



Economic & Revenue Forecast

September 2025



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

September 2025 | Economic & Revenue Forecast

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Executive Summary

This report presents the budget outlook based on current law and the September 2025 forecast for General Fund revenue, cash fund revenue, and the state TABOR outlook. It also provides a preview of the school finance outlook, which is presented in full in the December forecast. Finally, it summarizes expectations for the U.S. and Colorado economies and provides economic indicators for nine regions of the state.

General Fund Budget Outlook

FY 2024-25

The General Fund is estimated to have ended FY 2024-25 with a 14.5 percent reserve, \$94.8 million below the statutory reserve requirement. General Fund revenue fell by 0.4 percent and totaled \$17.18 billion. The State Controller certified a state TABOR surplus of \$296.1 million, triggering a TABOR refund obligation of \$293.3 million after accounting for overrefunds of prior year surpluses.

FY 2025-26

The forecast incorporates all 2025 legislation, including legislation enacted during the August 2025 special session, and the federal [H.R. 1 - the One Big Beautiful Bill Act \(OBBBA\)](#). The General Fund is expected to end FY 2025-26 with a 12.9 percent reserve, \$306.7 million below the statutory reserve requirement. This amount may change based on ballot measures approved at the November 2025 election and legislation enacted during the 2026 legislative session. State revenue subject to TABOR is expected to fall below the Referendum C cap for the first time since FY 2019-20.

Revenue is expected to remain flat and total \$17.17 billion. Revenue expectations were revised down for the July forecast update, which incorporated the estimated tax revenue impacts of the OBBBA. Relative to July expectations, this forecast increases the expected revenue forecast to incorporate special session legislation expected to affect income tax, sales tax, and insurance premium tax receipts. It also incorporates expected reversions of General Fund appropriations following Executive Order D 2025 014, which directed spending reductions in executive branch agencies.

FY 2026-27

General Fund revenue is expected to grow 7.4 percent and total \$18.44 billion as impacts from the OBBBA become less pronounced. State revenue subject to TABOR is estimated to exceed the Referendum C cap by \$705.8 million. The General Fund is projected to have \$116.3 million, or 0.6 percent, less available to spend or save than what is budgeted to be spent in FY 2025-26, after current law transfers and the statutory reserve requirement are fulfilled. This amount does not incorporate caseload growth, inflation, or other budgetary pressures.

The General Fund Budget Overview section presents an alternative scenario that incorporates the Governor's proposed FY 2025-26 balancing actions and projects additional FY 2026-27 budget obligations based on current law. Under this scenario ("Scenario B"), the year-end

General Fund reserve would fall short of the reserve requirement by \$160.2 million in FY 2025-26, an improvement from the current law Scenario A, and would fall short of the reserve requirement by \$841.1 million in FY 2026-27. Additional explanation can be found in the discussion of the budget Scenario B (see Table 2 on page 12).

FY 2027-28

General Fund revenue is expected to grow 5.5 percent and total \$19.46 billion. State revenue subject to TABOR is expected to exceed the Referendum C cap by nearly \$1 billion. The state's budget situation for FY 2027-28 will depend on budget decisions made for FY 2026-27.

Risks to the Budget Outlook

The budget outlook is unusually sensitive to the revenue forecast. Because current year revenue is expected to fall short of the Referendum C cap, variation in the General Fund revenue forecast will translate to equivalent variation in the amount available for the current year General Fund budget.

Recession risk is high. The forecast does not assume a recession; however, economic indicators suggest that a near-term recession is possible. A recession would both reduce revenue and heighten demand for state services.

Finally, significant recent changes to federal and state fiscal policy are likely to impact forecast accuracy, with bidirectional possible impacts to the state's budget outlook.

School Finance Outlook

An update to the school finance outlook begins on page 23.

FY 2025-26. For FY 2025-26, total program is expected to increase by \$252.7 million. The state share will decline by \$124.0 million from the FY 2024-25 level based on expected inflation and the rising local share.

FY 2026-27. The state aid requirement is expected to increase \$334.0 million from the FY 2025-26 level. This assumes total program requirements increase by \$294.5 million and the local share decreases by \$40.0 million. Total program increases assume a funded pupil count decrease of 8,000, a projected inflation rate of 2.8 percent, and the continued phase-in of the new school finance formula as scheduled in current law. Local share decreases assume that assessed values decrease by \$1.8 billion (0.9 percent) and specific ownership tax revenue increases by 3 percent.

Phase-in of new formula and State Education Fund ending balance. Current projections for transfers to the State Education Fund are not expected to pause implementation of the new formula in FY 2026-27. Annual increases in the General Fund contribution to school finance of about 6.2 percent are required to achieve State Education Fund ending balances of \$200 million in FY 2027-28 and \$100 million in FY 2029-30.

Cash Fund Revenue

Preliminary figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled just under \$2.8 billion in FY 2024-25, a decrease of 1.0 percent from the prior fiscal year. The decrease is mostly attributable to falling severance tax revenue and to [House Bill 24-1434](#), which lowered the amount of sales tax revenue credited to the Housing Development Grant Fund.

In the current budget year, cash fund revenue subject to TABOR is expected to increase 11.3 percent from the prior fiscal year to total almost \$3.1 billion. The expected increase is mostly attributable to other cash funds, primarily a result of [House Bill 25B-1006](#). Cash fund revenue is expected to increase 5.2 percent and total just over \$3.2 billion in FY 2026-27. By FY 2027-28, cash fund revenue is expected to be just over \$3.3 billion, a 2.2 percent increase. Discussion of the cash fund revenue outlook begins on page 45.

Economic Outlook

More than halfway through the year, the current economic situation for the U.S and Colorado economies is fluid, but most indicators remain stable. Economic output has maintained a moderate pace of growth, unemployment rates remain relatively low, and incomes continue to improve. Though consumer sentiment has weakened over the past few months, spending has been sufficient to keep the economy moving. However, inflation expectations and rapid shifts in federal policy remain top concerns for consumers and businesses. Businesses, faced with the uncertainty of the changing environment and still having to contend with high lending costs, have pulled back their investments and slowed their rates of hiring.

While this forecast anticipates the U.S. and Colorado economies will expand though the forecast period, recent weakening in several economic indicators has heightened risks and narrowed the path for continued economic expansion. A near-term recession is possible, though not necessarily imminent and not assumed here.

This forecast expects variable federal policies to continue to create uncertainty for consumers and businesses, influencing their behavior, which will have downstream economic impacts. Over the rest of the year, tariffs are likely to reduce trade volumes, put upward pressure on prices, and dampen consumer spending and business investment.

Discussion of the economic outlook begins on page 63, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 21 and 22 on pages 97 and 98.

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General Fund Budget Overview

This section presents the General Fund overview based on current law. The General Fund overview is shown in Table 1. This section also presents the following:

- a budget scenario for FY 2026-27 that incorporates the Governor's proposed FY 2025-26 balancing actions and General Fund obligations expected under current law (Table 2);
- a summary of changes in expectations relative to the July forecast update (Table 3);
- a summary of transfers to and from the General Fund (Table 4);
- transfers to transportation and capital construction funds (Table 5);
- the disposition of fiscal policies dependent on revenue conditions;
- General Fund rebates and expenditures (Table 6); and
- a complete list of transfers to and from the General Fund (Table 7), other than those included in Table 5.

Legislative Assumptions

This forecast is based on current law and incorporates all 2025 legislation that became law, including legislation enacted during the August 2025 special session. The forecast does not account for provisions that would only take effect if voters approve ballot measures at the November election. The forecast incorporates executive action to reduce current year spending through Executive Order D 2025 014, but does not incorporate other budgetary actions requested by the Governor that would require legislation in order to occur.

FY 2024-25

Preliminary reports from the Office of the State Controller were not available in time to incorporate full accounting for the completed fiscal year in the forecast document. Based on available cash accounting data and expected forthcoming accrual adjustments, the General Fund is estimated to have ended FY 2024-25 with a 14.5 percent reserve, \$94.8 million below the statutory reserve requirement (Table 1, line 22). General Fund revenue fell by 0.4 percent and totaled \$17.18 billion. General Fund revenue was \$5.5 million above the estimate in the July forecast update.

On August 29, 2025, the State Controller certified a state TABOR surplus of \$296.1 million for FY 2024-25. The Controller's certification also indicated that prior year TABOR refund obligations had been overrefunded as of the end of the fiscal year, such that prior year overrefunds will subtract \$2.7 million from the current year obligation. After accounting for prior year overrefunds, the Controller certified a total refund obligation of \$293.3 million to be paid in FY 2025-26.

The General Fund reserve is now estimated to have fallen short of the statutory reserve requirement by \$67.8 million more than anticipated in the July forecast update, mostly due to reported overexpenditures in the Department of Health Care Policy & Financing (see Table 3 on page 15).

Table 1A
Funds Available in the General Fund
Dollars in Millions

Line	Funds Available	FY 2024-25 Preliminary	FY 2025-26 Estimate	FY 2026-27 Estimate	FY 2027-28 Estimate
1	Beginning Reserve	\$3,153.5	\$2,263.7	\$1,632.8	*
2	General Fund Revenue (Table 12)	\$17,181.3	\$17,174.7	\$18,444.5	\$19,461.2
3	Transfers from Other Funds (Table 7A)	\$520.0	\$123.1	\$58.9	\$31.6
4	Total Funds Available	\$20,854.7	\$19,561.6	\$20,136.2	*
5	Percent Change in Funds Available	5.5%	-6.2%	2.9%	*

Table 1B
General Fund Expenditures
Dollars in Millions

Line	Expenditures	FY 2024-25 Preliminary	FY 2025-26 Budgeted	FY 2026-27 Estimate	FY 2027-28 Estimate
6	General Fund Appropriations Subject to the Limit	\$15,621.8	\$16,537.9	*	*
7	Overexpenditure from General Fund	\$68.6			
8	TABOR Refund Obligation (Table 10)	\$293.3	\$0.0	\$705.8	\$965.8
9	Rebates and Expenditures (Table 6)	\$187.4	\$834.1	\$529.5	\$304.3
10	Transfers to Other Funds (Table 7B)	\$1,884.8	\$446.5	\$458.8	\$478.3
11	Transfers to the State Education Fund	\$146.0	\$0.0	\$0.0	\$0.0
12	Transfers to Transportation Funds (Table 5A)	\$117.5	\$42.7	\$61.0	\$110.5
13	Transfers to Capital Construction Funds (Table 5B)	\$254.1	\$170.6	\$20.0	\$20.0
14	Total Expenditures	\$18,573.5	\$18,031.8	*	*
15	Percent Change In Funds Available	10.1%	-2.9%	*	*
16	Reversions and Accounting Adjustments	-\$17.5	\$103.0	*	*

Asterisks ("*") indicate values that are not estimated.

Line 11, "Transfers to the State Education Fund," includes transfer pursuant to SB 23B-001. Does not include transfers to the SEF under Amendment 23, which are shown on line 30.

Line 16, "Reversions and Accounting Adjustments," indicates reversions of appropriated amounts and other accounting adjustments to arrive at the year-end balance published in the Annual Comprehensive Financial Report. FY 2024-25 includes \$2.7 million overrefunded with prior TABOR refund obligations, \$15.0 million in revised accrual adjustments for FY 2023-24 Proposition FF revenue, and a \$0.2 million reversion required by SB 25-243. FY 2025-26 reflects expected reversions based on the Governor's executive order reducing spending relative to current law appropriations.

Table 1C
General Fund Reserve
Dollars in Millions

Line	Reserve	FY 2024-25 Preliminary	FY 2025-26 Estimate	FY 2026-27 Estimate	FY 2027-28 Estimate
17	Year-End Reserve in General Fund	\$2,263.7	\$1,632.8	*	*
18	Year-End Reserve in PERA	\$0.0	\$500.0	*	*
19	Total Year-End Reserve	\$2,263.7	\$2,132.8	*	*
20	Year-End Reserve as a Percent of Appropriations	14.5%	12.9%	*	*
21	Statutorily Required Reserve	\$2,358.5	\$2,439.4	*	*
22	Amount in Excess or (Deficit) of Statutory Reserve	-\$94.8	-\$306.7	*	*
23	Excess Reserve as a Percent of Expenditures	-0.5%	-1.7%	*	*

Asterisks ("*") indicate values that are not estimated.

Line 21, "Statutorily Required Reserve," calculates the reserve as 15 percent of operating appropriations, minus \$41.25 million (beginning in FY 2023-24), plus \$56.5 million (for FY 2024-25 only).

Table 1D
Budget Scenario A: Holds FY 2025-26 Appropriations Constant
Dollars in Millions

Line	Projected Reserve Under Scenario	FY 2024-25 Preliminary	FY 2025-26 Estimate	FY 2026-27 Estimate	FY 2027-28 Estimate
24	Amount in Excess or (Deficit) of 15% Reserve Requirement			-\$116.3	
25	As a Percent of Prior-Year Expenditures			-0.6%	

This scenario holds appropriations in FY 2026-27 equal to appropriations in FY 2024-25 (line 6) to determine the total amount of money available relative to FY 2025-26 expenditures, net of the obligations in lines 8 through 13. Line 24 includes the year-end reserve amounts held in the both the General Fund and in PERA.

Table 1E
Budget Scenario B: Governor's Proposed FY 2025-26 Balancing Actions
and Projected FY 2026-27 Obligations Based on Current Law
Dollars in Millions

Line	Projected Reserve Under Scenario	FY 2024-25 Preliminary	FY 2025-26 Estimate	FY 2026-27 Estimate	FY 2027-28 Estimate
26	Amount in Excess or (Deficit) of 15% Reserve Requirement		-\$160.2	-\$841.1	
27	As a Percent of Current-Year Expenditures		-0.9%	-4.7%	

For FY 2025-26, this scenario includes the Governor's requested transfers and proposed 1331 supplemental appropriations. For FY 2026-27, this scenario includes annualized costs for 2025 legislation; assumed increases for Medicaid, higher education, community provider rates, and state employee compensation; capital construction and IT capital projects approved to date; and State Architect recommendations for controlled maintenance. See Table 2. Line 26 includes the year-end reserve amounts held in the both the General Fund and in PERA.

Table 1F
General Fund Overview Addenda
Dollars in Millions

Line	Addendum Items	FY 2024-25 Preliminary	FY 2025-26 Estimate	FY 2026-27 Estimate	FY 2027-28 Estimate
28	Percent Change in General Fund Appropriations	13.0%	5.9%	*	*
29	5% of Colorado Personal Income Appropriations Limit	\$22,392.7	\$23,530.3	\$24,659.7	\$25,843.4
30	Transfers to State Education Fund per Amendment 23	\$1,060.6	\$1,036.5	\$1,110.8	\$1,176.4

Asterisks ("*") indicate values that are not estimated.

FY 2025-26

Incorporating appropriations adopted in the Long Bill and other 2025 regular session and special session legislation, as well as forecast expectations for revenue, transfers, and rebates and expenditures, the General Fund is expected to end FY 2025-26 with a 12.9 percent reserve, \$306.7 million below the 15 percent reserve requirement (Table 1, line 22). In addition to normal forecast revisions, any ballot measures approved at the November 2025 election, supplemental appropriations adopted during the 2026 legislative session, and other legislative changes to appropriations and transfers will affect this amount.

General Fund revenue collections are expected to remain flat, with increased sales tax, individual income tax, and insurance premium tax offsetting a large decrease in corporate income taxes. After incorporating the fiscal impacts of the federal One Big Beautiful Bill Act (OBBBA), state revenue subject to TABOR is expected to fall short of the Referendum C cap by \$215.0 million. Relative to the July forecast update, revenue expectations were increased by \$346.7 million, mostly reflecting legislation enacted during the 2025 special session. Error in the General Fund revenue forecast will correspondingly increase or decrease revenue available for the current year General Fund budget, and revenue collections above the forecast could cause the state to incur a TABOR refund obligation.

FY 2026-27 (Unbudgeted)

General Fund revenue in FY 2026-27 is expected to grow 7.4 percent, primarily driven by rebounding income tax collections as negative impacts from the OBBBA become less pronounced. State revenue subject to TABOR is expected to exceed the Referendum C cap by \$705.8 million. Because a budget has not yet been enacted for FY 2026-27, this forecast presents two scenarios for the General Fund budget outlook.

Scenario A: Holds appropriations constant in FY 2026-27. Scenario A, shown in Table 1D, presents the amount of revenue available to be spent or saved in FY 2026-27 assuming that appropriations equal the amount appropriated in FY 2025-26. Based on this forecast, the General Fund will have \$116.3 million, or 0.6 percent, less available to spend or save than in FY 2025-26. This amount assumes current law obligations for FY 2026-27, including transfers, rebates, and expenditures (Table 1, lines 9 through 13), as well as the current law reserve requirement and the projected TABOR refund obligation. The estimate is a cumulative amount that reflects the FY 2025-26 budget situation and projected year-end balance. Any changes in revenue or adjustments made to the budget for FY 2025-26 will carry forward into FY 2026-27. This amount holds FY 2025-26 appropriations constant and therefore does not reflect any caseload, inflationary, or other budget pressures. This scenario does not include annualizations of 2025 legislation. It includes Executive Order D 2025 014, which directs executive branch agencies to reduce expenditures for the current year, but does not include other transfers of cash fund revenue to the General Fund, as these require legislation.

Scenario B: Proposed FY 2025-26 balancing actions and projected FY 2026-27 obligations. Scenario B, shown in Table 1E, presents the amount of revenue in excess or deficit of the statutory reserve requirement based on the Governor's proposed FY 2025-26 budget balancing actions and a set of projected changes to appropriations and transfers to accommodate current law budget pressures. The inclusion of Scenario B is illustrative and is not an endorsement of any

of the listed actions by Legislative Council Staff. Under Scenario B, the General Fund would end FY 2025-26 with a 13.8 percent reserve, \$160.2 million below the statutory reserve requirement, and would end FY 2026-27 with a 9.8 percent reserve, \$841.1 million below the statutory reserve requirement.

Table 2 details the assumptions used to calculate Scenario B. Some additional explanation is provided below.

