2</sup>F.W. Dodge. Data through June 2021.

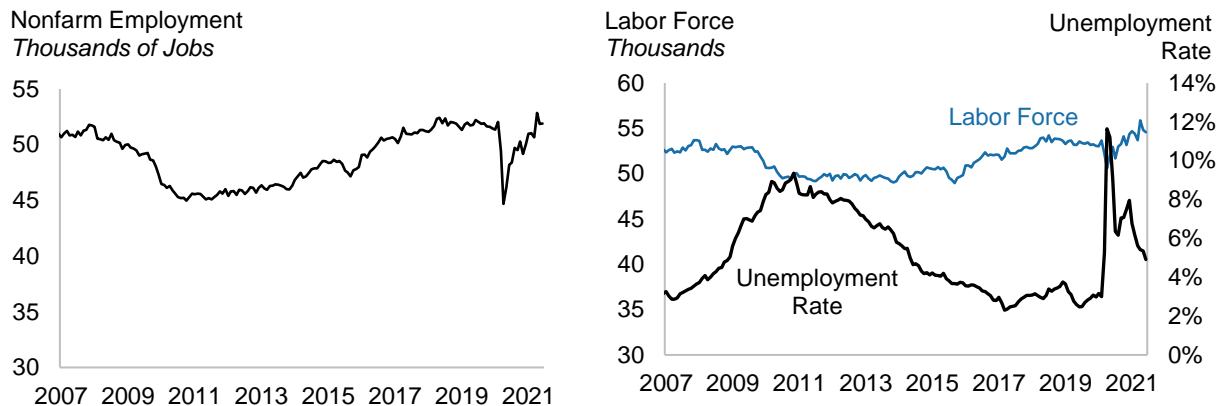
<sup>3</sup>National Park Service. Data through June 2021 Recreation visits for Mesa Verde National Park and Hovenweep National Monument.

**Labor market.** Data through the first half of 2021 indicate a strengthening labor market in the Southwest region. Through June, employment was up 6 percent year-to-date, one of the fastest rates posted among the regions and above statewide growth. Data indicate that employment in the region has reached pre-pandemic levels (Figure 37, left). Concurrently, the region has posted robust labor force growth, indicating that people have responded to improved economic and health conditions through the second quarter. In June, the labor force was up 3 percent year-over-year and the unemployment fell to 4.9 percent (Figure 37, right). While vastly improved, the unemployment rate remained roughly two percentage points above its pre-pandemic level of 3 percent in February 2020. Paradoxically, many employers have reported labor shortages in the region. For instance, businesses in Durango have reported challenges finding employees, understaffing issues, and overtime work for existing staff. Many have had to offer higher wages and communities have worked to overcome barriers for new employees such as high housing costs. While the exact causes for the labor shortages are unknown, some people may be reluctant to return to work or may be transitioning to new opportunities.

Rising COVID-19 case counts from the Delta variant pose the greatest risk to the region's economy heading into the fall. Spread of the virus could once again impact consumer confidence and travel activity. Further, the region continues to grapple with drought that is impacting crop yields and the region's agricultural activity.



**Figure 37**  
**Southwest Mountain Region Labor Market Activity**

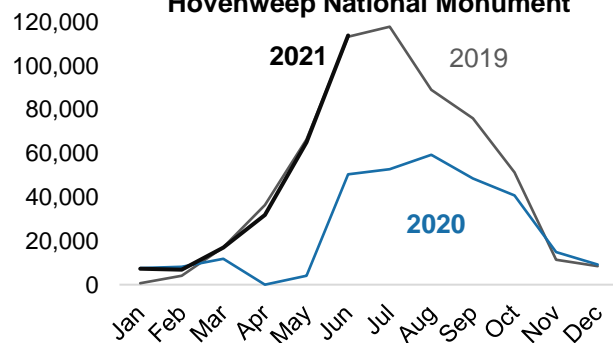


Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through June 2021.

**Housing.** Similar to national and statewide trends, the housing market in the southwest mountain region recorded robust growth emerging from the recession, further accelerating through the first half of 2021. Through June, the Colorado Association of Realtors reported double-digit increases in home sales and median prices throughout the region's counties. In the region's largest housing markets, home sales were up 60.9 percent and 16.7 percent year-to-date in Archuleta and La Plata counties, respectively. Year-to-date, the median single-family home price rose to \$529,500 in Archuleta County and \$605,000 in La Plata County, up 37.4 percent and 27.4 percent, respectively. Responding to increased demand, permits were up about 79 percent year-to-date through the first half of 2021, following 12.4 percent growth in 2020. The housing market is on track to post its second consecutive year of growth in 2021.