Changes in FY 2025-26 budget. Scenario B includes changes to transfers and appropriations as requested in the Governor’s August 28, 2025, letter to members of the Joint Budget Committee, as well as interim emergency supplemental appropriations (“1331 supplementals”) requested by state agencies. The Governor’s letter identifies \$149.2 million in requested one-time transfers from cash funds to the General Fund (Table 2, line 2). Scenario B assumes that spending reductions directed by Executive Order D 2025 014 would be adopted as negative supplemental appropriations (Table 2, line 6), which would also reduce the reserve requirement (Table 2, line 19). Accounting for these reductions as reduced appropriations—as opposed to accounting for them as reversions, as in Scenario A (Table 1, line 16)—results in \$100.0 million decrease in projected reversions relative to Scenario A (Table 2, line 21). Finally, Scenario B (Table 2, line 5) incorporates 1331 supplementals requested by the Departments of Personnel (\$9.8 million), Public Health and Environment (\$2.8 million), and Corrections (\$2.8 million).

Change in FY 2026-27 beginning balance. Incorporating the changes listed for FY 2025-26, the General Fund would be expected to begin FY 2026-27 with a \$133.8 million higher balance than under Scenario A (Table 2, line 3).

Changes in FY 2026-27 General Fund appropriations. Scenario B shows how appropriations for the largest areas of General Fund expenditure may change in FY 2026-27. Table 2 shows expenditure assumptions based on JBC Staff analysis of prior year budget actions. Please note that these assumptions may overstate or understate needed cost increases for FY 2026-27. Specifically, these assumptions include:

- no increase in General Fund appropriations for school finance as a result of the new diversion to the Kids Matter Account under [House Bill 25-1320](#);
- \$349.0 million in increased General Fund appropriations for the Department of Health Care Policy and Financing for medical services premiums, behavioral health, and the Medicare Modernization Act, among others (Table 2, line 8);
- \$44.8 million in increased General Fund appropriations for higher education institutions, representing a 2.8 percent inflationary increase on the FY 2025-26 base for governing boards and financial aid (Table 2, line 9);
- \$52.6 million in increased General Fund appropriations for community providers, representing the same growth as seen in FY 2025-26 (Table 2, line 10);
- \$95.1 million in increased General Fund appropriations for state employee salaries, representing a 4.0 percent increase (Table 2, line 11);
- \$5.4 million in annualizations of FY 2025-26 decision items for all other departments (Table 2, line 12); and
- \$10.7 million in increased General Fund appropriations for administrative expenses for SNAP benefits as a result of an increased state share of total expenses beginning in Federal Fiscal Year 2027 under the OBBBA (Table 2, line 13).

Scenario B also includes out-year cost annualizations for 2025 legislation. Based on LCS final fiscal notes, FY 2026-27 General Fund expenditures for 2025 legislation are expected to be \$15.6 million less than FY 2025-26 expenditures (Table 2, line 7).

In total, Scenario B shows the budget impact of \$542.1 million in additional appropriations in FY 2026-27 compared with Scenario A (Table 2, line 14). With this increase, the scenario also estimates an \$81.3 million increase in the statutory reserve requirement (Table 2, line 19). Scenario B does not incorporate the costs for any new state programs receiving General Fund appropriations, which would further reduce the available amount.

Table 2
Budget Scenario B: Governor's Proposed FY 2025-26 Balancing Actions
and Projected FY 2026-27 Obligations Based on Current Law
Dollars in Millions

Line	Component	FY 2025-26	FY 2026-27
1	Excess Reserve Under Scenario A	-\$306.7	-\$116.3
2	Governor's Proposed FY 2025-26 Transfers In	\$149.2	
3	Change in FY 2026-27 Beginning Balance		\$133.8
4	Change in Funds Available	\$149.2	\$133.8
5	Requested 1331 Supplementals for FY 2025-26	\$15.4	
6	Negative Supplementals for Exec. Order Spending Reductions	-\$100.0	
7	2025 Legislation Out-Year Cost Annualizations		-\$15.6
8	HCPF (all decision items)		\$349.0
9	Higher Ed. Institutions (2.8% increase based on inflation)		\$44.8
10	Community Providers (same increase as FY 2025-26)		\$52.6
11	Salary Survey (4.0% increase)		\$95.1
12	Estimated Other FY 2025-26 Decision Items Annualizations		\$5.4
13	SNAP Administration Expenses		\$10.7
14	Total Change in Appropriations	-\$84.6	\$542.1
15	Out-Year Cost of FY 2025-26 Funded Capital Const. Projects		\$25.8
16	Out-Year Cost of FY 2025-26 IT Capital Projects		\$6.7
17	State Architect Recommendation for Controlled Maintenance		\$202.6
18	Total Change in Capital Transfers	\$0	\$235.2
19	Change in Required Reserve (15% of Line 14)	-\$12.7	\$81.3
20	Total Change in General Fund Obligations (Line 14 plus Line 18 plus Line 19)	-\$97.3	\$858.5
21	Change in Accounting Adjustment: FY 2025-26 reversions (Table 1, Line 16) accounted as reduced appropriations (Table 2, Line 6)	-\$100.0	\$0
22	Excess Reserve Under Scenario B (Line 1 plus Line 4 minus Line 20 plus Line 21)	-\$160.2	-\$841.1

Source: September 2025 LCS Forecast and Joint Budget Committee Staff.

Changes in General Fund transfers for capital projects. Scenario B shows a total of \$235.2 million in additional General Fund obligations for transfers to the Capital Construction Fund (Table 2, line 18). The amount includes out-year costs for capital construction (line 15) and IT capital (line 16) projects funded in FY 2025-26, alongside the State Architect’s recommended annual allocation for controlled maintenance spending (line 17), equal to one percent of the current replacement value of state buildings. The costs for new projects funded with General Fund transfers in FY 2026-27 would add to the total amount.

FY 2027-28 (Unbudgeted)

Expectations for FY 2027-28 debut with this September forecast. General Fund revenue is projected to increase 5.5 percent and total \$19.46 billion, with moderate growth across all revenue streams. State revenue subject to TABOR is expected to exceed the Referendum C cap by just under \$1 billion. The amount available for the budget depends on the FY 2026-27 year-end reserve, which will depend on budget decisions made for FY 2026-27.

Risks to the General Fund Budget Outlook

The budget outlook is unusually sensitive to the revenue forecast. FY 2025-26 revenue is expected to fall short of the Referendum C cap for the first time since FY 2019-20. In years when state revenue is below the Referendum C cap, variation in the General Fund revenue forecast translates, dollar-for-dollar, into variation in the amount available for the General Fund budget. For reference, the FY 2024-25 revenue was \$247.2 million, or 1.5 percent, higher than estimated in the September 2024 LCS forecast. Normal forecast errors of this amount or greater could change the current year budget environment.

Recession risk is high. This forecast does not assume a recession, but a weak national labor market, poor construction activity, and rising household debt all signal that the economy is in a precarious position. A recession would both reduce revenue and heighten demand for state services, pinching the budget from multiple angles.

OBBBA impacts on revenue are uncertain. This forecast incorporates expected decreases in individual and corporate income tax attributable to new and expanded federal income tax deductions in the OBBBA. The estimates are based on Congressional estimates produced by the Joint Committee on Taxation (JCT), adjusted for Colorado’s share of the U.S. economy and the state’s income tax structure. However, both the adjustment methodology and the underlying JCT estimates likely contain errors of an unknown direction and magnitude. These could affect the budget significantly, especially given the size of the OBBBA adjustments.

Changes Between the July Forecast Update and the September Forecast

Table 3 presents revisions to the General Fund budget outlook relative to the July forecast update. These changes are explained below.

FY 2024-25. As shown in Table 3, the expected amount of the year-end balance was downgraded by \$67.8 million, mostly a result of overexpenditures in the Department of Health Care Policy and Financing (HCPF). The certified TABOR refund obligation was lower than expected, while expenditures for the Old Age Pension program were higher than had been reported in July due to late accounting of a year-end accrual adjustment.

FY 2025-26. The July forecast update anticipated that the General Fund would end FY 2025-26 with a deficit of \$691.9 million relative to the reserve requirement. The outlook for the year-end balance has improved by \$385.3 million, such that this September forecast now anticipates a year-end deficit of \$306.7 million relative to the reserve requirement.

The largest changes are:

- a \$67.8 million downgrade to the expected beginning balance, mostly due to HCPF overexpenditures during FY 2024-25;
- a \$346.7 million upgrade to the General Fund revenue forecast, mostly due to special session legislation anticipated to increase collections from individual income tax, corporate income tax, sales tax, and insurance premium tax; and
- a \$103.0 million anticipated reversion due to spending reductions directed by Executive Order D 2025 014.

FY 2026-27. Table 3 presents a like-to-like comparison between the FY 2026-27 General Fund budget outlook under Scenario A in the July forecast update and the September forecast. Expectations for revenue available to be spent or saved were increased by \$415.8 million, largely as a result of carrying forward a higher expected FY 2025-26 ending balance. Downgrades to the General Fund revenue forecast were mostly offset by a lower expectation for the TABOR refund obligation. Notably, since the forecast does not expect a TABOR surplus for the current FY 2025-26, FY 2026-27 reimbursements for the homestead exemption and for assessed value reductions under [Senate Bill 24-111](#) will be paid from the FY 2026-27 General Fund budget, rather than the FY 2025-26 TABOR refund obligation. For this reason, a reduced forecast for reimbursements for assessed value reductions under SB 24-111 increases the amount of revenue available to be spent or saved in FY 2026-27.

Table 3
Changes in the General Fund Budget Relative to the July 2025 Forecast Update (Scenario A)
Dollars in Millions, Positive Amounts Reflect an Increase Relative to July

Components of Change	FY 2024-25	FY 2025-26	FY 2026-27	Description of Changes
Funds Available	\$4.3	\$276.2	\$327.0	
Beginning Reserve	\$0.0	-\$67.8	\$385.3	Carries forward anticipated year-end balances.
General Fund Revenue	\$5.5	\$346.7	-\$59.5	See Table 12. Reflects special session legislation.
Transfers from Other Funds	-\$1.2	-\$2.8	\$1.2	See Table 7.
Expenditures	\$69.4	-\$6.1	-\$88.8	
Operating Appropriations and Overexpenditures	\$68.6	-\$0.1	-\$0.1	FY 2024-25 overexpenditure for Health Care Policy and Financing.
TABOR Refund Obligation	-\$17.8	\$0.0	-\$53.0	See Table 10. Reflects Controller's certification of FY 2024-25 revenue and changes to revenue forecast.
Rebates and Expenditures	\$17.7	\$1.3	-\$36.4	See Table 6. Upward revision to Old Age Pension for FY 2024-25. Downward revision to property tax assessed value reductions for FY 2026-27.
SEF Transfers	\$0.0	\$0.0	\$0.0	
Transportation Transfers	\$0.0	\$0.0	\$0.0	See Table 5.
Capital Const. Transfers	\$0.0	\$0.0	\$0.0	See Table 5.
Other Cash Fund Transfers	\$0.9	-\$7.3	\$0.7	See Table 7.
Required Reserve	\$0.0	\$0.0	\$0.0	
Accounting Adjustment	-\$2.7	\$103.0	\$0.0	FY 2024-25 reflects TABOR overrefunds. FY 2025-26 reflects anticipated reversions due to spending reductions directed by executive order.
Surplus Relative to Required Reserve	-\$67.8	\$385.3	\$415.8	Nets the above changes.

Summary of Net Transfers Between the General Fund and Cash Funds

Statutory transfers to and from the General Fund are presented in lines 3 and 10 through 13 of Table 1. Table 4 groups these transfers and summarizes their impact on the net General Fund position. Detailed General Fund transfers for infrastructure are presented in Table 5. Detailed transfers not included in Table 5 are presented in Table 7 on pages 21 through 22.

Table 4
Net Transfers Between the General Fund and Cash Funds

Dollars in Millions

Transfer Category	2024-25	2025-26	2026-27	2027-28
Cash Fund Transfers to the General Fund (Table 7A)	\$520.0	\$123.1	\$58.9	\$31.6
General Fund Transfers to the State Education Fund (Table 1, Line 12)	-\$146.0	\$0.0	\$0.0	\$0.0
General Fund Transfers to Transportation Funds (Table 5A)	-\$117.5	-\$42.7	-\$61.0	-\$110.5
General Fund Transfers to Capital Funds (Table 5B)	-\$254.1	-\$170.6	-\$20.0	-\$20.0
General Fund Transfers to Other Cash Funds (Table 7B)	-\$1,884.8	-\$446.5	-\$458.8	-\$478.3
Net General Fund Transfers	-\$1,882.4	-\$536.6	-\$480.9	-\$577.3

General Fund Transfers for Transportation and Capital Construction

Statutory transfers from the General Fund to transportation and capital construction funds are shown in Table 5. In the General Fund overview shown in Table 1, these transfers are included on lines 12 and 13.

Table 5A
General Fund Transfers to Transportation Funds

Dollars in Millions

Bill Number	2024-25	2025-26	2026-27	2027-28
SB 21-260	\$117.5	\$42.7	\$61.0	\$110.5
Total Transfers to Transportation Funds	\$117.5	\$42.7	\$61.0	\$110.5

Table 5B
General Fund Transfers to Capital Funds

Dollars in Millions

Bill Number	2024-25	2025-26	2026-27	2027-28
HB 15-1344	\$20.0	\$20.0	\$20.0	\$20.0
HB 24-1425	\$232.2			
SB 24-222	\$1.9			
SB 25-262		\$150.6		
Total Transfers to Capital Funds	\$254.1	\$170.6	\$20.0	\$20.0

HB 15-1344 transfers are contingent upon requests made by the Capital Development Committee.

General Fund transfers for transportation. [Senate Bill 21-260](#) directed annual transfers from the General Fund to the State Highway Fund (\$107.0 million) and the Multimodal Transportation and Mitigation Options Fund (\$10.5 million) beginning in FY 2024-25. [Senate Bill 25-257](#) reduced the State Highway Fund portions of these transfers, such that the total transfer is \$42.7 million in FY 2025-26 and \$61.0 million in FY 2026-27. Transfers will again total \$110.5 million annually beginning in FY 2027-28.

General Fund transfers for capital projects. [Senate Bill 25-262](#) makes a one-time, \$150.6 million transfer to fund capital projects in FY 2025-26. Ongoing \$20.0 million transfers under House Bill 15-1344 occur annually upon requests made by the Capital Development Committee.

Rebates and Expenditures

Table 6 on page 18 presents the outlook for rebates and expenditures, which are amounts paid from the General Fund to meet specific constitutional or statutory requirements. While many of these amounts appear in the Long Bill, they are included there for informational purposes only, since state agencies are required by the constitution or statute to pay the full amount of the required expenditure regardless of the budgeted amount. These Long Bill amounts for these items do not contribute to the General Fund reserve requirement as they are not technically appropriations.

Table 6 identifies General Fund expenditures to reimburse local governments for property taxes not collected as a result of the homestead exemption and assessed value reductions for qualified senior primary residence property under [Senate Bill 24-111](#). In years when the state pays TABOR refunds, these reimbursements are accounted as TABOR refund mechanism. Because the forecast anticipates that state revenue will fall below the Referendum C cap for FY 2025-26, expenditures for FY 2026-27 will be paid from that year's General Fund budget, and not the prior year TABOR refund obligation. This forecast also includes a significant downward revision to reimbursements to local governments under SB 24-111, based on preliminary data showing much lower utilization of the program than previously forecast.

Table 6
General Fund Rebates and Expenditures
Dollars in Millions

Category	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Senior and Veterans Property Tax Exemptions	\$173.1	\$180.8	\$194.5	\$201.1
Portion Accounted as TABOR Refund Mechanism	-\$173.1	-\$180.8	\$0.0	-\$201.1
Percent Change in Property Tax Exemptions	7.4%	4.4%	7.6%	3.4%
Property Tax Assessed Value Reductions		\$1.3	\$3.5	
Portion Accounted as TABOR Refund Mechanism		-\$1.3	\$0.0	
Percent Change in Assessed Value Reductions		N/A	161.4%	
Direct Distributions to PERA		\$664.6	\$165.4	\$147.0
Percent Change in Direct Distribution to PERA		N/A	-75.1%	-11.1%
Cigarette Rebate	\$6.4	\$5.1	\$5.0	\$4.5
Percent Change in Cigarette Rebate	-6.4%	-19.7%	-3.4%	-10.0%
Old Age Pension Fund	\$89.7	\$90.3	\$88.5	\$85.5
Percent Change in Old Age Pension Fund	-3.5%	0.7%	-2.0%	-3.4%
Aged Property Tax and Heat Credit	\$16.4	\$12.8	\$13.2	\$13.5
Percent Change in Aged Property Tax and Heat Credit	35.5%	-22.4%	3.7%	2.1%
Older Coloradans Fund	\$10.0	\$10.0	\$10.0	\$10.0
Percent Change in Older Coloradans Fund	0.0%	0.0%	0.0%	0.0%
Interest Payments for School Loans	\$22.2	\$20.9	\$19.7	\$18.5
Percent Change in Interest for School Loans	-15.3%	-5.9%	-5.9%	-5.9%
Firefighter Pensions	\$4.0	\$4.1	\$4.1	
Percent Change in Firefighter Pensions	-2.6%	1.7%	0.0%	
Amendment 35 Distributions	\$0.6	\$0.6	\$0.6	\$0.5
Percent Change in Amendment 35 Distributions	-4.9%	-4.8%	-1.5%	-5.8%
Marijuana Sales Tax Transfer to Local Governments	\$18.6	\$6.1	\$5.9	\$5.9
Percent Change in Marijuana Tax to Local Gov'ts	-4.4%	-67.3%	-2.8%	0.4%
Business Personal Property Exemptions	\$19.5	\$19.6	\$19.2	\$18.9
Percent Change in Business Personal Prop. Exemptions	18.5%	0.5%	-2.0%	-1.5%
Total Rebates and Expenditures	\$187.4	\$834.1	\$529.5	\$304.3
Percent Change in Total Rebates and Expenditures	-22.5%	345.0%	-36.5%	-42.5%

Totals may not sum due to rounding. N/A = Not applicable.

Local government reimbursements for property tax exemptions and property tax assessed value reductions are the first and second TABOR refund mechanisms, respectively, used to meet the prior year's refund obligation.

Direct distributions to PERA were removed from the General Fund reserve requirement and are first accounted as a rebate and expenditure in FY 2025-26. This line also includes a \$500 million warrant in FY 2025-26 only.