**Tourism.** Visits to Mesa Verde National Park and nearby Hovenweep National Monument were down more than 48 percent in 2020 compared to 2019. Figure 38 compares monthly visits to both parks from 2019 to 2021. Through the pandemic, visits were down significantly, but began to track more closely with pre-pandemic levels by the fourth quarter of 2020. Through June 2021, visits were nearly three times higher year-to-date, tracking closely with 2019 visits.

**Figure 38**  
**Visits to Mesa Verde National Park and Hovenweep National Monument**

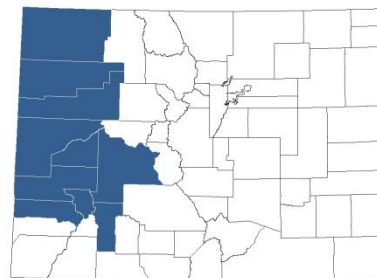


Source: National Park Service. \*Data through June 2021.

In 2020, passenger traffic was down more than 50 percent at the Durango-La Plata County airport, consistent with the broad reach of the pandemic on travel nationwide. In addition to the pandemic, extreme fire danger also influenced tourist activity in the region. Encouragingly, the airport reported vast improvements in passenger traffic through July 2021. For the month, passenger traffic was up more than 26 percent over July 2019. Year-to-date, passenger traffic is at 93 percent of pre-pandemic 2019 levels.

## Western Region

The ten-county western region has a diverse economy. Key industries in the more northern counties of Mesa, Garfield, Moffat, and Rio Blanco include energy and agriculture, while the counties of Delta, Gunnison, Hinsdale, Montrose, Ouray, and San Miguel are more reliant on tourism, mining, and retiree-related spending. Compounding the negative impacts of the COVID-19 pandemic in the spring of 2020, summer wildfires engulfed large swathes of the region, shutting down popular tourist destinations altogether.



While unemployment remains elevated in the region, the housing and construction industries have shown significant growth in 2021, and outdoor recreation has also seen a boost compared to 2020. Economic indicators for the region are summarized in Table 23.

**Table 23**  
**Western Region Economic Indicators**

Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth					
Western Region <sup>1</sup>	3.4%	2.7%	1.4%	-5.3%	4.1%
Grand Junction MSA <sup>2</sup>	2.2%	2.5%	1.4%	-5.4%	0.9%
Unemployment Rate <sup>1</sup>	2.3%	2.6%	2.3%	6.3%	5.3%
Natural Gas Production Growth <sup>3</sup>	-6.3%	5.2%	-0.9%	-7.8%	-20.4%
Housing Permit Growth <sup>4</sup>	42.8%	15.5%	-11.7%	30.3%	33.6%
Nonresidential Construction Growth <sup>4</sup>					
Value of Projects	-33.1%	2.8%	64.7%	-67.2%	419.9%
Square Footage of Projects	-17.6%	27.4%	7.0%	-27.2%	48.8%
Level ( <i>Thousands</i> )	477	608	651	473	363
Number of Projects	-36.7%	18.0%	20.3%	19.7%	28.6%
Level	50	59	71	85	45
National Park Recreation Visits <sup>5</sup>	6.5%	-5.8%	2.3%	-0.1%	33.4%

MSA = Metropolitan statistical area.

<sup>1</sup>U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2021.

<sup>2</sup>U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through June 2021.

<sup>3</sup>Colorado Oil and Gas Conservation Commission. Data through March 2021.

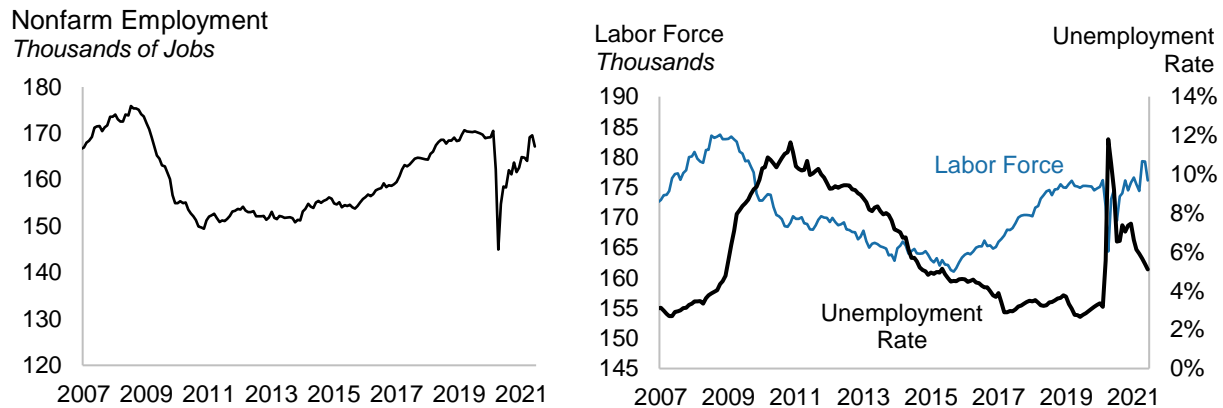
<sup>4</sup>F.W. Dodge. Data through June 2021.