Fiscal Policies Dependent on Revenue Conditions

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

Tax Credit Availability and Amounts

In 2023 and 2024, the General Assembly adopted four bills that create income tax credits for which availability and amounts depend on revenue forecasts. Under this September forecast, the tax credits from all four bills are expected to be reduced in tax year 2026 as a result of reduced revenue expectations.

The availability and amounts of each tax credit are determined by expectations for growth in revenue subject to TABOR. At the same time, the availability and amounts of these tax credits

also influence expectations for revenue subject to TABOR by impacting individual income tax revenue. As a result, the order in which the tax credits are evaluated to determine whether revenue conditions are satisfactory to allow the credit to be offered in full can be significant.

This forecast evaluates the revenue growth criteria for each tax credit in the order that the actual amounts of the tax credits will be determined throughout the year. For example, the decarbonization tax credits in [House Bill 23-1272](#) were evaluated before the workforce shortage tax credit in [House Bill 24-1365](#) because the actual amounts of the decarbonization tax credits are determined by the June forecast, while the actual amounts of the workforce shortage tax credits are determined by the September forecast. Forecast assumptions for each credit are described in more detail below.

Tax credits related to decarbonization in [House Bill 23-1272](#). The bill extends pre-existing income tax credits for electric and plug-in hybrid electric passenger vehicles (through 2028) and trucks (through 2032). It also creates new income tax credits for installation of heat pumps or sales of electric bicycles, both through 2032. Beginning in tax year 2026, credit amounts are reduced by half in tax years where the preceding June forecast from either Legislative Council Staff (LCS) or the Office of State Planning and Budgeting (OSPB) anticipates that state revenue subject to TABOR will grow by less than 4 percent.

Based on the growth expectation from the June 2025 LCS forecast, the credit amounts for electric motor vehicles, heat pumps, and electric bicycles will be reduced by half in 2026. Based on this September forecast, the credits are expected to return to the full amounts in tax years 2027 and 2028.

Workforce shortage tax credit in [House Bill 24-1365](#). The bill creates a tax credit for tax years 2026 through 2032 for facility improvement and equipment acquisition costs associated with training programs to alleviate worker shortages. Total credit certificates issued for each tax year may not exceed \$15 million. This amount is reduced to \$7.5 million in tax years where the preceding September forecast from either LCS or OSPB anticipates that state revenue subject to TABOR will grow by less than 4 percent. The trigger first applies based on this September 2025 forecast of revenue for FY 2025-26.

Based on this forecast, the revenue cap for the tax credit will be reduced to \$7.5 million in tax year 2026. It is expected to return to \$15 million in tax years 2027 and 2028.

Expanded earned income tax credit in [House Bill 24-1134](#) and family affordability tax credit in [House Bill 24-1311](#). These bills expand the state earned income tax credit (HB 24-1134) and create a family affordability income tax credit (HB 24-1311). Both credits applied unconditionally in tax year 2024. For tax year 2025 and later tax years, the credits in the bills may be reduced based on revenue projections for the fiscal year that begins during the tax year, as projected in the December forecast that is prepared by the agency whose forecast was selected by the Joint Budget Committee (JBC) to balance that fiscal year's budget. Based on the December 2024 OSPB forecast, both credits are allowed in full for tax year 2025.

The availability and amounts of these two credits are determined by the forecasted compound annual growth of state revenue subject to TABOR in any fiscal year assuming that both credits are available in full, in relation to the March 2024 OSPB forecast for FY 2024-25 revenue. Based on that calculation, this forecast expects that both tax credits will be unavailable for tax year 2026. Since the JBC selected the March 2025 OSPB forecast to balance the FY 2025-26 budget, the actual availability of credits for tax year 2026 will depend on the December 2025 OSPB

forecast for FY 2026-27 revenue subject to TABOR. Both tax credits are assumed to be available at a reduced level for tax year 2027 (31 percent of the full credit value) and tax year 2028 (13 percent of the full credit value), though actual amounts will depend on future December forecast expectations.

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 forecast and subsequent June forecasts. For the fiscal year in which the June 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 lesser of \$30 million or the UPTF fund balance. Based on the June 2023, June 2024, and June 2025 LCS forecasts, no transfers were made for FY 2022-23 through FY 2024-25.

Based on this forecast, revenue for FY 2025-26 is expected to be below the cutoff amount, and the full \$30 million transfer is expected to be made in June 2026. The actual transfer amount will depend on the June 2026 LCS forecast. If a transfer is made, it will increase cash fund revenue subject to TABOR and bring state revenue closer to the TABOR limit. If revenue does not exceed the TABOR limit, then there is no net impact on the General Fund budget. No transfer is expected for FY 2026-27 or FY 2027-28, as revenue subject to TABOR is expected to come in above the cutoff amount in both years.

Partial Refundability of the Conservation Easement Tax Credit

Through tax year 2026, the conservation easement income tax credit is available as a nonrefundable credit in tax years when the state does not refund a TABOR surplus. 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 2024-25; therefore, partial refundability of the credit will be available for tax year 2025. The state is not expected to collect a TABOR surplus in FY 2025-26; therefore, partial refundability of the credit is not expected to be available for tax year 2026.

Beginning for tax year 2027, the credit is partially refundable in all years under [Senate Bill 24-126](#), and the refundable amount will increase to \$200,000 per taxpayer per year.

Table 7A
Cash Fund Transfers to the General Fund
Dollars in Millions

Bill Number	Transfers to the General Fund	2024-25	2025-26	2026-27	2027-28
HB 92-1126	Land and Water Management Fund	\$0.0	\$0.0	\$0.0	\$0.0
HB 05-1262	Amendment 35 Tobacco Tax	\$0.6	\$0.6	\$0.6	\$0.5
HB 08-1216	Consumer Outreach and Education Program	\$0.0	\$0.0	\$0.0	\$0.0
SB 13-133 & HB 20-1400	Limited Gaming Fund	\$22.4	\$24.1	\$28.9	\$27.0
HB 20-1427	2020 Tax Holding Fund	\$4.1	\$4.1	\$4.1	\$4.1
SB 21-213	Use of Increased Medicaid Match	\$7.4	\$1.2	\$0.0	\$0.0
HB 23-1041	Prohibit Greyhound Wagering			\$0.1	
HB 23-1272	Decarbonization Tax Credits Administration	\$23.5	\$39.4	\$25.4	
HB 24-1413	Severance Tax Cash Funds	\$69.3			
HB 24-1414	COVID Heroes Collaboration Fund	\$3.6			
HB 92-1126	Land and Water Management Fund	\$0.0	\$0.0	\$0.0	\$0.0
HB 05-1262	Amendment 35 Tobacco Tax	\$0.6	\$0.6	\$0.6	\$0.5
HB 08-1216	Consumer Outreach and Education Program	\$0.0	\$0.0	\$0.0	\$0.0
HB 24-1426	Controlled Maintenance Trust Fund	\$48.9			
SB 25-114	Financial Literacy and Exchange Fund	\$0.6			
SB 25-260	Household Financial Recovery Pilot Program	\$5.2			
SB 25-264	Various Cash Funds	\$171.3	\$53.9		
SB 25-293	License Plate Cash Fund	\$4.2			
SB 25-312	American Rescue Plan Act Funds	\$96.8			
SB 25-317	Cash Fund Investment Earnings	\$62.1			
All Bills	Total Transfers to the General Fund	\$520.0	\$123.1	\$58.9	\$31.6

Table 7B
General Fund Transfers to Other Cash Funds
Dollars in Millions

Bill Number	Transfers from the General Fund	2024-25	2025-26	2026-27	2027-28
SB 11-047 & HB 13-1001 & SB 23-066 & HB 24-1396	Bioscience Income Tax Transfer to OEDIT	\$22.0	\$23.0	\$24.0	\$25.0
SB 14-215 & SB 25-268	Marijuana Tax Cash Fund	\$120.5	\$121.4	\$118.0	\$118.4
SB 17-267	State Public School Fund	\$21.1	\$19.7	\$19.2	\$19.2
HB 20-1116 & HB 24-1398	Procurement Technical Assistance Program	\$0.2	\$0.2	\$0.2	\$0.2
HB 20-1427	2020 Tax Holding Fund	\$243.6	\$238.0	\$246.6	\$250.0
SB 22-191	Procurement of Information Technology Resources	\$0.0	\$0.0	\$0.0	\$0.0
SB 22-195	Conservation District Grant Fund	\$0.1	\$0.1	\$0.1	\$0.1
HB 23-1041	Prohibit Greyhound Wagering	\$0.03	\$0.05		
HB 23-1305	Continue Health Benefits in Work-Related Death	\$0.2	\$0.2		
SB 23-005	Forestry and Wildfire Mitigation Workforce	\$1.0	\$1.0	\$1.0	\$1.0
SB 23-255	Wolf Depredation Compensation Fund	\$0.4	\$0.4	\$0.4	\$0.4

SB 22-191 directs transfers of unspent prior year General Fund appropriations for IT procurement. Any transfer amount is already included in General Fund appropriations and not counted again here.

Table 7B
General Fund Transfers to Other Cash Funds
Dollars in Millions

Bill Number	Transfers from the General Fund	2024-25	2025-26	2026-27	2027-28
HB 24-1043	Death and Disability Payment Cash Fund		\$2.1	\$2.1	\$2.1
HB 24-1152	ADU Fee Reduction and Encouragement Program	\$8.0			
HB 24-1176	Behavioral and Mental Health Cash Fund	\$4.0			
HB 24-1237	Child Care Facility Development Cash Fund	\$0.3			
HB 24-1280	Welcome, Reception, and Integration Cash Fund	\$2.5			
HB 24-1313	Transit-Oriented Communities Infrastructure Fund	\$35.0			
HB 24-1349	Firearms and Ammunition Excise Tax Cash Fund	\$3.0	\$16.4	\$24.3	\$32.1
HB 24-1364	Longitudinal Data System Cash Fund	\$5.0			
HB 24-1365	Opportunity Now Grants	\$4.0			
HB 24-1379	Clean Water Cash Fund			\$0.2	\$0.2
HB 24-1386	Broadband Infrastructure Cash Fund	\$4.6			
HB 24-1390	Healthy School Meals for All Program Cash Fund	\$0.0			
HB 24-1397	Creative Industries Cash Fund	\$0.5			
HB 24-1420	Crime Victim Services Fund	\$4.0			
HB 24-1421	Multidisciplinary Crime Prevention Crisis Intervention	\$3.0			
HB 24-1439	Apprenticeship Programs	\$4.0			
HB 24-1466	ARPA Recipient Cash Funds	\$1,394.6			
SB 24-170	America 250 - Colorado 150 Cash Fund	\$0.3			
SB 24-214	State Agency Sustainability Revolving Fund	\$0.4			
SB 24-218	Lineworker Apprenticeship Grant Program Cash Fund	\$0.8			
SB 24-221	Rural Hospital Cash Fund	\$1.7			
HB 25-1209	Marijuana Entrepreneur Fund		\$0.3	\$0.3	
SB 25-007	Prescribed Fire Claims Cash Fund		\$0.3		
SB 25-213	Broadband Infrastructure Cash Fund		\$0.8		
SB 25-254	Stationary Sources Control Fund		\$5.0		
SB 25-255	Hazardous Substance Response Fund		\$6.0		
SB 25-268	Marijuana Cash Fund		\$2.6	\$2.5	\$2.5
SB 25-269	Infrastructure Investment & Jobs Act Cash Fund		\$4.0		
SB 25-308	Health-Related Social Needs		\$0.0	\$0.0	\$0.0
SB 25-310	Death Benefit Fund		\$5.0	\$5.0	\$2.0
SB 25-310	Peace Officer Training and Support Fund			\$15.0	\$25.0
All Bills	Total General Fund Transfers to Other Cash Funds	\$1,884.8	\$446.5	\$458.8	\$478.3

Under **HB 24-1390**, the balance of the Healthy School Meals for All General Fund Exempt Account is transferred to a new cash fund on July 1, 2024. The balance of the account was \$0 on that date and no money was transferred.

SB 24-214 increased the amount of a transfer to the Energy Fund that occurred in June 2022. The additional amount, \$125,000, was deposited in the Energy Fund in FY 2023-24.

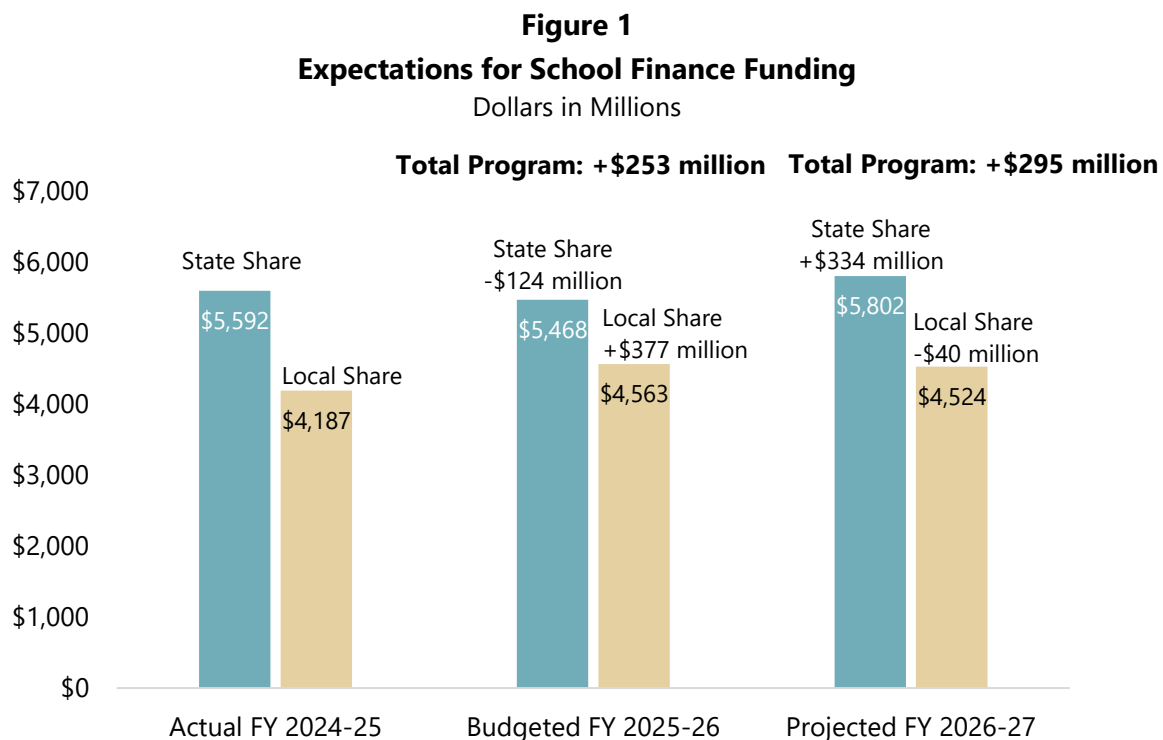
SB 25-308 directs transfers of unspent General Fund appropriations for health-related social needs. Any transfer amount is already included in General Fund appropriations and not counted again here.

School Finance Outlook

This section presents information on the outlook for school finance for the upcoming budget year (FY 2026-27) and incorporates the following information:

- September 2025 forecasts for income tax diversions to the State Education Fund (SEF), federal mineral lease payments, marijuana tax revenue, and inflation; and
- expectations for the continued phase-in of the new school finance formula in FY 2026-27, as passed in [House Bill 24-1448](#) and amended in [House Bill 25-1320](#) and [Senate Bill 25-315](#).

Figure 1 illustrates state and local shares for school funding for FY 2024-25 (actual), FY 2025-26 (budgeted), and FY 2026-27 (projected).



Summary

For FY 2025-26, total program is expected to increase by \$252.7 million. The state share will decline by \$124.0 million on a year-over-year basis as a result of the inflationary increase in total program and the expected increase in the local share.

For FY 2026-27, the state share requirement is expected to increase by about \$334.0 million on a year-over-year basis, due to the following factors:

- **Total program requirements** will increase by \$294.5 million in FY 2026-27. This projection is based on an expected decrease in the funded pupil count of about 8,000, a projected inflation rate of 2.8 percent, and continued phase-in of the new school finance formula. The decrease in funded pupil count includes the repeal of the Accelerating Students Through Concurrent Enrollment (ASCENT) program through SB 25-315.

- The **local share** will decrease by \$40.0 million on a year-over-year basis. This assumes assessed values decrease by \$1.8 billion (0.9 percent) relative to FY 2025-26, while specific ownership tax collections increase by 3 percent. Local share changes are discussed more below.

New School Finance Formula

HB 24-1448 created a new school finance formula to distribute funding to school districts. It was amended by HB 25-1320 and SB 25-315. The first year of implementation of the new formula is FY 2025-26, and it will continue to be phased in over seven years until FY 2031-32.

Implementation of the formula is paused if any of the following conditions are met:

- the change in local share of total program is less than inflation minus 2 percent over the prior year in a property tax assessment year;
- the local share decreases by at least 2 percent in a property tax non-assessment year; or
- the March revenue forecast used by the Joint Budget Committee for the budget predicts that the income tax diversion to the SEF will decrease by 5 percent or more in the current or next budget year, as long as that decrease is not the result of a correction to an error in the amount of income tax revenue deposited in the SEF.

Bills passed during the special session in August 2025 made several changes to state taxable income beginning in tax year 2025. Based on current forecasts, the year-over-year change in the income tax diversion to the SEF is expected to be -2.4 percent in FY 2025-26. As a result, these changes are not expected to pause the implementation of the new formula in FY 2026-27.

In addition, HB 25-1320 specified that beginning in FY 2027-28, the new formula will use a three-year averaging of student counts, except that if the SEF balance falls below \$200 million, the formula will use a two-year averaging of student counts, or a smoothing factor. Whether this \$200 million threshold is met depends on future General Fund contributions and other student count and formula implementation provisions in state law.

Enrollment

Enrollment is a major determinant of required total program formula funding, as funding is allocated on a per pupil basis. This update assumes FY 2026-27 enrollment estimates from the December 2024 LCS forecast for K-12 enrollment, adjusted for the repeal of the ASCENT program.