<sup>5</sup>National Park Service. Data through June 2021. Recreation visits for Dinosaur National Monument, Colorado National Monument, Black Canyon of the Gunnison, and Curecanti National Recreation Area.

**Labor market.** After declining by 5.3 percent in 2020 as a result of the COVID-19 pandemic, employment levels had nearly reached pre-recession levels by May 2021 (Figure 39, left). The unemployment rate improved to 5.1 percent in June 2021, compared to the 2020 average of 6.3 percent (Figure 39, right). The unemployment rate for the western region is slightly above average compared to other regions in Colorado.



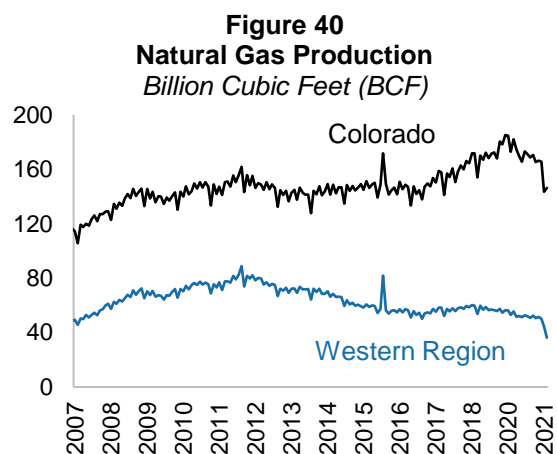
**Figure 39**  
**Western Region Labor Market Activity**



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through June 2021.

**Construction.** Following a rebound in activity in 2020, the residential construction industry has further accelerated in 2021, with a 33.6 percent increase in construction permits over the same period in 2020. This about-face in the housing sector coincided with a shift in demand toward more rural areas and to houses with more space. Nonresidential construction suffered a slowdown in 2020, but has since bounced back, with the value of projects quadrupling on a year-to-date basis in 2021, including significant investments in the Riverfront at Dos Rios development in Grand Junction, the new library building in Gunnison County, the expansion of the Gunnison-Crested Butte Airport, and an 80 megawatt solar project in the Delta-Montrose area. A portion of this sizable increase is due to the significant drop seen in 2020; however, it still suggests very strong growth in the nonresidential construction sector.

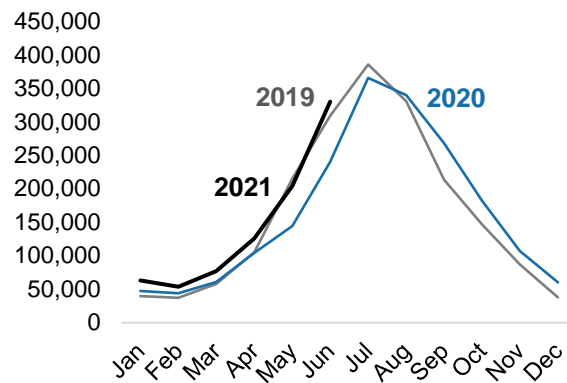
**Energy sector.** The Piceance Basin is located in the western region of Colorado and is a sizable natural gas resource. Natural gas production in the region has largely been in decline since 2012. After declining by 7.8 percent in 2020, natural gas production has shrunk by an additional 20.4 percent in 2021 year-to-date through March (Figure 40). The cold snap in early 2021 pushed natural gas prices up from \$2.71 in January to \$12.18 per million Btu in the third week of February, as measured by the Henry Hub Natural Gas Spot Price, as demand spiked and supply was constrained due to the extreme weather. Natural gas prices have since moderated but are expected to remain well above 2020 prices through 2022. This may lead to decreased domestic demand for natural gas and a shift to other fuels, unless increased production can offset the price increase.



Source: Colorado Oil and Gas Conservation Commission. Monthly data through March 2021.

**National park visitors.** Subdued tourism resulting from the COVID-19 pandemic and summer wildfires in 2020 led to reduced outdoor recreation and national park visitation in the region in 2020 (Figure 41). As of June 2021, national park visits in this region are up by 33.4 percent compared to 2020 on a year-to-date basis. Visitation is up across the board with visits increasing by about 172 percent to the Dinosaur National Monument, 80 percent to the Colorado National Monument, 65 percent to the Curecanti National Recreation Area, and 50 percent to the Black Canyon of the Gunnison National Park compared to the same period in 2020. Overall, visitation so far in 2021 is on par with 2019 rates.