In addition, HB 25-1320 modified the averaging provision used in the calculation of a district's funded pupil count, which is used to allocate funding. In FY 2025-26, a district's pupil count includes a four-year averaging provision where a district may use the greater of the current year count, or a two-year, three-year, or four-year average of the October counts. Beginning in FY 2026-27, district pupil count will move to a three-year averaging provision, unless the new formula is not phased in to 30 percent, in which case the four-year averaging provision is maintained.

The funded pupil count in FY 2026-27, is expected to be 837,957, a decrease of 8,000 FTE compared to FY 2025-26. These estimates assume three-year averaging will be utilized, and will be updated in December 2025.

Local Share

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, along with specific ownership taxes. This forecast assumes assessed value estimates from the December 2024 LCS forecast. Assessed values are expected to total \$190.4 billion in FY 2026-27, a decrease of 0.9 percent from the prior year.

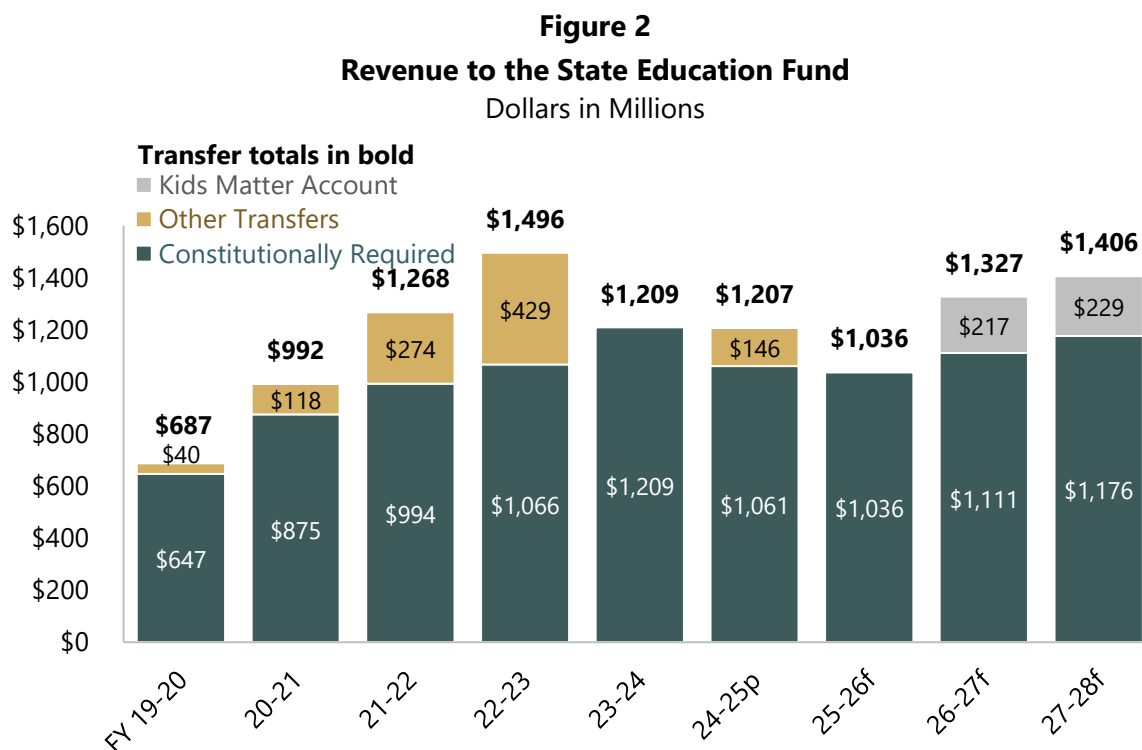
In FY 2026-27, the local share is expected to be \$4.5 billion. This represents a year-over-year decrease of \$40 million, or 0.9 percent. Similar to K-12 enrollment, assumptions for assessed values will be updated in December 2025.

State Education Fund

Revenue to the SEF

The Colorado Constitution requires the SEF to receive one-third of one percent of taxable income. The SEF is expected to receive \$1.0 billion in FY 2025-26 and \$1.1 billion in FY 2026-27 from the requirement. Slightly higher amounts are expected in the following years of the forecast. In addition, HB 25-1320 added an annual contribution to the Kids Matter Account within the SEF of 65 percent of one-tenth of 1 percent of federal taxable income beginning in FY 2026-27.

Figure 2 shows a history and forecast for revenue sources to the SEF through the end of the forecast period.



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

"Other transfers" includes transfers under 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, SB 21-208 for FY 2021-22, HB 22-1390 for FY 2022-23, and SB 23B-001 for FY 2024-25.

The constitutional transfers in FY 2023-24 include a one-time increase of \$135.1 million to adjust for under-transfers in prior years.

Expenditures from the SEF

Historically, the General Assembly has increased the General Fund contribution each year, doing so in 10 of the last 13 years. In FY 2023-24 and FY 2024-25, the General Assembly held the General Fund contribution constant with the level from the prior year, largely due to the historically high balance in the SEF and the large increases in the local share. In FY 2025-26, the General Assembly increased the General Fund contribution by \$150 million.

Table 8 shows the projected SEF contributions to school finance and the associated ending balances in the SEF for FY 2025-26 through FY 2029-30, for each of the following General Fund contribution scenarios:

- **Scenario 1:** General Fund increases by a constant \$150 million annually;
- **Scenario 2:** General Fund grows proportionately to the historical growth in overall General Fund appropriations (about 5 percent annually);
- **Scenario 3:** General Fund grows proportionately to the historical General Fund contribution to the state share of total program (4.2 percent annually); and
- **Scenario 4:** General Fund grows at a rate necessary to maintain a \$200 million ending balance in FY 2027-28 and a \$100 million ending balance in FY 2029-30 (6.2 percent annually).

Estimates beyond FY 2026-27 have significantly elevated uncertainty, which increases with each additional year. Additionally, these scenarios assume a contribution from the State Public School Fund of \$167 million in FY 2026-27 and about \$94 million after that through FY 2029-30. The elevated contribution amounts from the State Public School Fund are from revenue exceeding the Public School Capital Construction Assistance Fund revenue cap created in HB 25-1320.

Table 8
State Education Fund End Balances Under Four Scenarios
Based on varying General Fund contributions to school finance

Scenario Description	Scenario 1 Constant GF Increase (\$150M annually)	Scenario 2 Historical GF Appropriation Growth (5% Growth)	Scenario 3 Historical GF Contribution Growth (4.2% Growth)	Scenario 4 Needed to Maintain \$100M SEF Balance (~6.2% Growth)
FY 2025-26	\$546 million	\$546 million	\$546 million	\$546 million
FY 2026-27	\$222 million	\$291 million	\$256 million	\$345 million
FY 2027-28	-\$165 million	\$55 million	-\$54 million	\$222 million
FY 2028-29	-\$670 million	-\$209 million	-\$433 million	\$139 million
FY 2029-30	-\$1,309 million	-\$502 million	-\$886 million	\$100 million

As shown in Table 8, the four scenarios result in the following impact on the fund balance:

- **Scenario 1:** If the General Fund contribution consistently increases by \$150 million annually, the existing balance in the SEF will be completely expended in three years.
- **Scenario 2:** If the General Fund contribution grows proportionately to historical growth in overall GF appropriations (about 5 percent annually), the SEF balance is expended over a four-year period.

- **Scenario 3:** If the General Fund contribution grows proportionately with historical contributions (an average of 4.2 percent annually), the balance is expended in three years.
- **Scenario 4:** If the General Fund contribution grows by 6.2 percent annually, the SEF hits the \$200 million ending balance threshold in FY 2027-28 and maintains a balance of \$100 million at the end of the forecast period.

It should be noted that the estimates for the first three options likely overstate the reduction in the SEF end balance that will actually occur as in the out years as they do not account for potential changes to student count averaging or the implementation of the smoothing factor contemplated under current law.

School Finance Appropriations

The final appropriation for the state share of school finance in FY 2025-26 will be made through the passage of the mid-year supplemental bill for the Colorado Department of Education. The initial appropriation for state aid in FY 2026-27 will be made through the passage of the 2026 Long Bill and 2026 School Finance Act.

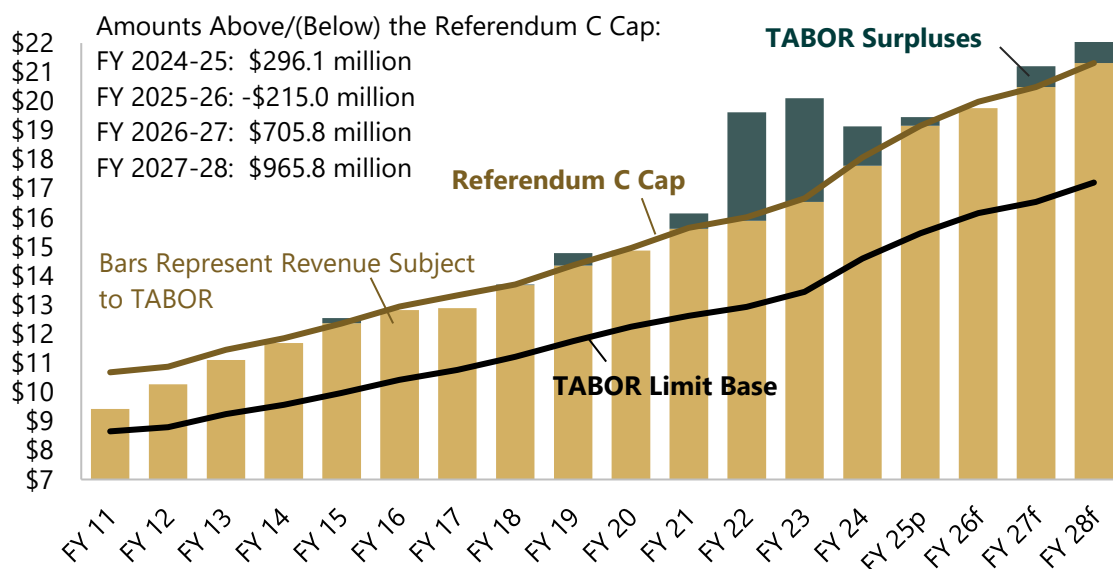
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TABOR Outlook

The state TABOR outlook is presented in Table 10 and illustrated in Figure 3, which also provides a history of the TABOR limit base and the Referendum C cap. In FY 2024-25, state revenue subject to TABOR exceeded the Referendum C cap, creating a state obligation for TABOR refunds to taxpayers in FY 2025-26. Revenue is expected to fall short of the cap in FY 2025-26 before exceeding the cap once again in FY 2026-27 and FY 2027-28, creating a state obligation for TABOR refunds to be paid to taxpayers in each of FY 2027-28 and FY 2028-29.

Figure 3
TABOR Revenue, TABOR Limit Base, and the Referendum C Cap

Dollars in Billions



Source: Office of the State Controller and Legislative Council Staff. p = preliminary; f = Forecast.
The refund amount for FY 2024-25 differs from the surplus amount because it includes \$2.7 million in over-refunds from prior TABOR surpluses.

FY 2024-25

On September 1, 2024, the State Controller certified that state revenue subject to TABOR exceeded the Referendum C cap by \$296.1 million in FY 2024-25. The state refund obligation totals \$293.3 million in the current FY 2024-25 and includes an adjustment attributable to over-refunds of prior TABOR surpluses (\$2.7 million). The FY 2024-25 surplus is expected to be refunded to taxpayers via the refund mechanisms in current law, which are explained in greater detail below.

Forecasts for FY 2025-26 through FY 2027-28

In FY 2025-26, state revenue subject to TABOR is projected to fall below the Referendum C cap by \$215.0 million, and the state will not incur an obligation for TABOR refunds. As a result, no refunds to taxpayers are expected to be made via property tax exemptions and assessed value reductions, or refunds using the income tax form. The state obligation to reimburse counties for

homestead exemptions and assessed value reductions, an estimated \$198 million, will be paid from General Fund revenue rather than TABOR surplus dollars in FY 2026-27.

Revenue is projected to exceed the Referendum C cap by \$705.8 million in FY 2026-27, and by \$965.8 million in FY 2027-28. Refunds of those amounts are expected to be returned to taxpayers in the fiscal year following the collection of each surplus. The actual refund obligation in any given year will incorporate any over- or under-refund of prior year surpluses.

Relative to the July forecast update, expectations for revenue subject to TABOR were increased by about \$600 million in FY 2025-26, reflecting increased expectations for both cash fund and General Fund revenue subject to TABOR. General fund revenue was revised upward primarily as a result of upward revisions to corporate income tax revenue due to legislation passed during the 2025 special session. Expectations for revenue subject to TABOR were largely unchanged for FY 2026-27, and expectations for FY 2027-28 debut with this forecast.

The forecast includes adjustments for qualification and disqualification of enterprises. The Front Range Waste Diversion Enterprise was repealed by House Bill 24-1449, and is therefore disqualified as a TABOR enterprise starting in FY 2024-25. The Waste Tire Management Enterprise is created as an enterprise starting in FY 2025-26 by Senate Bill 24-123, and moves the fees collected on the sale of new tires into the enterprise. The forecast assumes the disqualification of the Healthy Insurance Affordability Enterprise also for FY 2025-26, and its requalification for FY 2026-27. When an institution is disqualified as an enterprise, its fee revenue becomes subject to TABOR, and an upward adjustment is made to the TABOR limit base and the Referendum C cap. Likewise, when an institution is requalified or newly qualified as an enterprise, its existing fee revenue is subtracted from the TABOR limit base and the Referendum C cap. Enterprise qualification and disqualifications resulted in net adjustments of \$13.1 million in FY 2024-25, \$134.3 million in FY 2025-26, and -\$143.0 million in FY 2026-27.

The amounts presented above do not include the TABOR (3)(c) refund obligation for **Proposition FF** revenue exceeding the 2022 Blue Book estimate in FY 2023-24. This amount is payable unless voters approve Proposition LL in November 2025, which would allow the state to retain this revenue. It is assumed that this refund obligation will be administered differently than the TABOR (7)(d) refund obligations that arise when state revenue exceeds the TABOR limit. There is no mechanism in current law to refund this excess to taxpayers.

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. Any forecast error for inflation or population growth will also impact the TABOR situation by resulting in higher or lower allowable growth in the Referendum C cap.

TABOR surpluses mitigate risks to the General Fund budget from the impacts of lower-than-expected General Fund revenue. Currently projected TABOR surpluses in FY 2026-27 and FY 2027-28 range between 3.3 and 4.3 percent of revenue subject to TABOR, which is well within normal error for forecasts beyond the current fiscal year. A reduction in General Fund revenue relative to forecast expectations will result in a smaller obligation for TABOR refunds,

and will impact the budget if the error is great enough to erase the projected TABOR surplus. Likewise, error in the forecast for cash fund revenue subject to TABOR also poses a risk to the outlook for the General Fund budget. Greater-than-expected revenue from cash fund sources would increase the General Fund obligation for TABOR refunds, thereby reducing the amount available for the budget.

As revenue subject to TABOR is currently projected to fall below the Referendum C cap in FY 2025-26, any reduction in General Fund revenue will impact the budget, while an increase in revenue from cash fund sources may not reduce available budget space, if total revenue remains below the Referendum C cap.

TABOR Refund Mechanisms

TABOR refund mechanisms and expected refund amounts are shown in Figure 4. Current state law includes two ongoing refund mechanisms for FY 2024-25 and beyond. There are additionally two refund mechanisms established in [Senate Bill 24-228](#) for FY 2023-24 through FY 2033-34, and one additional temporary refund mechanism established in [Senate Bill 24-111](#) for FY 2024-25 and FY 2025-26. These refund mechanisms are discussed below.

The first ongoing refund mechanism that applies for each year in the forecast period is the local government reimbursement for **homestead property tax exemptions** for seniors, veterans with a disability, and Gold Star spouses. Based on this forecast, this mechanism is expected to be used for tax years 2025, 2027, and 2028.

Senate Bill 24-111 established a new refund mechanism used to refund the TABOR surplus collected for FY 2024-25 and FY 2025-26 through reductions in the assessed value of **owner-occupied senior primary residences** for those who have previously qualified for the existing senior homestead exemption but who are currently ineligible because they moved. Local governments' foregone property tax revenue as a result of the bill is reimbursed by the state government. Figure 4 includes this mechanism with the "Property Tax Refunds" label. The mechanism is estimated to refund \$1.3 million in property tax year 2025.

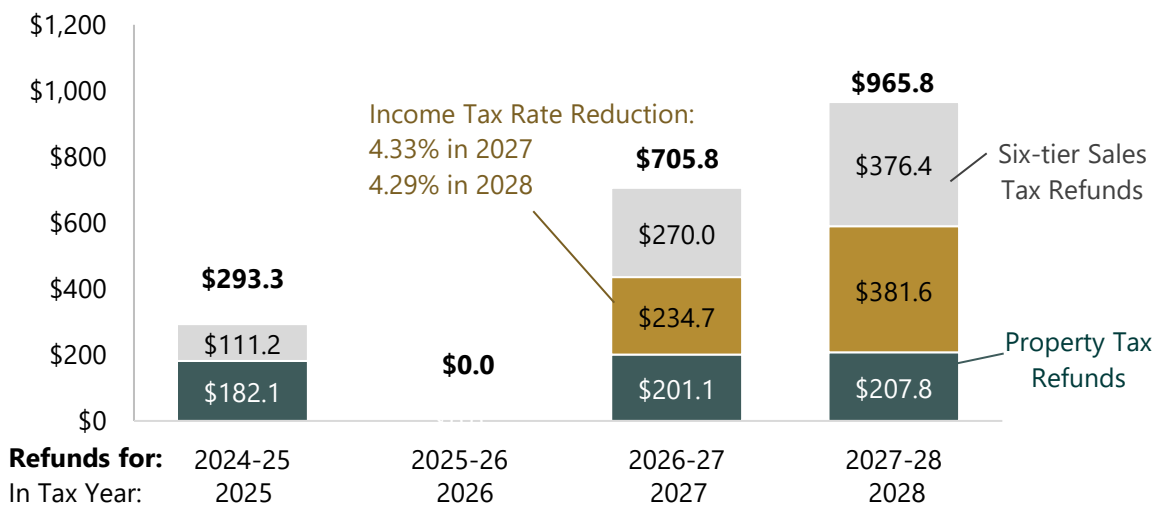
As discussed above, revenue subject to TABOR is expected to fall below the Referendum C cap in FY 2025-26. This means that the homestead property tax reimbursements, which are expected to total \$194.5 million, and the additional property tax reimbursements under SB 24-111, which are expected to total \$3.5 million, will be paid from General Fund revenue rather than the TABOR refund obligation in property tax year 2026.