**Figure 41**  
**Regional National Park Visits\***



Source: National Park Service.

\*Data are through June 2021 and include Dinosaur and Colorado National Monuments, Curecanti National Recreation Area, and Black Canyon of the Gunnison National Park.

## Mountain Region

The mountain region comprises twelve counties stretching from Poncha Pass north to the Wyoming border. The region is the state's most dependent on tourism activity, with a large share of workers employed in leisure and hospitality industries. The pandemic severely impacted the region as communities lost nearly a quarter of February 2020 employment, pushing the unemployment rate higher than any other region in the state. Regional indicators continue to reflect a mixed recovery in 2021. The unemployment rate continued to fall, although it was partly due to a shrinking labor force. Further, slowing nonresidential construction activity in the latter half of 2020 has continued into 2021. Encouragingly, residential construction activity continues to surge. Economic indicators for the mountain region are presented in Table 24.



**Table 24**  
**Mountain Region Economic Indicators**

Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth <sup>1</sup>	4.0%	3.0%	1.9%	-7.2%	1.6%
Unemployment Rate <sup>1</sup>	2.2%	2.6%	2.3%	8.3%	5.5%
Housing Permit Growth <sup>2</sup>	-10.7%	73.9%	4.8%	-28.2%	70.8%
Nonresidential Construction Growth <sup>2</sup>					
Value of Projects	298.4%	-78.0%	40.6%	85.4%	-68.4%
Square Footage of Projects Level ( <i>Thousands</i> )	221.0%	-65.1%	29.2%	20.9%	-39.2%
	2,028	708	915	1,106	388
Number of Projects Level	-1.6%	17.7%	-37.0%	69.6%	2.7%
	62	73	46	78	38

<sup>1</sup>U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through June 2021.

<sup>2</sup>F.W. Dodge. Data through June 2021.

The mountain region economy is especially pro-cyclical, in that it performs better than other areas during expansions and suffers more than others during recessions. In normal economic circumstances, the mountain economy performs best when consumer confidence is high and households have enough disposable income to travel on vacation to the region. The COVID-19 crisis was uniquely detrimental for the mountain economy. While the region has benefited from improved confidence, falling unemployment, and travel activity during the recovery, it has been challenged by slow employment growth.

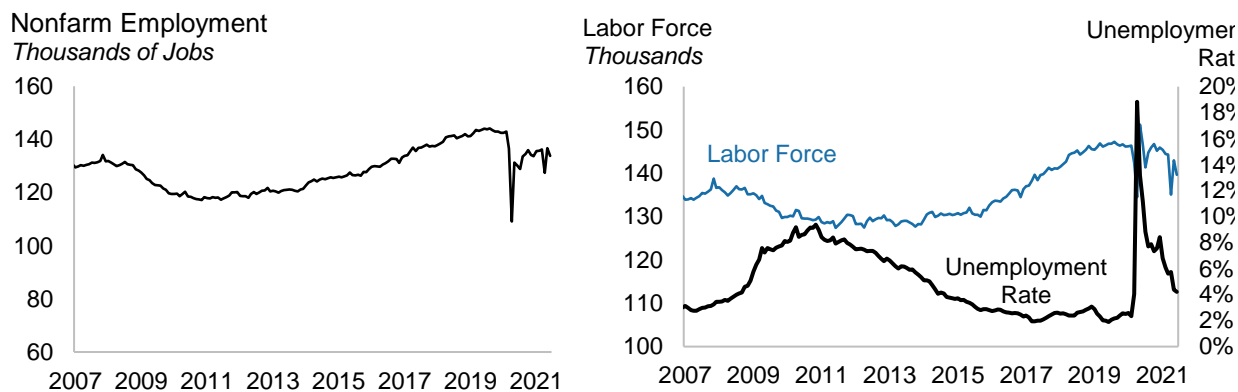
**Labor market.** Revised data indicate the unemployment rate jumped up from 2.3 percent to 18.8 percent from February to April 2020, well above the 12.1 percent seasonally-adjusted statewide peak. As a share of pre-pandemic employment, the region posted the largest contraction in the state. Except for a temporary jump in the final two months of 2020, the unemployment rate in the region has consistently declined through the economic recovery. However, the falling unemployment rate belies ongoing labor market challenges in the region evident in fluctuating employment growth and a shrinking labor force (Figure 42, left).