The **temporary income tax rate reduction** is expected to apply for tax years 2027 and 2028 as the second TABOR refund mechanism after property tax refunds. The income tax rate will be reduced from 4.40 percent to 4.33 percent in tax year 2027 and to 4.29 percent in tax year 2028, based on the expected amounts of the TABOR surplus remaining after property tax refunds in FY 2026-27 and FY 2027-28.

This forecast anticipates that the income tax rate reduction mechanism will not be triggered in tax years 2025 or 2026. In subsequent years, the amount of the income tax rate reduction that is triggered depends on the amount of the TABOR surplus remaining after reimbursements to local governments for property tax exemptions.

The **six-tier sales tax refund mechanism** is expected to apply for tax years 2025, 2027 and 2028 with refund amounts based on taxpayer incomes, as average refunds per taxpayers are projected to exceed the \$15 threshold to trigger identical sales tax refunds. While SB 24-228 established a higher threshold for triggering identical sales tax refunds, that change is contingent upon an Internal Revenue Service ruling that has not yet been made. Hence, this forecast assumes the current law threshold remains at \$15 per person throughout the forecast period, pending further information. Table 9 on page 33 presents estimated six-tier sales tax refund amounts for tax years 2025, 2027, and 2028.

Figure 4
Expected TABOR Refunds and Refund Mechanisms
Dollars in Millions



Source: Legislative Council Staff September 2025 forecast.

"Property tax refunds" includes the homestead exemption for seniors, veterans, and Gold Star Spouses, and, for FY 2024-25, property tax reimbursements to local governments under SB 24-111.

Refunds made via property tax reductions reduce obligations that would otherwise be paid from General Fund revenue. Refunds made via the income tax rate reduction or sales tax refunds are paid to taxpayers when they file their state income tax returns. TABOR refund 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 refund mechanisms being activated.

Table 9
Projected TABOR Refunds via the Six-Tier or Identical Sales Tax Refund Mechanisms

Tax Year 2025 Refunds from FY 2024-25 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$54,000	\$20	\$40
\$54,001 to \$110,000	\$26	\$52
\$110,001 to \$176,000	\$30	\$60
\$176,001 to \$250,000	\$36	\$72
\$250,001 to \$329,000	\$38	\$76
\$329,001 and up	\$62	\$124

Tax Year 2026 Refunds from FY 2025-26 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$56,000	\$0	\$0
\$56,001 to \$114,000	\$0	\$0
\$114,001 to \$182,000	\$0	\$0
\$182,001 to \$258,000	\$0	\$0
\$258,001 to \$340,000	\$0	\$0
\$340,001 and up	\$0	\$0

Tax Year 2027 Refunds from FY 2026-27 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$57,000	\$47	\$94
\$57,001 to \$117,000	\$62	\$124
\$117,001 to \$187,000	\$72	\$144
\$187,001 to \$265,000	\$85	\$170
\$265,001 to \$349,000	\$92	\$184
\$349,001 and up	\$148	\$296

Tax Year 2028 Refunds from FY 2027-28 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$59,000	\$65	\$130
\$59,001 to \$120,000	\$87	\$174
\$120,001 to \$192,000	\$100	\$200
\$192,001 to \$272,000	\$118	\$236
\$272,001 to \$358,000	\$127	\$254
\$358,001 and up	\$205	\$410

AGI = Adjusted gross income.

Note: Amounts do not include estimates for reimbursements to local governments for property tax exemptions or for income tax rate reductions.

Table 10A
State Revenue Subject to TABOR
Dollars in Millions

Line	TABOR Revenue	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
1	General Fund Revenue	\$16,680.4	\$16,684.7	\$17,958.1	\$18,967.0
2	Cash Fund Revenue	\$2,769.1	\$3,082.3	\$3,241.5	\$3,312.4
3	Total TABOR Revenue	\$19,449.4	\$19,767.1	\$21,199.6	\$22,279.4

Line 1, General Fund Revenue, differs from the amount in the General Fund revenue summary because of accounting adjustments across TABOR boundaries.

Table 10B
TABOR Revenue Limit
Dollars in Millions

Line	Revenue Limit	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
4	Allowable TABOR Growth Rate	5.9%	3.6%	3.3%	4.0%
5	Inflation (from Prior Calendar Year)	5.2%	2.3%	2.8%	3.4%
6	Population Growth (from Prior Calendar Year)	0.6%	1.4%	0.5%	0.6%
7	TABOR Limit Base	\$15,462.7	\$16,158.5	\$16,544.0	\$17,205.8
8	Voter Approved Revenue Change (Referendum C)	\$3,690.7	\$3,608.6	\$3,949.8	\$4,107.8
9	Total TABOR Limit / Referendum C Cap	\$19,153.4	\$19,982.1	\$20,493.8	\$21,313.5
10	TABOR Revenue Above or Below Ref. C Cap	\$296.1	-\$215.0	\$705.8	\$965.8

Line 9, Total TABOR Limit, assumes that all enterprises will maintain enterprise status. If an enterprise is disqualified, both revenue subject to TABOR and the Referendum C cap will have equal upward adjustments.

Table 10C
Revenue Retained and Refunded Under TABOR
Dollars in Millions

Line	Retained/Refunded Revenue	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
11	Revenue Retained under Referendum C	\$3,690.7	\$3,608.6	\$3,949.8	\$4,107.8
12	Fiscal Year Spending	\$19,153.4	\$19,767.1	\$20,493.8	\$21,313.5
13	Prior Year Overrefund Amount	-\$2.7			
14	Revenue Refunded to Taxpayers	\$293.3	\$0.0	\$705.8	\$965.8

Line 11, "Revenue Retained under Referendum C", is referred to as "General Fund Exempt" in the budget.

Line 13, "Outstanding Overrefund Amount," represents overrefunds from prior years.

Table 10D
TABOR Reserve Requirement
Dollars in Millions

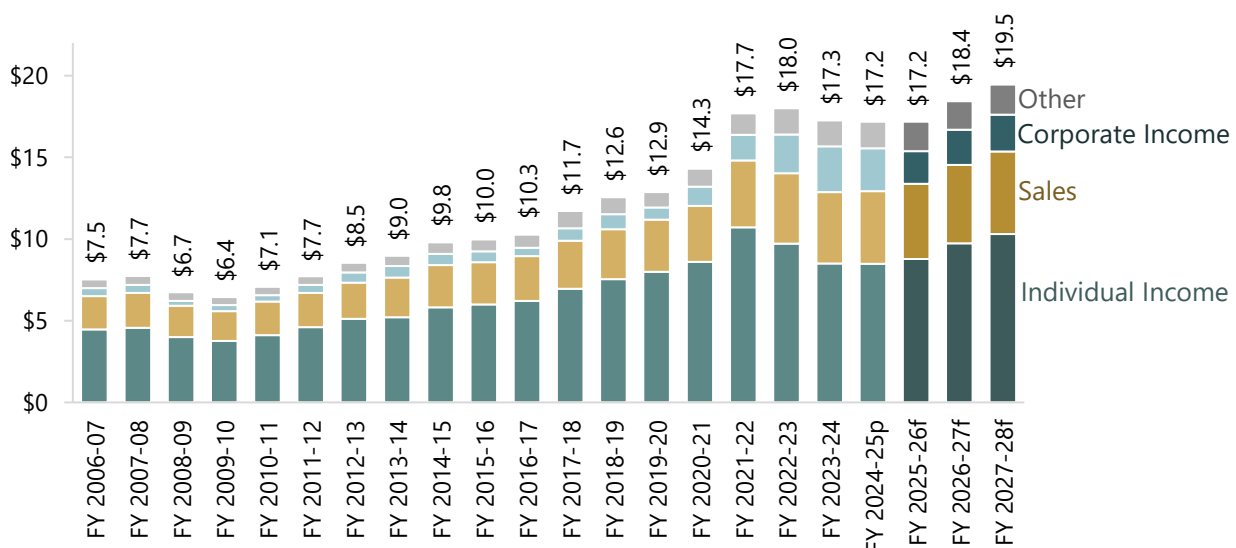
Line	Reserve Requirement	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
15	TABOR Reserve Requirement	\$574.6	\$593.0	\$614.8	\$639.4

General Fund Revenue

This section presents the outlook for General Fund revenue, the state's main source of funding for discretionary operating appropriations. The three primary sources of General Fund revenue are individual income tax, sales tax, and corporate income tax collections. Other sources of General Fund revenue include excise taxes (retail marijuana, tobacco, and liquor), insurance premium tax, pari-mutuel tax, court receipts, and investment income. Table 12 on pages 43 through 44 summarizes General Fund revenue collections for FY 2024-25 and projections for FY 2025-26 through FY 2027-28; these are also illustrated in Figure 5, below.

The forecast incorporates adjustments to the forecast for legislation enacted during the 2025 regular session, [H.R. 1 - the One Big Beautiful Bill Act \(OBBBA\)](#), and legislation enacted in the 2025 special session.

Figure 5
General Fund Revenue Sources
Billions of Dollars



Amounts shown for FY 2025-26 through FY 2027-28 are forecasts. FY 2024-25 is preliminary.

The segment labeled "Other" includes: use tax; retail marijuana special sales tax; cigarette, tobacco, and liquor excise taxes; Proposition EE tobacco taxes; firearms and ammunition tax; insurance premium tax; pari-mutuel wagering tax; court receipts; investment income; and miscellaneous small sources that are not forecasted independently.

Source: Office of the State Controller and Legislative Council Staff September 2025 forecast.

Based on preliminary data, the state collected \$17.18 billion in General Fund revenue, a 0.4 percent decline compared to the prior year. The drop in revenue was largely due to individual income tax revenue, the largest component of General Fund revenue, which fell slightly following the enactment of large income tax credits during the 2024 legislative session. Corporate income tax revenue also fell in FY 2024-25, declining 6.3 percent from record highs posted in the prior year. Sales tax revenue finished the year up 1.8 percent, a sluggish pace of growth compared to its historical average.

General Fund revenue is projected to fall slightly by \$6.5 million in FY 2025-26 compared to FY 2024-25 as the OBBBA takes effect, reducing total income tax revenue. Individual income tax

revenue is expected to increase modestly in FY 2025-26 and rebound to a faster pace of growth in FY 2026-27 and FY 2027-28, representing a small upward revision relative to the July forecast update. Corporate income taxes are expected to fall significantly in the current fiscal year following record highs, despite a \$203.9 million upward revision due to legislation enacted in the 2025 special session. Sales tax revenue growth is expected to be modest in FY 2025-26 as consumer sentiment deteriorates, partially offset by revenue increases from [House Bill 25B-1005](#). General Fund revenue is expected to reach \$19.46 billion by the end of the forecast period in FY 2027-28.

Risks to the General Fund revenue forecast are elevated as economic conditions and the revenue impacts of the OBBBA are highly uncertain. Income tax credits that depend on revenue conditions also represent risks to the forecast, with relatively small changes in projected growth potentially making significant changes to credit amounts and availability. Stronger-than-expected wage gains due to lower interest rates could boost sales and income tax collections above the amounts projected in this forecast. Downside risks include a weak labor market and households pulling back on spending due to high uncertainty and poor household finances, each of which would result in lower General Fund collections.

Income Tax

Taxable income earned by all Colorado individuals and corporations is taxed at one flat rate.

Proposition 121 reduced the income tax rate from 4.55 percent to 4.40 percent beginning in tax year 2022. Income tax revenue is credited to the General Fund and is subject to TABOR, except that:

- an amount equal to one third of one percent of taxable income is transferred to the State Education Fund (SEF) and exempt from TABOR under **Amendment 23**, approved by voters in 2000;
- an amount equal to one-tenth of one percent of taxable income is transferred to the State Affordable Housing Fund and exempt from TABOR under **Proposition 123**, approved by voters in 2022;
- an amount equal to 65 percent of one-tenth of one percent of federal taxable income is diverted to the Kids Matter Account in the SEF under the School Finance Act in [House Bill 25-1320](#), starting in FY 2026-27; and
- non-corporate taxpayers with adjusted gross incomes over \$300,000 are required to add back a portion of their federal standard or itemized deductions when computing their Colorado taxable income. Revenue attributable to this addition is deposited into the Healthy School Meals for All Cash Fund, exempt from TABOR, and required to be spent for the healthy school meals program created in **Proposition FF**, approved by voters in November 2022.

This section presents forecasts separately for income taxes paid by individuals and non-corporate businesses, and for income taxes paid by corporations.

Individual Income Tax

Individual income tax revenue is the largest source of General Fund revenue, accounting for about 53 percent of revenue to the General Fund in FY 2024-25, before accounting for the SEF and affordable housing transfers.

FY 2024-25. Individual income tax collections declined by 0.5 percent in FY 2024-25, to total \$10.00 billion before the SEF and affordable housing transfers. Revenue was \$5.6 million less than expected in the July forecast update due to revisions of preliminary data.

For most taxpayers, final payments for tax year 2024 were due in April 2025. While data on final payments are incomplete, available data suggest that net tax receipts for the 2024 tax year were up by 3 percent compared with 2023 net tax receipts. Table 11 presents net tax receipts for tax years 2023 and 2024, including forecast expectations for the remaining final payments for tax year 2024. As shown in Table 11, an increase in cash with returns, withholding, and estimated payments more than offset a significant increase in refunds, driven by the expanded earned income tax credit established in [House Bill 24-1134](#), and the family affordability tax credit established in [House Bill 24-1311](#). Both refunds and cash with returns are expected to remain elevated as state and federal tax policy changes continue to impact taxpayers' ability to anticipate tax liability.

Table 11
Individual Income Tax Receipts by Source, Tax Years 2023 and 2024
Dollars in Millions

	Actual TY 2023	Estimated TY 2024	Percent Change
Withholding	\$9,559	\$10,119	5.9%
Estimated Payments	\$1,369	\$1,547	13.0%
Cash With Returns	\$1,458	\$2,054	40.9%
Refunds	-\$2,194	-\$3,190	45.4%
Total	\$10,192	\$10,531	3.3%

Source: Office of the State Controller; Department of Revenue; and September 2025 Legislative Council Staff forecast.

For illustrative purposes, withholding and estimated payments for a tax year show receipts between February of that year and January of the following year. Cash with returns and refunds for a tax year show transactions between January and December of the following year. Tax received during these time periods may be for the current or any prior tax year, but are assumed to be representative of the tax years indicated.

Cash with returns and refunds for tax year 2024 include preliminary data for August 2025 and forecasted transactions for September through December 2025. TABOR refund amounts that reduced final payments are added to refunds.

Forecast for FY 2025-26. Individual income tax revenue is expected to increase by 2.8 percent in FY 2025-26, to total \$10.28 billion before the SEF and affordable housing transfers. Expectations for revenue were increased by \$46.4 million relative to the July forecast update. The upgrade primarily reflects the impacts of [House Bill 25B-1001](#), which extends the state addback for federal income tax deductions for qualified business income starting in tax year 2025, and

increases expectations for estimated payments offsetting reduced expectations for withholding and cash with returns.

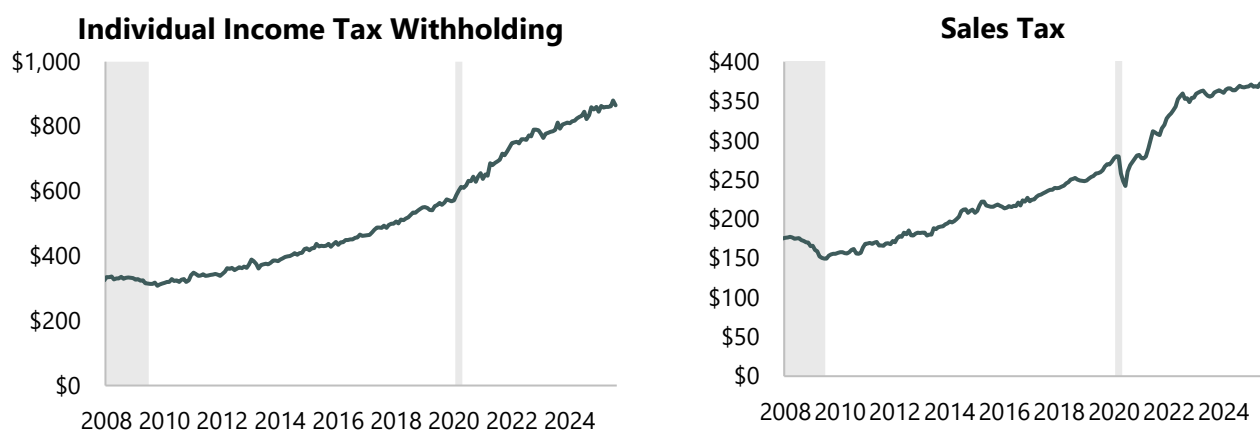
Forecasts for FY 2026-27 and FY 2027-28. Individual income tax collections are expected to grow by 12.4 percent in FY 2026-27 to \$11.55 billion, and by 5.8 percent in FY 2027-28 to \$12.22 billion. Relative to the July forecast update, this represents an upward revision of \$18.4 million in FY 2026-27, with expectations for FY 2027-28 debuting with this forecast. These revisions are driven largely by increased expectations for FY 2025-26 revenue, which carries forward into FY 2026-27 and FY 2027-28. In addition, this forecast incorporates tax year 2028 expectations for certain income tax credits that are conditional on revenue expectations. Neither the family affordability tax credit nor the expanded earned income tax credit are projected to be available in tax year 2026, and both credits are projected to be partially available in tax years 2027 and 2028. The July forecast update had anticipated that both of these tax credits would be unavailable in tax year 2027. Tax credits being partially rather than fully available results in smaller income tax refunds, which are a subtraction from total income tax revenue. Accordingly, expected growth in FY 2027-28 revenue is higher than would have been the case had conditional tax credits been expected to be available in their maximum amounts.