The unemployment rate fell as low as 4.2 percent in June 2021, lower than the statewide average and tying with the eastern region for the lowest unemployment rate in the state. Employment, however, remains well below peak levels, having recovered only 73 percent of jobs lost during the recession compared with more than 91 percent statewide. Further, employment was up just 1.6 percent year-to-date, the slowest growth in the state. Consequently, data indicate the falling unemployment rate is a result of a shrinking labor force in the region. Indeed, the region's labor force was down 4.7 percent from June 2020 to June 2021 (Figure 42, right), the only region to post a falling labor force year-over-year. People may leave the labor force for a number of reasons including school, military service, family, disengagement, or out migration. While the cause of the falling labor force cannot be determined, it has likely contributed to a regional labor shortage, as reported by many businesses.

The region is heavily dependent on leisure and hospitality employment, accounting for over one-third of the region's employees pre-pandemic in 2019. Recovery from the pandemic-induced recession will therefore largely depend on this sector's performance. While the most recent regional data is significantly lagged, at a state level seasonally-adjusted leisure and hospitality employment continued to trend upward. In June 2021, employment in the sector was up 3.6 percent year-to-date and was up 28.1 percent year-over-year. While employment growth at the state level is encouraging, employment in the sector is just 88.5 percent of peak levels recorded in January 2020.

Another factor that may be impacting regional employment growth is the region's dependence on outside workers, particularly for communities adjacent to the Front Range such as Clear Creek and Gilpin counties. These workers may still be reluctant to commute to the mountain communities over health concerns, a shift away from leisure and hospitality work, or more attractive employment options closer to home, among other things. Additionally, there are fewer opportunities for foreign workers with continued travel restrictions and lower work visa issuances. While data point to improved business activity and improved spending in the mountain region, labor shortages could be dampening employment growth.

**Figure 42**  
**Mountain Region Labor Market Activity**



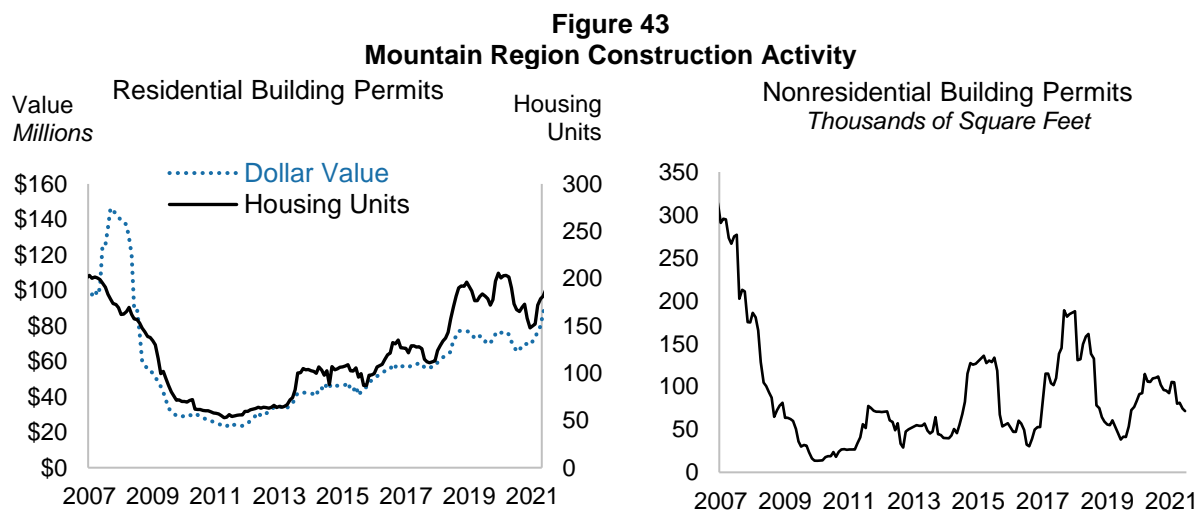
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through June 2021. Includes Legislative Council Staff adjustments prior to 2010.

The recent rise in COVID-19 cases due to the Delta variant is cause for concern heading into the winter season. Local policymakers may reinstate protection measures, similar to last winter. Local officials have expressed concern about the potential for breakthrough infections, the prevalence of which may

increase despite the high vaccination rates of residents. The trajectory of the pandemic remains the largest risk factor to the regional economy over the next few months.

**Construction.** In contrast to other regions in the state, residential construction activity in the mountain region fell in 2020 despite strong sales activity and price growth. However, data indicate permitted units in the region are up about 71 percent through the first half of 2021 compared with the same period in 2020 (Figure 43, left). Concurrently, home sales and prices remained strong, according to reports from the Colorado Association of Realtors. Communities in the region continue to address workforce housing needs, which will also support residential construction. Although volatile due to limited building space and local regulations, residential construction is expected to remain above 2020 levels through the remainder of the year.

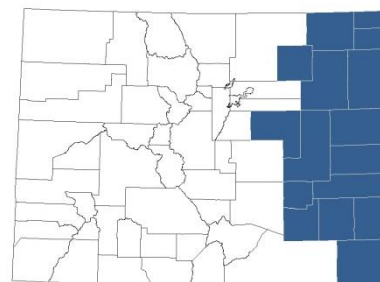
Data indicate that nonresidential construction activity increased in 2020, with gains in both value and square footage (Figure 43, right). However, the gain is attributed to strength in the first half of the year offsetting slowing activity in the latter half. Based on data through June 2021, the nonresidential construction sector continued to lag, with the value of projects down 68 percent year-to-date and the square footage permitted down 39 percent year-to-date (Table 23). The region is expected to see slower nonresidential construction activity through the remainder of the year as investors and businesses wait for more certainty.



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through June 2021.

## Eastern Region

The eastern region includes 16 rural counties on Colorado's eastern plains. Agriculture is the primary industry in the region, with local businesses and government operations supporting local farming and ranching communities. Out-migration and an aging population continue to put pressure on the labor force in the region, which is the most sparsely populated in the state. Skyrocketing grain prices along with moderating drought conditions have improved the outlook for the region's agriculture industry. Consistent with historical trends, labor markets continue to outperform those in other regions of the state. Economic indicators for the region are presented in Table 25.



**Table 25**  
**Eastern Region Economic Indicators**  
Baca, Bent, Logan, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth <sup>1</sup>	3.1%	2.1%	1.0%	-4.5%	5.6%
Unemployment Rate <sup>1</sup>	2.3%	2.7%	2.4%	4.5%	4.6%
Crop Price Changes <sup>2</sup>					
Wheat (\$/Bushel)	-2.9%	34.6%	-7.0%	6.3%	28.0%
Corn (\$/Bushel)	-3.4%	2.8%	9.3%	-4.6%	52.1%
Alfalfa Hay (Baled, \$/Ton)	4.8%	23.8%	14.9%	-7.8%	-5.1%
Livestock <sup>3</sup>					
State Cattle and Calf Inventory Growth	6.7%	2.6%	8.0%	1.9%	5.4%
Milk Production	6.7%	8.8%	5.5%	7.1%	4.9%
Housing Permit Growth <sup>4</sup>	22.2%	43.4%	0.2%	22.3%	58.4%

<sup>1</sup>U.S. Bureau of Labor Statistics, LAUS (household survey). Data through June 2021.

<sup>2</sup>National Agricultural Statistics Service. Data through June 2021.

<sup>3</sup>National Agricultural Statistics Service. Cattle and calf inventory through July 2021; milk production through June 2021.

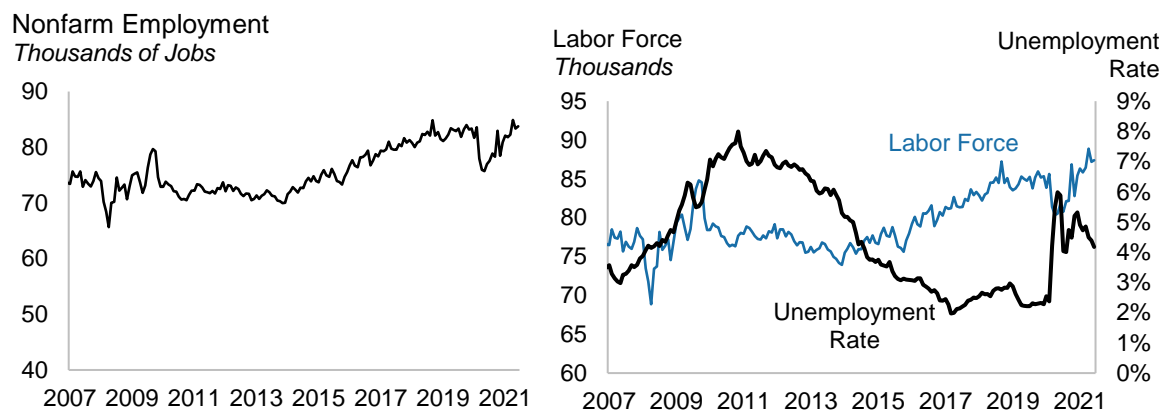
<sup>4</sup>F.W. Dodge. Data through June 2021.

**Agriculture and livestock.** The eastern plains is the largest agricultural region in the state, and the sector drives much of the region's economy. While pandemic-related disruptions roiled agricultural markets early in 2020, farm commodity prices rebounded sharply and, along with government payments, helped stabilize conditions in the second half of the year. The continued economic recovery along with strong global demand have sent grain prices, led by corn, skyrocketing in 2021. Colorado corn and wheat prices continue to top multi-year highs, and in June 2021 are up 52.1 percent and 28.0 percent, respectively, year-to-date compared to the same period last year.