The workforce shortage tax credit established in [House Bill 24-1365](#) is required to be reduced by half in tax year 2026 based on this September forecast. Additionally, the innovative motor vehicle and innovative truck credit, the heat pump and thermal energy network tax credit, and the electric bicycle tax credit established in [House Bill 23-1272](#) will only be partially available in tax year 2026, as determined by the June 2025 forecast.

The forecast includes downward adjustments of \$867.1 million in FY 2025-26, \$508.1 million in FY 2026-27, and \$520.1 million in FY 2027-28 to individual income tax revenue due to the OBBBA. The OBBBA is expected to impact income tax collections primarily through cash with returns for tax year 2025. The forecast also includes an adjustment for the federal Social Security Fairness Act, enacted in 2025, which increases Social Security payments for some public employees and is expected to increase Colorado individual income tax receipts starting for tax year 2025.

As shown in the left panel of Figure 6, wage withholding—the largest stream of income tax revenue, totaling over three times the amount of estimated payments and cash with returns combined in recent fiscal years—slowed considerably in 2023, the first year when the income tax rate cut in Proposition 121 applied to withheld taxes, but has since grown at rates consistent with a moderate expansion. Wage withholding is expected to continue to show moderate but slowing growth in 2025 and 2026, before picking up in 2027, reflecting expectations for growth in employment and wages.

Figure 6
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. August 2025 collections are preliminary data from the Department of Revenue.

This forecast includes adjustments for future **impacts of legislation** on individual income tax revenue enacted by the General Assembly during the 2025 regular and special legislative sessions, including the expansion of the income tax credit for care workers in [House Bill 25-1296](#), the extension of the income tax credit for energy storage systems in [Senate Bill 25-026](#), and the extension of the state add-back of the federal qualified business income deduction for certain taxpayers in HB 25B-1001. The forecast also includes an adjustment of \$216.6 million in FY 2026-27 and \$229.4 million in FY 2027-28 for the diversion from the General Fund to the Kids Matter Account in the SEF under [House Bill 25-1320](#).

Starting in July 2024, revenue attributable to Proposition FF for the **Healthy School Meals for All Program** is deposited into the Healthy School Meals for All Cash Fund. Prior to that, revenue was deposited into a specific account in the General Fund. Many taxpayers who pay higher taxes under Proposition FF file income taxes on an extension schedule, such that a disproportionately high share of collections are accounted at the October extension deadline. Through September 2, 2025, Proposition FF revenue for tax year 2024 totaled \$105.6 million, an increase of 35 percent over the amount collected as of the same date for tax year 2023 payments last year. As a result, revenue expectations were increased throughout the forecast period, with tax year 2024 revenue expected to total \$133.2 million.

Starting with tax year 2026, the forecast incorporates the constitutionally required adjustment in addback amounts, discussed below. The forecast also incorporates upward adjustments for the OBBBA, which expands federal standard and itemized deductions, thereby increasing the amount that taxpayers will be required to add back to calculate their state income tax liability.

On an accrual basis, Proposition FF revenue totaled \$132.3 million in FY 2024-25, and is expected to come in as follows:

- \$151.5 million for FY 2025-26;
- \$144.3 million for FY 2026-27; and
- \$149.8 million for FY 2027-28.

Revenue accrued for FY 2023-24 exceeded the \$100.7 million estimate provided to voters in the 2022 Blue Book for Proposition FF. The state is required under TABOR (3)(c) to refund the excess to taxpayers and to increase the addback thresholds to reduce future revenue in proportion to the excess. The expected refund amount is \$12.4 million, which includes \$11.3 million in excess revenue plus ten percent interest. While there is no refund mechanism in place in current law to issue these refunds to taxpayers, the forecast assumes that Proposition FF revenue will be reduced by 10.1 percent starting in tax year 2026. [House Bill 25-1274](#) refers a ballot measure to voters at the November 2025 election. If approved, the measure, Proposition LL, will allow the state to retain and spend the excess revenue.

Corporate Income Tax

The corporate income tax forecast includes collections from C corporations and partnerships that have property, payroll, or sales in Colorado. Corporate income taxes have historically been a volatile revenue source because they are highly responsive to economic conditions and to federal tax policy. In addition, many corporations make strategic tax decisions about when and how to claim credits and deductions, making it more difficult to estimate the amount of corporate tax revenue.

After reporting record highs in FY 2023-24, corporate income tax revenue totaled \$2.62 billion in FY 2024-25, a 6.3 percent decline. In the current FY 2025-26, corporate revenue is expected to come in at \$1.99 billion, a 23.9 percent decline from the prior year. The decline is mainly attributable to the OBBBA business provisions, which are expected to significantly reduce Colorado corporate income tax revenue in FY 2025-26. Revenue is expected to rebound in FY 2026-27 to \$2.14 billion, a 7.6 percent increase from the prior fiscal year. By FY 2027-28, corporate revenue is expected to reach \$2.25 billion, a 4.9 percent increase.

Legislative adjustments. This forecast includes adjustments for legislation on corporate income tax revenue from the OBBBA and enacted by the Colorado General Assembly during the 2025 special legislative session.

The OBBBA is expected to reduce corporate income tax revenue by reducing federal taxable income for businesses. The OBBBA is expected to reduce revenue by \$336.3 million in FY 2025-26, \$151.3 million in FY 2026-27, and \$149.7 million in FY 2027-28.

[House Bill 25B-1002](#) creates a state income tax addition to state taxable income of corporations equal to the federal deduction for foreign-derived deduction-eligible income (FDDEI) beginning for tax year 2026. The bill is expected to increase corporate income tax revenue by \$35.6 million in FY 2025-26, \$72.2 million in FY 2026-27, and \$73.0 million in FY 2027-28.

[House Bill 25B-1004](#) authorizes the State Treasurer to sell up to \$125.0 million in insurance premium and corporate income tax credit certificates at reduced amount. The bill is expected to generate total sales proceeds of up to \$100.0 million, which are transferred to the General Fund. It is estimated that approximately \$37.5 million will be claimed by C corporations in FY 2026-27 and \$25.0 million in FY 2027-28, reducing corporate income tax revenue in those years. The remaining \$62.5 million in credit certificates will be claimed by insurance premium taxpayers, reducing insurance premium tax revenue.

[House Bill 25B-1006](#) authorizes the State Treasurer to sell up to \$125.0 million in insurance premium and corporate income tax credit certificates at reduced amount. The bill is expected to generate total sales proceeds of up to \$100.0 million, which are credited to the Health Insurance Affordability (HIA) cash fund. Though the proceeds are credited to the HIA cash fund, the credits are claimed against tax liability owed by C corporations and insurance premium taxpayers. It is estimated that of the credits sold as result of this bill, approximately \$37.5 million will be claimed by C corporations in FY 2026-27 and \$25.0 million in FY 2027-28, reducing corporate revenue in those fiscal years. The remaining \$62.5 million in credit certificates will be claimed by insurance premium taxpayers, reducing insurance premium tax revenue.

Sales Tax

The 2.9 percent state sales tax is assessed on the purchase of goods, except those specifically exempted, and a small collection of services. Sales tax revenue grew by a sluggish 1.8 percent to \$4.44 billion in FY 2024-25, implying real declines in Colorado retail sales. Growth in sales tax revenue is partially attributable to [House Bill 24-1434](#), which reduced the amount of sales tax revenue to be allocated to the Housing Development Grant Fund by \$35 million per year beginning in FY 2024-25.

Downgrades to the forecast based on slowing consumer spending were offset by increased inflation expectations and [House Bill 25B-1005](#), which disallowed retailers from retaining a portion of sales tax revenue to cover the costs of collecting sales tax revenue on behalf of the state. HB 25B-1005 is expected to increase sales tax revenue to the General Fund by \$27.6 million in FY 2025-26 and \$56.8 million in FY 2026-27 and future years. On net, projections for sales tax revenue were upgraded compared to the July forecast update by \$17.1 million in FY 2025-26 and \$4.9 million in FY 2026-27 on a cash basis.

Accounting for slowing consumer spending, increased inflation expectations, and legislative and accrual adjustments, sales tax revenue is expected to grow 3.6 percent in FY 2025-26, 4.4 percent in FY 2026-27, and 5.1 percent in FY 2027-28. These growth rates imply real declines in consumer spending through 2026 as evolving tariff policy weighs on consumer sentiment and household budgets are constrained by a weakening labor market paired with increased prices.

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. Manufacturing activity has remained slow in a lagged response to high interest rates, leading to a 7.1 percent decline in FY 2024-25.

While lower interest rates may encourage investment in industries contributing to use tax revenues such as oil and gas, construction, and manufacturing, use tax revenues are expected to be dampened by evolving trade and immigration policy. Manufacturing and construction businesses—particularly those using copper, steel, aluminum or other materials for which tariffs have been increased—will face higher input costs only partially offset by easing monetary policy. In addition, the deportation of immigrants working in these industries may contribute to labor supply constraints, increasing labor costs and negatively impacting production.

Accordingly, the forecast has been downgraded compared to the July forecast update. Use tax revenues are projected to increase by a sluggish 3.4 percent in FY 2025-26 as businesses respond to lower interest rates, tariffs increase input costs, and disruptions in trade and immigration policy impact production decisions. A rebounding construction market amongst lower interest rates paired with inflationary pressures on materials subject to increased tariffs are expected to contribute to higher growth in use tax revenue at a rate of 7.3 percent in FY 2026-27 and 14.8 percent in FY 2027-28.

Proposition EE Cigarette, Tobacco, and Nicotine Taxes

Proposition EE increased cigarette and tobacco taxes, created a new tax on nicotine products, and created a minimum price for cigarette sales. Revenue from the new taxes is exempt from TABOR as a voter-approved revenue change. Proposition EE revenue is deposited in the General Fund, transferred to the 2020 Tax Holding Fund, and distributed to fund preschool programs, tobacco education programs, and the General Fund. Proposition EE tax rates increased on all three types of products beginning on July 1, 2024 and the final tax rate increase will go into effect on July 1, 2027.

Revenue from Proposition EE increased by 17.2 percent to \$243.6 million in FY 2024-25 as the tax increases went into effect. The revenue forecast was increased slightly compared to June due to higher than expected cigarette collections, which were partially offset by lower nicotine tax collections. Table 12 shows expected revenue collections, while equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 7 on page 21.

Cigarette revenue is the largest portion of Proposition EE, making up 54 percent of total Proposition EE revenue in FY 2024-25. Cigarette use tends to decline over time, but consumption has fallen more steeply than normal in the past few years since the Proposition EE taxes went into effect and continue to increase. Proposition EE cigarette revenue is expected to increase by 1.4 percent in the current fiscal year after low collections in FY 2024-25.

Nicotine is the next largest revenue stream, with revenue increasing throughout the forecast period due to increased tax rates and rising prices on nicotine products. The forecast for nicotine faces elevated downside risks. Many nicotine products are imported in small packages which were formerly covered by the *de minimis* exemption, which allowed them to not be subject to certain taxes and fees. Eliminating the *de minimis* exemption is expected to have a negative impact on revenue collections, as it may make it more difficult to import flavored vape products and may make them more expensive for consumers. Additionally, increased federal enforcement against flavored e-cigarettes may reduce sales.

Tobacco makes up the rest of the Proposition EE revenue, bringing in \$20.3 million in FY 2024-25. Tobacco revenue is expected to decrease by 7.9 percent to \$18.7 million in the current fiscal year as many tobacco products, such as cigars, are imported and consumption may be reduced due to increased tariffs. Tobacco sales have fallen by approximately 5 percent in calendar year 2025 through August compared to the same period in 2024.

Table 12A
Total General Fund Revenue Estimates
Dollars in Millions

Category	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Sales, Use, and Excise Taxes	\$5,188.8	\$5,352.2	\$5,581.9	\$5,856.5
Percent Change in Sales, Use, and Excise Taxes	1.8%	3.1%	4.3%	4.9%
Income Tax to the General Fund	\$11,107.4	\$10,772.4	\$11,887.9	\$12,560.4
Percent Change in Income Tax to the General Fund	-1.7%	-3.0%	10.4%	5.7%
Other General Fund Revenue	\$885.0	\$1,050.2	\$974.7	\$1,044.3
Percent Change in Other General Fund Revenue	4.1%	18.7%	-7.2%	7.1%
Gross General Fund Revenue	\$17,181.3	\$17,174.7	\$18,444.5	\$19,461.2
Percent Change in Gross General Fund Revenue	-0.4%	0.0%	7.4%	5.5%

Table 12B
Sales, Use, and Excise Taxes
Dollars in Millions

Category	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Sales Tax	\$4,441.1	\$4,602.8	\$4,804.0	\$5,049.5
Percent Change in Sales Tax	1.8%	3.6%	4.4%	5.1%
Use Tax	\$216.6	\$223.9	\$240.3	\$275.9
Percent Change in Use Tax	-7.1%	3.4%	7.3%	14.8%
Retail Marijuana Sales Tax	\$186.4	\$174.2	\$169.3	\$169.9
Percent Change in Retail Marijuana Sales Tax	-4.4%	-6.5%	-2.8%	0.4%
Cigarette Tax	\$19.5	\$18.2	\$17.6	\$15.8
Percent Change in Cigarette Tax	-4.6%	-6.6%	-3.4%	-10.0%
Tobacco Products Tax	\$23.7	\$23.3	\$24.1	\$12.3
Percent Change in Tobacco Products Tax	9.7%	-1.8%	3.5%	-49.0%
Liquor Tax	\$54.0	\$55.3	\$55.7	\$50.9
Percent Change in Liquor Tax	-3.6%	2.4%	0.8%	-8.7%
Proposition EE Tobacco Taxes	\$243.6	\$238.0	\$246.6	\$250.0
Percent Change in Proposition EE Tobacco Taxes	17.2%	-2.3%	3.6%	1.4%
Firearms and Ammunition Tax	\$3.9	\$16.4	\$24.3	\$32.1
Percent Change in Firearms and Ammunition Tax	N/A	317.2%	47.8%	32.3%
Total Sales, Use, and Excise Taxes	\$5,188.8	\$5,352.2	\$5,581.9	\$5,856.5
Percent Change in Sales, Use, and Excise Taxes	1.8%	3.1%	4.3%	4.9%

Table 12C
Income Taxes
Dollars in Millions

Category	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Net Individual Income Tax	\$9,997.9	\$10,278.3	\$11,548.3	\$12,220.3
Percent Change in Net Individual Income Tax	-0.5%	2.8%	12.4%	5.8%
Net Corporate Income Tax	\$2,619.5	\$1,992.9	\$2,144.5	\$2,248.6
Percent Change in Net Corporate Income Tax	-6.3%	-23.9%	7.6%	4.9%
Total Income Taxes	\$12,617.4	\$12,271.3	\$13,692.8	\$14,468.9
Percent Change in Total Income Taxes	-1.7%	-2.7%	11.6%	5.7%
Less: Portion Diverted to the SEF	-\$1,060.6	-\$1,036.5	-\$1,110.8	-\$1,176.4
Percent Change in SEF Diversion	-12.3%	-2.3%	7.2%	5.9%
Less: Portion Diverted to Kids Matter Account	\$0.0	\$0.0	-\$216.6	-\$229.4
Percent Change in Kids Matter Diversion			N/A	5.9%
Less: Portion Diverted for Affordable Housing	-\$317.0	-\$310.9	-\$333.2	-\$352.9
Percent Change in Affordable Housing Diversion	-3.1%	-1.9%	7.2%	5.9%
Less: Portion Diverted for Healthy School Meals	-\$132.3	-\$151.5	-\$144.3	-\$149.8
Percent Change in School Meals Diversion	N/A	14.5%	-4.7%	3.8%
Income Tax to the General Fund	\$11,107.4	\$10,772.4	\$11,887.9	\$12,560.4
Pct. Change in Income Tax to the General Fund	-1.7%	-3.0%	10.4%	5.7%

Income tax collected under Proposition FF is diverted to the Healthy School Meals for All Cash Fund beginning in FY 2024-25.

Table 12D
Other General Fund Revenue
Dollars in Millions

Category	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Insurance Premium Tax to General Fund	\$659.5	\$797.5	\$787.0	\$888.3
Percent Change in Insurance Premium Tax	21.7%	20.9%	-1.3%	12.9%
Pari-Mutuel Wagering Tax	\$0.3	\$0.3	\$0.2	\$0.2
Percent Change in Pari-Mutuel Wagering Tax	-20.4%	-7.4%	-2.0%	0.2%
General Fund Investment Income	\$166.7	\$189.0	\$140.7	\$109.9
Percent Change in Investment Income	-33.7%	13.4%	-25.5%	-21.9%
Court Receipts to General Fund	\$2.1	\$1.3	\$1.3	\$1.3
Percent Change in Court Receipts	-35.3%	-38.1%	3.4%	-4.5%
Other General Fund Income	\$56.5	\$62.1	\$45.3	\$44.6
Percent Change in Other General Fund Income	6.4%	10.1%	-27.0%	-1.7%
Total Other General Fund Revenue	\$885.0	\$1,050.2	\$974.7	\$1,044.3
Percent Change in Other General Fund Revenue	4.1%	18.7%	-7.2%	7.1%

Cash Fund Revenue

This section presents the forecast for cash fund revenue subject to TABOR and for selected sources of cash fund revenue exempt from TABOR. Cash fund revenue subject to TABOR is a determinant of the state TABOR refund obligation, which is paid from the General Fund. Cash fund revenue exempt from TABOR does not have a direct impact on the General Fund budget, but revenue available for expenditure from those cash funds may trade off with spending from the General Fund.

Cash Fund Revenue Subject to TABOR

Table 13 summarizes the forecast for cash fund revenue subject to TABOR. The largest sources of cash fund revenue subject to TABOR are motor fuel taxes and other transportation-related revenue, severance taxes, and gaming taxes.

Table 13
Cash Fund Revenue Subject to TABOR
Dollars in Millions

Line	Revenue Source	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28	CAAGR
1	Transportation-Related	\$1,494.0	\$1,501.2	\$1,565.5	\$1,608.4	
2	Transportation-Related Percent Change	4.8%	0.5%	4.3%	2.7%	2.5%
3	Severance Tax	\$66.9	\$244.9	\$257.0	\$228.6	
4	Severance Tax Percent Change	-69.4%	265.9%	4.9%	-11.1%	50.6%
5	Gaming Revenue	\$94.4	\$92.9	\$97.5	\$99.9	
6	Gaming Revenue Percent Change	1.6%	-1.6%	5.0%	2.4%	1.9%
7	Insurance-Related	\$28.3	\$24.0	\$27.2	\$27.4	
8	Insurance-Related Percent Change	-0.8%	-15.2%	13.6%	0.7%	-1.0%
9	Regulatory Agencies	\$116.2	\$120.8	\$124.9	\$128.3	
10	Regulatory Agencies Percent Change	20.9%	4.0%	3.4%	2.7%	3.4%
11	2.9% Sales Tax on Marijuana	\$4.7	\$3.8	\$3.4	\$3.3	
12	2.9% Marijuana Tax Percent Change	-13.0%	-18.2%	-10.1%	-4.1%	-11.0%
13	Housing Development Grant Fund (HDGF)	\$34.8	\$43.3	\$47.1	\$51.7	
14	HDGF Percent Change	-54.8%	24.6%	8.6%	9.9%	7.2%
15	Kids Matter Account-State Education Fund			\$216.6	\$229.4	
16	Kids Matter Account Percent Change			N/A	5.9%	
17	Other Cash Funds	\$930.6	\$1,051.4	\$902.3	\$1,067.9	
18	Other Cash Funds Percent Change	8.8%	13.0%	-14.2%	18.4%	4.7%
19	Total Cash Fund Revenue Subject to the TABOR Limit	\$2,769.7	\$3,082.3	\$3,241.5	\$3,312.4	
20	Total Cash Fund Revenue Percent Change	-1.0%	11.3%	5.2%	2.2%	6.1%

Totals may not sum due to rounding.

CAAGR is the compound average annual growth rate for FY 2024-25 to FY 2027-28.

Line 5, Gaming revenue in this table does not include extended gaming revenue from Amendments 50 and 77, because it is not subject to TABOR.

Line 11, Marijuana revenue in this table includes revenue from the 2.9 percent sales tax collected from the sales of medical and retail marijuana. This revenue is subject to TABOR.

FY 2024-25. Preliminary figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled just under \$2.8 billion in FY 2024-25, a decrease of 1.0 percent from the prior fiscal year. The decrease is mostly attributable to falling severance tax revenue and to [House Bill 24-1434](#), which lowered the amount of sales tax revenue credited to the Housing Development Grant Fund. Falling revenue in these areas more than offset increases in transportation-related revenue and in other miscellaneous cash funds revenue.

The July forecast update did not incorporate year-end accrual accounting adjustments for the completed fiscal year, as these were not available yet. Relative to the July forecast update, FY 2024-25 total cash fund revenue was revised down by \$20.8 million mainly from lower-than-expected revenue from other cash funds, the housing development grant fund, and transportation-related revenue. Severance tax and regulatory agencies revenue were revised upward slightly compared to the July forecast update.

FY 2025-26. In the current budget year, cash fund revenue subject to TABOR is expected to increase 11.3 percent from the prior fiscal year to total almost \$3.1 billion. Higher total cash fund revenue collections will primarily be driven from an increase in revenue to other cash funds. [House Bill 25B-1006](#) permits the sale of certain state income tax credits with the proceeds being deposited into the newly-created Tax Credits Sale Proceeds Cash Fund, and then transferred to the Health Insurance Affordability Fund within the Health Insurance Affordability Enterprise (HIAE). As a result of this transfer, the HIAE will be disqualified as a state-owned enterprise, causing fees and interest earnings collected in the cash fund to become subject to TABOR for FY 2025-26 only. The proceeds from the sale of income tax credits and the enterprise disqualification more than offsets the expected downgrades from legislation enacted in the 2025 session. In addition, a rebound in severance tax revenue is expected to boost cash fund revenue subject to TABOR in the current budget.

Compared to the July forecast update, revenue expectations were revised up \$248.2 million. The revision is mainly from HB 25B-1006, which more than offset slight downward revisions in severance tax and transportation-related revenue.

FY 2026-27. Cash Fund revenue is expected to come in 5.2 percent higher than in the prior year, totaling to just over \$3.2 billion. This growth is mainly attributable to the first diversion to the Kids Matter Account in the State Education Fund. [House Bill 25-1320](#) requires that, beginning July 1, 2026, state revenues collected from an existing tax on 65 percent of one-tenth of one percent of federal taxable income must be deposited into the account. Money in the fund must only be used for total program funding and categorical programs and is subject to annual appropriation by the General Assembly. Revenue expectations were revised up by \$50.4 million relative to the July forecast.

FY 2027-28. By FY 2027-28, cash fund revenue subject to TABOR is expected to be just over \$3.3 billion, a 2.2 percent increase from FY 2026-27. The revenue increase is expected to be supported by most major cash fund components, though severance tax is expected to decline.

Transportation-Related Revenue

Transportation-related revenue subject to TABOR increased by a moderate 4.8 percent in FY 2024-25. Transportation-related revenue is expected to continue to increase through the forecast period, albeit at a slower pace, growing 0.5 percent in FY 2025-26, 4.3 percent in

FY 2026-27, and 2.7 percent in FY 2027-28. The slowdown is largely attributable to [Senate Bill 25-258](#), which temporarily reduces the road safety surcharge by \$3.70 from September 1, 2025 to September 1, 2027. The forecast for transportation-related revenue is presented in Table 14.

For FY 2025-26, transportation-related revenue was revised downward by \$6.2 million compared to the July 2025 forecast. The downward revision is primarily driven by sluggish motor fuel and jet fuel revenue. In addition, SB 25-317 diverts interest earnings for certain accounts in the Highway Users Tax Fund (HUTF) to the General Fund for FY 2025-26, contributing to slower collections for FY 2025-26.

Motor fuel revenue is the largest component of transportation revenue, making up nearly half of total collections, followed by revenue from vehicle registrations. Consistent with nationwide trends, collections for taxes on gasoline and diesel fuel declined by 0.7 percent in FY 2024-25 from the prior fiscal year. As consumption expectations remain dampened in the near-term, motor fuel revenues are expecting to fall another 2.4 percent in FY 2025-26 before rebounding slightly in FY 2026-27 and FY 2027-28, though improving vehicle fuel efficiency paired with permanent shifts to remote or hybrid work for some are expected to contribute to the long-run dampening of motor fuel collections.

Road usage fees are collected alongside motor fuel taxes such that a downward revision to the motor fuel forecast leads to a corresponding downward revision to projected road usage fee collections. Still, road usage fees increased to 4 cents per gallon in July 2024 and will increase by an additional 1 cent per gallon in each fiscal year through the forecast period; therefore, growth in collections is expected to remain in the double-digits throughout the forecast period.

Downward revisions to revenue from motor fuel and road usage fees were offset by increased projections for collections from **vehicle registrations, including the road safety surcharge** after ending FY 2024-25 up \$5.6 million more than the July 2025 forecast. However, growth is expected to remain soggy in FY 2025-26 and FY 2026-27 due to the temporary reduction in the road safety surcharge, which has an expected revenue impact of -\$20.9 million in FY 2025-26 and -\$24.9 million in FY 2026-27. Total registration-related revenue is expected to decline 1.5 percent in FY 2025-26 and increase by 0.6 percent in FY 2026-27.

Aviation-related transportation revenue declined 19.4 percent in FY 2024-25 and totaled \$43.8 million. The decline in revenue is partially attributable to jet fuel prices, which declined 19 percent in FY 2024-25. In addition, United Airlines started using a new jet fuel provider which has led to tax remittance issues for the airline. FY 2024-25 collections are approximately \$4 million to \$8 million less than they would have been without the delayed payments. As a result, expected jet fuel price declines in FY 2025-26 are expected to be partially offset, lending to an increase in aviation-related revenue to \$44.9 million. Aviation-related revenue is expected to increase another 7.1 percent in FY 2026-27 and another 1.4 percent in FY 2027-28 as jet fuel prices moderate.

Finally, **retail delivery fees**, which were created by SB 21-260 and went into effect on July 1, 2022, slightly underperformed July 2025 forecast expectations. Still, revenue from retail delivery fees is expected to continue to increase at significant rates throughout the forecast

period as online spending continues to grow and the fee increases by a minimum of 1 cent per year from its current level of 29 cents per delivery.

Table 14A
Transportation Revenue by Source
Dollars in Millions

Line	Revenue Source	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28	CAAGR
1	Highway Users Tax Fund (HUTF)	\$1,289.1	\$1,293.6	\$1,341.5	\$1,395.0	1.9%
2	Non-HUTF	\$205.0	\$207.6	\$224.0	\$213.4	0.7%
3	Total Transportation Funds	\$1,494.1	\$1,501.2	\$1,565.5	\$1,608.4	1.7%
4	Total Transportation Funds Percent Change	4.8%	0.5%	4.3%	2.7%	

Totals may not sum due to rounding.

CAAGR is the compound average annual growth rate for FY 2024-25 to FY 2027-28.

Table 14B
Highway Users Tax Fund Revenue
Dollars in Millions

Line	Revenue Source	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28	CAAGR
5	Motor and Special Fuel Taxes	\$644.3	\$628.7	\$636.2	\$646.1	0.7%
6	Motor and Special Fuel Taxes Percent Change	-0.7%	-2.4%	1.2%	1.5%	
7	Road Usage Fees	\$120.1	\$145.0	\$176.9	\$201.7	8.6%
8	Road Usage Fees Percent Change	29.2%	20.7%	22.0%	14.0%	
9	Total Registrations	\$434.8	\$428.0	\$430.6	\$443.6	0.9%
10	Total Registrations Percent Change	11.6%	-1.5%	0.6%	3.0%	
11	<i>Total Registrations - Registrations</i>	<i>\$244.5</i>	<i>\$252.4</i>	<i>\$257.0</i>	<i>\$260.9</i>	<i>0.8%</i>
12	<i>Total Registrations - Road Safety Surcharge</i>	<i>\$145.1</i>	<i>\$129.4</i>	<i>\$126.7</i>	<i>\$136.5</i>	<i>1.3%</i>
13	<i>Total Registrations - Late Registration Fees</i>	<i>\$45.1</i>	<i>\$46.2</i>	<i>\$46.9</i>	<i>\$46.1</i>	<i>0.0%</i>
14	Retail Delivery Fees	\$22.6	\$24.6	\$27.4	\$31.2	6.1%
15	Retail Delivery Fees Percent Change	6.4%	8.8%	11.5%	13.8%	
16	Other HUTF Receipts	\$67.3	\$67.3	\$70.4	\$72.4	1.8%
17	Other HUTF Receipts Percent Change	3.1%	0.0%	4.5%	2.9%	
18	Total HUTF	\$1,289.1	\$1,293.6	\$1,341.5	\$1,395.0	1.9%
19	Total HUTF Percent Change	5.8%	0.4%	3.7%	4.0%	

Totals may not sum due to rounding.

CAAGR is the compound average annual growth rate for FY 2024-25 to FY 2027-28.

Line 14, "Retail delivery Fees", includes retail delivery fee revenue credited to the HUTF under SB 21-260.

Line 16, "Other HUTF Receipts", includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.

Table 14C
Non-HUTF Transportation Revenue Subject to TABOR
Dollars in Millions

Line	Revenue Source	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28	CAAGR
20	State Highway Fund (SHF)	\$35.2	\$31.3	\$38.3	\$38.1	5.0%
21	SHF Percent Change	26.5%	-11.0%	22.5%	-0.6%	
22	Other Transportation Funds	\$169.8	\$176.3	\$185.7	\$175.3	-0.1%
23	Other Percent Change	-5.3%	3.8%	5.3%	-5.6%	
24	Other - Aviation Fund	\$43.8	\$44.9	\$48.2	\$48.9	2.2%
25	Other - Multimodal Transp. Options Fund	\$15.0	\$16.3	\$18.2	\$20.7	6.1%
26	Other - Law Enforcement-Related	\$6.7	\$6.4	\$6.1	\$6.0	-1.8%
27	Other - Registration-Related	\$104.3	\$108.7	\$113.1	\$99.8	-2.1%
28	Total Non-HUTF	\$205.0	\$207.6	\$224.0	\$213.4	0.7%
29	Total Non-HUTF Percent Change	-1.0%	1.3%	7.9%	-4.7%	

Totals may not sum due to rounding.

CAAGR is the compound average annual growth rate for FY 2024-25 to FY 2027-28.

Line 20, "State Highway Fund (SHF)", includes only SHF revenue subject to TABOR.

Line 24, "Other - Aviation Fund", includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.

Line 26, "Other - Law Enforcement-Related", includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.

Line 27, "Other - Registration-Related", includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and POST Board registration fees.

Most fuel taxes and vehicle registration fees are credited to the **Highway Users Tax Fund** (HUTF). From the HUTF, funds are disbursed to the Department of Transportation, State Patrol within the Department of Public Safety, the Division of Motor Vehicles within the Department of Revenue, the Department of Natural Resources, and to county and municipal governments. The State Patrol, Department of Revenue, and Department of Natural Resources receive HUTF funds through annual appropriations. The remaining revenue is allocated to the Department of Transportation (via the State Highway Fund), counties, and municipalities based on how much revenue is collected. Revenue is distributed based on multiple formulas that differ between revenue streams. SB 25-258 temporarily adjusted the formula for Funding Advancements for Surface Transportation and Economic Recovery Act of 2009 (FASTER) revenue streams, decreasing the amount distributed to the HUTF and increasing the amount distributed to counties and municipalities from September 1, 2025, to September 1, 2027. Impacted revenue streams include the unregistered vehicle fine, daily rental fee, road safety surcharge, late registration fees, and oversize/overweight fees. The estimated distributions from the HUTF are shown in Table 15 below.

Table 15
Highway Users Tax Fund Distributions
Dollars in Millions

Line	HUTF Distribution Forecast	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
1	Department of Public Safety	\$208.3	\$220.3	\$220.3	\$220.3
2	Department of Revenue	\$2.0	\$1.2	\$1.2	\$1.2
3	Department of Natural Resources	\$0.3	\$0.3	\$0.3	\$0.3
4	State Highway Fund	\$658.5	\$646.3	\$673.2	\$713.6
5	Counties	\$245.4	\$247.3	\$259.1	\$267.2
6	Municipalities	\$176.2	\$179.9	\$188.8	\$193.9
7	Total HUTF Distributions	\$1,290.6	\$1,295.2	\$1,342.9	\$1,396.5
8	Total Nonexempt Revenue	\$1,289.1	\$1,293.6	\$1,341.5	\$1,395.0
9	Assumed Exempt Revenue	\$1.5	\$1.6	\$1.4	\$1.5
10	Transfers to HUTF	\$0.0	\$0.0	\$0.0	\$0.0

Line 1, "Department of Public Safety", allocations are made "off-the-top" to CDPS, regardless of the amount of revenue collected.

Line 2, "Department of Revenue", revenue is appropriated to the Department of Revenue in the Long Bill. The actual amount distributed to the department is often different from the amount appropriated due to differences in revenue collections. The amounts estimated in FY 2025-26 reflect full appropriations.

Line 3, "Department of Natural Resources", receives an ongoing appropriation of \$300,000 for capital construction.

Severance Tax

Severance tax revenue declined by 84.3 percent in FY 2024-25 to \$28.0 million, largely due a historic amount of oil and gas refunds, totaling \$204.5 million according to data from the Department of Revenue. Comparatively, there were about \$73 million in refunds for FY 2023-24. Large property tax bills for operators over the past couple of years have led to a large amount of ad valorem tax credits that have combined with a weaker value of oil and gas production. In FY 2025-26, severance tax revenue subject to TABOR is expected to increase by about \$178 million with a rebound in oil and gas severance tax revenue. However, the outlook has been downgraded since the July forecast with weaker-than-expected natural gas prices, both for the current fiscal year and through the forecast period. 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 16.

Severance tax collections from **oil and natural gas** fell by 84.3 percent in FY 2024-25 with weaker-than-expected market conditions and collections coinciding with historically high tax refunds, as noted above. In FY 2025-26, fewer ad valorem credits and higher natural gas prices will contribute to oil and gas revenue growing to an estimated \$220.4 million. Stronger market conditions for natural gas are expected to offset weaker oil markets as prices slump. Severance tax revenue is expected to increase 1.9 percent in FY 2026-27, as natural gas prices continue to increase and offset declines in the value of oil production. In FY 2027-28, oil and gas collections are expected to fall by 11.3 percent. Despite improved market conditions, larger ad valorem credits will offset forecast gains in taxable income.

Table 16
Severance Tax Revenue Forecast by Source

Dollars in Millions

Revenue Source	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28	CAAGR
Oil and Gas Taxes	\$28.0	\$220.4	\$224.5	\$199.1	
Oil and Gas Percent Change	-84.3%	687.3%	1.9%	-11.3%	92.3%
Coal Taxes	\$6.9	\$6.4	\$5.9	\$5.6	
Coal Percent Change	5.4%	-8.5%	-7.5%	-5.0%	-7.0%
Molybdenum and Metallics Taxes	\$2.1	\$2.2	\$2.2	\$2.2	
Molybdenum and Metallics Percent Change	28.2%	4.7%	-2.6%	1.7%	1.2%
Total Severance Tax Revenue	\$37.1	\$229.0	\$232.5	\$207.0	
Total Severance Tax Revenue Pct. Change	-80.1%	517.4%	1.6%	-11.0%	77.4%
Interest Earnings	\$29.8	\$15.9	\$24.5	\$21.6	
Interest Earnings Percent Change	-6.8%	-46.6%	53.5%	-11.5%	-10.2%
Total Severance Tax Fund Revenue	\$66.9	\$244.9	\$257.0	\$228.6	
Severance Tax Fund Revenue Pct. Change	-69.4%	265.9%	4.9%	-11.1%	50.6%

CAAGR: Compound average annual growth rate for FY 2024-25 to FY 2027-28.

Coal severance tax revenue increased by 5.4 percent in FY 2023-24 to \$6.9 million. Through the forecast period, shifting market dynamics are expected to result in declining collections. In the next few years, the coal-fired Craig Station is set to close. Along with the closure, the Colowyo Mine in Moffat County is set to end coal production by the end of 2025. Ongoing reductions in demand from the electricity sector are expected to contribute to declines through the forecast period. Severance tax revenue from coal is expected to decline by 8.5 percent in FY 2025-26, 7.5 percent in FY 2026-27, and 5.0 percent in FY 2027-28.