Uncertainty about weather conditions continues to dampen the cattle industry in the region, although grazing conditions in the eastern plains remain substantially improved in 2021, and in comparison to other areas of the state. Substantial spring precipitation brought the entire region out of drought by early summer, but conditions have since slightly deteriorated, with seven counties, primarily in the northern portion of the region, experiencing abnormally dry or moderate drought conditions by August 17, 2021.

**Labor market.** As in other areas of the state and nation, labor market conditions in the eastern plains have seen a fitful recovery since the pandemic began. The unemployment rate ticked down to 4.2 percent in June 2021, from 4.4 percent in May, bringing the 2021 average to 4.6 percent, the lowest among the state's nine regions (Figure 44, right). After declining by 4.5 percent in 2020, employment is up by 5.6 percent year-to-date through June 2021, compared to the same period last year (Figure 44, left). With over 8,000 jobs regained since the pandemic low in May 2020, by June 2021, the eastern plains had more than regained the jobs lost since the pandemic began (Figure 44, left).

**Figure 44**  
**Eastern Region Labor Market Activity**



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through June 2021.

**Housing and population growth.** The eastern plains gained a net of only 68 people from 2010 to 2020, with significant population gains in Elbert and Morgan Counties offset by losses in Kit Carson, Logan, Bent, Baca, and Prowers counties, earning the rank of the slowest growing region in the state. Counties experiencing population growth border the northern region and the Denver and Colorado Springs metropolitan areas, as former residents of these larger, more expensive areas search for more affordable housing. As a result, housing markets in these counties are seeing substantial home price appreciation. The median sales price for a single-family home in Elbert County, for example, which borders both metro Denver and Colorado Springs, has risen 22.4 percent to \$630,000 through July 2021 compared to the same period last year, according to the Colorado Association of Realtors. Median home prices in Morgan County, bordering the northern and metro Denver regions, grew 13.2 percent to \$300,000 through July 2021, but remain well below the statewide median of \$500,000.

## Appendix: Historical Data

### National Economic Indicators

Calendar Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GDP (\$ <i>Billions</i> ) <sup>1</sup>	\$14,474.2	\$14,769.9	\$14,478.1	\$15,049.0	\$15,599.7	\$16,254.0	\$16,843.2	\$17,550.7	\$18,206.0	\$18,695.1	\$19,479.6	\$20,527.2	\$21,372.6	\$20,893.7
Percent Change	4.8%	2.0%	-2.0%	3.9%	3.7%	4.2%	3.6%	4.2%	3.7%	2.7%	4.2%	5.4%	4.1%	-2.2%
Real GDP (\$ <i>Billions</i> ) <sup>1</sup>	\$15,623.9	\$15,643.0	\$15,236.3	\$15,649.0	\$15,891.5	\$16,254.0	\$16,553.3	\$16,932.1	\$17,390.3	\$17,680.3	\$18,079.1	\$18,606.8	\$19,032.7	\$18,384.7
Percent Change	2.0%	0.1%	-2.6%	2.7%	1.5%	2.3%	1.8%	2.3%	2.7%	1.7%	2.3%	2.9%	2.3%	-3.4%
Unemployment Rate <sup>2</sup>	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%
Inflation <sup>2</sup>	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%
10-Year Treasury Note <sup>3</sup>	4.6%	3.7%	3.3%	3.2%	2.8%	1.8%	2.4%	2.5%	2.1%	1.8%	2.3%	2.9%	2.1%	0.9%
Personal Income (\$ <i>Billions</i> ) <sup>1</sup>	\$12,021.4	\$12,477.6	\$12,080.4	\$12,594.5	\$13,339.3	\$14,014.3	\$14,193.7	\$14,976.6	\$15,685.2	\$16,096.9	\$16,850.2	\$17,706.0	\$18,424.4	\$19,627.6
Percent Change	5.6%	3.8%	-3.2%	4.3%	5.9%	5.1%	1.3%	5.5%	4.7%	2.6%	4.7%	5.1%	4.1%	6.5%
Wage & Salaries (\$ <i>Billions</i> ) <sup>1</sup>	\$6,396.4	\$6,534.1	\$6,249.1	\$6,372.5	\$6,626.2	\$6,928.1	\$7,114.0	\$7,476.3	\$7,859.5	\$8,091.3	\$8,474.7	\$8,900.5	\$9,323.5	\$9,444.1
Percent Change	5.6%	2.2%	-4.4%	2.0%	4.0%	4.6%	2.7%	5.1%	5.1%	2.9%	4.7%	5.0%	4.8%	1.3%
Nonfarm Employment ( <i>Millions</i> ) <sup>2</sup>	138.0	137.2	131.3	130.3	131.9	134.2	136.4	138.9	141.8	144.3	146.6	148.9	150.9	142.3
Percent Change	1.1%	-0.5%	-4.3%	-0.7%	1.2%	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.3%	-5.7%

Sources:

<sup>1</sup>U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.

<sup>2</sup>U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).

<sup>3</sup>Federal Reserve Board of Governors.



## Colorado Economic Indicators

Calendar Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nonfarm Employment ( <i>Thousands</i> ) <sup>1</sup>	2,330.3	2,349.6	2,244.3	2,221.0	2,257.4	2,311.7	2,380.5	2,463.5	2,541.2	2,601.5	2,660.2	2,727.1	2,789.9	2,645.9
Percent Change	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.5%	3.2%	2.4%	2.3%	2.5%	2.3%	-5.2%
Unemployment Rate <sup>1</sup>	3.7%	4.9%	7.9%	9.1%	8.7%	8.0%	6.8%	5.0%	3.7%	3.1%	2.6%	3.0%	2.7%	7.3%
Personal Income (\$ <i>Millions</i> ) <sup>2</sup>	\$201,876	\$208,738	\$198,800	\$205,372	\$223,153	\$237,142	\$249,282	\$271,308	\$284,820	\$290,670	\$312,046	\$335,196	\$352,185	\$369,496
Percent Change	6.5%	3.4%	-4.8%	3.3%	8.7%	6.3%	5.1%	8.8%	5.0%	2.1%	7.4%	7.4%	5.1%	4.9%
Per Capita Income (\$) <sup>2</sup>	\$42,024	\$42,689	\$39,982	\$40,688	\$43,568	\$45,660	\$47,295	\$50,687	\$52,219	\$52,431	\$55,550	\$58,836	\$61,159	\$63,522
Percent Change	4.7%	1.6%	-6.3%	1.8%	7.1%	4.8%	3.6%	7.2%	3.0%	0.4%	5.9%	5.9%	3.9%	3.9%
Wage & Salary Income (\$ <i>Millions</i> ) <sup>2</sup>	\$112,526	\$116,710	\$112,228	\$113,670	\$118,414	\$124,947	\$129,521	\$138,626	\$146,578	\$151,086	\$160,848	\$170,323	\$182,087	\$184,978
Percent Change	6.5%	3.7%	-3.8%	1.3%	4.2%	5.5%	3.7%	7.0%	5.7%	3.1%	6.5%	5.9%	6.9%	1.6%
Retail Trade Sales (\$ <i>Millions</i> ) <sup>3</sup>	\$75,329	\$74,760	\$66,345	\$70,738	\$75,548	\$80,073	\$83,569	\$90,653	\$94,920	NA	NA	NA	NA	NA
Percent Change	6.9%	-0.8%	-11.3%	6.6%	6.8%	6.0%	4.4%	8.5%	4.7%					
Residential Housing Permits <sup>4</sup>	29,454	18,998	9,355	11,591	13,502	23,301	27,517	28,698	31,871	38,974	40,673	42,627	38,633	40,469
Percent Change	-23.2%	-35.5%	-50.8%	23.9%	16.5%	72.6%	18.1%	4.3%	11.1%	22.3%	4.4%	4.8%	-9.4%	4.8%
Nonresidential Construction (\$ <i>Millions</i> ) <sup>5</sup>	\$5,259	\$4,114	\$3,354	\$3,147	\$3,923	\$3,695	\$3,624	\$4,351	\$4,991	\$5,988	\$6,155	\$8,146	\$5,101	\$5,482
Percent Change	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.8%	-1.9%	20.1%	14.7%	20.0%	2.8%	32.4%	-37.4%	7.5%
Denver-Aurora-Lakewood Inflation <sup>1</sup>	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%	1.2%	2.8%	3.4%	2.7%	1.9%	2.0%
Population ( <i>Thousands, July 1</i> ) <sup>4</sup>	4,803.9	4,889.7	4,972.2	5,029.2	5,121.9	5,193.7	5,270.8	5,352.6	5,454.3	5,543.8	5,617.4	5,697.2	5,758.5	5,773.7
Percent Change	1.8%	1.8%	1.7%	1.1%	1.8%	1.4%	1.5%	1.6%	1.9%	1.6%	1.3%	1.4%	1.1%	0.3%

NA = Not available.

<sup>1</sup>U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for Denver-Aurora-Lakewood metro area.

<sup>2</sup>U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.

<sup>3</sup>Colorado Department of Revenue. Data are not available after 2015.

<sup>4</sup>U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.

<sup>5</sup>F.W. Dodge.