Metal and molybdenum tax collections rose 28.2 percent to \$2.1 million in FY 2024-25, increasing for the second consecutive year after a large decline in FY 2022-23. The market for metals and molybdenum is expected to contribute to further gains in FY 2025-26. Molybdenum production started 2025 with double-digit growth and exports are strong. Through the forecast period, collections are expected to remain fairly stable, but below the long-term average.

Finally, **interest earnings** in severance tax funds are expected to fall by nearly half in FY 2025-26, due to legislative adjustments that will credit interest in the Just Transition Cash Fund and the Local Government Severance Tax Cash Fund to the General Fund. Starting in FY 2026-27, interest earnings for the Local Government Severance Tax Fund will once again be credited to that fund, while interest earnings from the Just Transition Fund will continue to be diverted to the General Fund.

Limited Gaming Revenue

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.

Gaming revenue is subject to TABOR except for revenue attributable to gaming expansions enacted under Amendment 50 and Amendment 77 (extended limited gaming), which is TABOR-exempt. In addition, [House Bill 24-1469](#) specifies that limited gaming revenue that is distributed to local governments by a constitutional requirement is considered a collection for another government, and is therefore exempt from TABOR. Thus, pre-Amendment 50 county and city distributions, as well as distributions of revenue in the State Historical Fund to gaming cities, are no longer subject to TABOR. The bill is expected to decrease the gaming tax revenue accounted as subject to TABOR by about \$33 million per year through the forecast period.

Growth in gaming revenue has decelerated since FY 2020-21, with the 2.2 percent growth rate posted in FY 2024-25 the lowest since the COVID-19 recession. Based on slowing consumer spending, worsening inflation expectations, and a weakening labor market, the American Gaming Association (AGA) expects little to no growth in customer activity in the year ahead. FY 2025-26 growth in revenue is expected to slow due to [Senate Bill 25-317](#), which diverts interest in the Limited Gaming Fund to the General Fund for the fiscal year. However, gaming revenue is also expected to be slightly boosted by the Chamonix Casino Hotel in Cripple Creek, which completed construction in July 2025. Gaming revenue is expected to grow by a slow but positive 1.8 percent in FY 2025-26, a slight downgrade from the July 2025 forecast as overall economic expectations worsen.

Collections from gaming are expected to reaccelerate to grow 3.5 percent in FY 2026-27 and another 3.0 percent in FY 2027-28, reaching \$192.3 million by the end of the forecast period. Expected growth in the out years aligns with historical average growth rates and is supported by expectations for an improving labor market and increased consumer spending. Statute only allows for pre-Amendment 50 revenue (subject to TABOR) to grow by 3.0 percent annually, so in years such as FY 2026-27 where projected gaming revenue growth is above that threshold, extended limited gaming revenue (TABOR-exempt) grows faster than total gaming revenue.

Other Cash Funds

The other cash funds line in Table 13 shows revenue subject to TABOR that is collected in cash funds other than those for which a specific forecast is prepared. The number of cash funds varies across fiscal years and is the second largest source of the overall forecast for cash fund revenue subject to TABOR. Year-to-year fluctuations in this revenue can be an important determinant of the TABOR refund obligation and the General Fund budget.

FY 2024-25. Preliminary figures from the Office of the State Controller show other cash funds revenue subject to TABOR totaled \$930.6 million, an 8.8 percent increase from the prior year. Out of the almost 400 cash funds, the top 20 funds made up 62.0 percent of total other cash funds revenue.

For FY 2024-25, the largest five cash funds in the other cash funds group were:

- Adult Dental Fund (\$66.1 million);
- General Fund Unrestricted Cash Fund (\$58.5 million);
- Medicaid Nursing Facility Cash Fund (\$49.0 million);
- Department of State Cash Fund (\$42.4 million); and
- Public School Fund (\$38.9 million).

Revenue from the Adult Dental Fund is from transfers from the Unclaimed Property Trust Fund across TABOR district boundaries made each year to fund dental services for adult Medicaid beneficiaries. The General Fund Unrestricted Cash Fund designation is used for revenues that are not general purpose revenue (income tax, sales tax, etc.) and are used by state departments for general government purposes. Of the \$58.5 million with this designation in FY 2024-25, \$29.1 million, or just under half, was from transfers and service charges paid by TABOR enterprises to other areas of the state government. Revenue to the Medicaid Nursing Facility Fund comes from nursing facility fees to draw down matching federal funds, while the Department of State Cash Fund receives revenue from the fees generated by the business filings and other services. This cash fund then supports most of the Department of State's operational expenses and activities. Finally, the Public School Fund, also called the "Permanent Fund," receives proceeds from state land leases.

FY 2025-26. Other cash funds revenue in FY 2025-26 is projected to increase by 13.0 percent to about \$1.05 billion. Revenue growth is principally from HB 25B-1006, which permits the sale of corporate and insurance state income tax credits. For FY 2025-26 only, the bill is expected to raise just over \$100 million. The proceeds will be credited to the nonexempt Tax Credits Sale Proceeds Cash Fund and then transferred to the Health Insurance Affordability Fund within the HIAE. As a result, over 10 percent of the HIAE's revenue will come from state support, disqualifying it as an enterprise such that incoming fee and interest revenue, which is currently estimated at \$143 million, will become subject to TABOR for FY 2025-26 only. Federal funds and surplus funds from previous years will remain exempt. The HIAE will requalify as an enterprise in FY 2026-27. The proceeds from the sale of income tax credits and the enterprise disqualification more than offsets the expected downgrades from legislation enacted in the 2025 legislation session. Legislation enacted in the 2025 regular session is expected to reduce other cash funds revenue by \$183.0 million. Finally, compared to the July forecast, revenue expectations for other cash funds were revised up \$257.0 million.

FY 2026-27 through FY 2027-28. Other cash funds revenue is expected to fall by 14.2 percent, from the prior fiscal year and total about \$902.3 million in FY 2026-27. The reduction in revenue is primarily from legislation enacted in the 2024 legislation session, which is expected to reduce other cash funds by \$132.5 million. Compared to the July forecast, revenue expectations for FY 2026-27 were revised up by \$29.4 million. By FY 2027-28, other cash funds revenue is expected to total near \$935 million, 3.7 percent higher than in the previous fiscal year.

Cash Fund Revenue Exempt from TABOR

Selected sources of TABOR-exempt cash fund revenue are presented below due to their importance as budget determinants. A few of the areas discussed include revenue subject to TABOR, such as 2.9 percent sales taxes on marijuana products, sports betting fee revenue, and unemployment support surcharges. This portion of the forecast document is not exhaustive, as there are many other sources of TABOR-exempt cash fund revenue that are not discussed here.

Marijuana Tax Revenue

Marijuana tax revenue continues to fall. The decline in marijuana tax revenue has largely been due to low prices alongside falling demand as other states across the country legalize marijuana, and the increasing availability of intoxicating hemp. Revenue is expected to continue to decline through FY 2026-27, before rebounding slightly in FY 2027-28. The presence of intoxicating hemp, a marijuana-like product cultivated outside of legal marijuana grow operations, poses a downside risk for the forecast that is difficult to quantify, as the amount of intoxicating hemp being bought and sold in Colorado is unknown.

The state's 15 percent excise tax and 15 percent special sales tax, which make up the majority of the marijuana-related revenue, are voter-approved revenue exempt from TABOR. The 2.9 percent general state sales tax is assessed on medical marijuana and non-marijuana products sold at marijuana retailers, and is subject to the state's revenue limit. The marijuana tax revenue forecast is shown in Table 17.

Table 17A
Tax and Interest Revenue from the Marijuana Industry
Dollars in Millions

TABOR Status	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Exempt	\$230.0	\$215.5	\$208.3	\$210.0
Nonexempt	\$4.7	\$3.8	\$3.4	\$3.3
Total	\$234.7	\$219.4	\$211.7	\$213.3
Percent Change in Total Revenue	-7.0%	-6.5%	-3.5%	0.8%

Table 17B
Exempt Revenue from the Marijuana Industry
Dollars in Millions

Revenue Source	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Special Sales Tax	\$186.4	\$174.2	\$169.3	\$169.9
Percent Change in Special Sales Tax	-4.4%	-6.5%	-2.8%	0.4%
Excise Tax	\$40.2	\$38.8	\$36.5	\$36.8
Percent Change in Excise Tax	-16.1%	-3.5%	-5.9%	1.0%
Interest	\$3.4	\$2.6	\$2.5	\$3.3
Percent Change in Interest	-17.0%	-24.0%	-3.8%	32.0%
Total Exempt Revenue	\$230.0	\$215.5	\$208.3	\$210.0
Percent Change in Total Exempt	-6.9%	-6.3%	-3.4%	0.8%

Table 17C
Nonexempt Revenue from the Marijuana Industry
Dollars in Millions

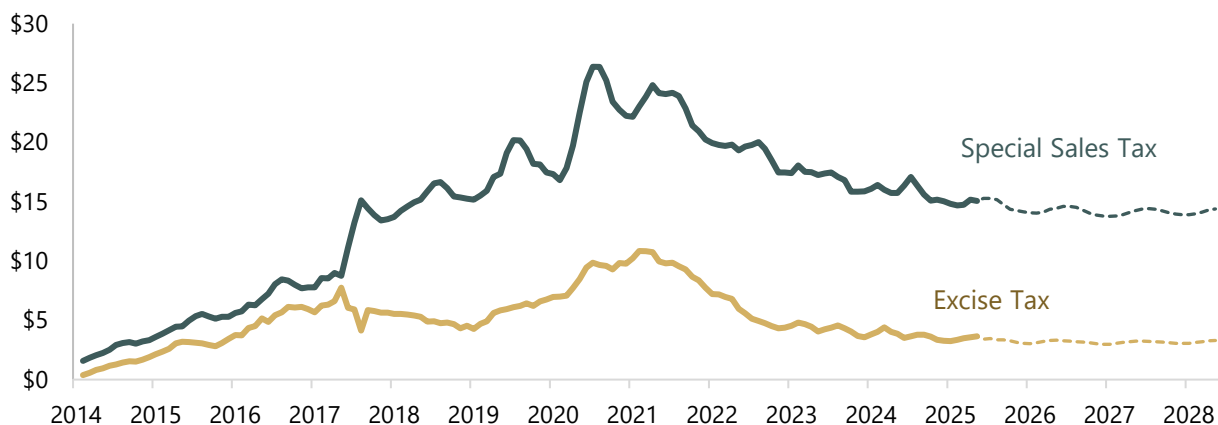
Revenue Source	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Sales Tax on Medical Marijuana	\$3.0	\$2.2	\$1.7	\$1.5
Percent Change in Medical Marijuana	-23.3%	-27.0%	-21.7%	-14.9%
Sales Tax on Non-Marijuana Products	\$1.5	\$1.5	\$1.6	\$1.7
Percent Change in Non-Marijuana Sales	23.3%	-1.3%	6.7%	6.3%
Interest Income	\$0.1	\$0.1	\$0.1	\$0.1
Percent Change in Interest	-15.7%	-15.0%	-11.0%	15.0%
Total Nonexempt Revenue	\$4.7	\$3.8	\$3.4	\$3.3
Percent Change in Nonexempt Revenue	-12.2%	-18.2%	-10.1%	-4.1%

The **marijuana special sales tax** is the largest source of marijuana revenue, assessed when consumers purchase marijuana at retail stores. Revenue is distributed to the Marijuana Tax Cash Fund (MTCF), the State Public School Fund, the General Fund, Marijuana Cash Fund, and local governments. [House Bill 25-268](#) modified the distribution of special sales tax revenue by reducing the local share, increasing the distribution to the MTCF, and creating a new distribution to the Marijuana Cash Fund. Special sales tax revenue continues to fall, but at a slowing rate compared to prior years. However, the special sales tax can be quite volatile on a monthly basis, making it difficult to predict.

Special sales tax revenue is expected to continue to fall in the current fiscal year and the next, and begin recovering in FY 2027-28 as consumption and prices start to rebound. Special sales tax revenue ended FY 2024-25 4.4 percent lower compared to the prior year, and is expected to fall by another 6.5 percent in the current fiscal year. Revenue is expected to stabilize by the end of FY 2027-28. Special sales tax revenue is not expected to fall indefinitely, as price pressures and population increases will eventually put sufficient upward pressure on tax revenue to reverse the recent downward trend.

The **marijuana excise tax** is the second-largest source of marijuana revenue, assessed when a retailer or production facility purchases marijuana from a grower. Revenue is dedicated entirely to the BEST Fund for school construction. The excise tax is based on the calculated or actual wholesale price of marijuana when it is transferred from the cultivator or manufacturer to the retailer. Therefore, wholesale prices are a significant determinant of excise tax revenue. Falling prices have contributed to falling excise tax revenue per unit, as well as falling sales volume as cultivators exit the market because prices are too low to support their businesses. The number of licensed cultivators has fallen by 12.5 percent compared to one year prior.

Figure 7
Adult-Use Marijuana Revenue Forecast
 Millions of Dollars, 3-Month Moving Average



Source: Colorado Department of Revenue and Legislative Council Staff forecast.

Wholesale prices for bud are 6.9 percent lower than they were ago. Excise tax revenue collections are expected to fall slowly over the next few years, but are expected to stabilize by the end of FY 2026-27. Revenue is expected to be 7.9 percent lower in FY 2025-26 than the prior year and then decrease by another 4.9 percent in FY 2026-27.

Exempt interest credited to the MTCF reached \$3.4 million in FY 2024-25, a 17 percent decrease from the year prior, as interest rates fell slightly. This amount is expected to fall to \$2.6 million in the current fiscal year as revenue and the MTCF fund balance decline. Exempt interest is credited to the fund in a lump sum at the end of the fiscal year which adds additional uncertainty to this forecast as there is no tracking data throughout the year.

The **2.9 percent state sales tax** rate applies to medical marijuana and non-marijuana products purchased at retail marijuana stores. Revenue from the 2.9 percent sales tax is deposited in the MTCF and is subject to TABOR. The medical marijuana sales tax brought in \$3.0 million in FY 2024-25, a 23.3 percent decline compared to the year prior. The number of medical marijuana card holders continues to decline significantly, and is expected to result in continued falling medical marijuana tax revenue throughout the forecast period. Retail marijuana dispensaries also remitted \$1.5 million in 2.9 percent general sales tax in FY 2024-25. Collections are expected to stay fairly low throughout the rest of the forecast period.

Table 18
Distributions of Marijuana Revenue
Dollars in Millions

Marijuana Revenue Distribution	Preliminary FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Marijuana Tax Cash Fund	\$128.6	\$127.8	\$123.9	\$125.0
BEST Fund	\$40.2	\$38.8	\$36.5	\$36.8
General Fund	\$26.1	\$24.4	\$23.7	\$23.8
State Public School Fund	\$21.0	\$19.7	\$19.2	\$19.2
Marijuana Cash Fund	\$0.0	\$2.6	\$2.5	\$2.5
Local Distributions	\$18.6	\$6.1	\$5.9	\$5.9
Total Distributions	\$234.6	\$219.4	\$211.7	\$213.3
Percent Change in Total Distributions	-7.0%	-6.5%	-3.5%	0.8%

Based on the above forecasts, revenue distributed to the **Marijuana Tax Cash Fund** is expected to be \$127.8 million in FY 2025-26, \$123.9 million in FY 2026-27, and \$125.0 million in FY 2027-28. This is a downward revision relative to the July forecast, due to lower incoming revenue data and a continuing decline in the number of business licenses for the marijuana industry.

Federal Mineral Lease

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 negotiated between the federal government and mining companies. FML revenue is exempt from TABOR.

In FY 2024-25, FML revenue decreased by 12.3 percent and declined for the second consecutive year. As shown in Table 19, FML revenue is forecast to increase more than 29 percent to \$110.0 million in FY 2025-26, with expectations for sustained higher natural gas prices over the next year. Natural gas prices are forecast to rise further, to about \$4.75 per million BTU in 2027, increasing expected non-bonus lease revenue payments. Provisions in the OBBBA are expected to modestly increase FML revenue on net over the forecast period. The OBBBA decreases royalty rates for natural gas and coal, which will decrease revenue. However, lease sale requirements, noncompetitive bidding, and other incentives in the legislation for natural gas are expected to increase production overall and offset the effect of reduced royalty rates. Coal production is still expected to decline in the state through the forecast period.

Table 19
Federal Mineral Lease Revenue Distribution
Dollars in Millions

Item	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Total FML Revenue	\$85.0	\$110.0	\$126.1	\$145.7
Bonus Payments (portion of total revenue)	\$0.2	\$1.1	\$1.3	\$1.5
Local Government Permanent Fund	\$0.08	\$0.5	\$0.6	\$0.7
Higher Education FML Revenue Fund	\$0.08	\$0.5	\$0.6	\$0.7
Other FML Payments (non-bonus revenue)	\$84.8	\$108.9	\$124.9	\$144.3
State Public School Fund	\$41.0	\$52.6	\$60.3	\$69.7
Colorado Water Conservation Board	\$8.5	\$10.9	\$12.5	\$14.4
DOLA Grants	\$17.0	\$21.8	\$25.0	\$28.9
DOLA Direct Distribution	\$17.0	\$21.8	\$25.0	\$28.9
School Districts	\$1.4	\$1.9	\$2.1	\$2.5
Higher Education FML Revenue Fund	\$0.1	\$0.5	\$0.6	\$0.7

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.

Sports Betting

Sports betting was legalized after the passage of **Proposition DD** at the November 2019 election. Betting launched on May 1, 2020, and has grown significantly since its inception. Revenue collected from sports betting activity includes licensing fees, 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, but fee revenues are subject to TABOR.

While Proposition DD limited sports betting revenue to \$29 million per year, voters approved **Proposition JJ** in the November 2024 election, which allows the state to retain sports betting revenue above \$29 million to fund water projects. In FY 2024-25, \$33.5 million in sports betting revenue was distributed to the Water Plan Implementation Cash Fund. In addition, [House Bill 25-1311](#) decreased the amount of free bets sports betting operators may deduct from their tax owed beginning in FY 2025-26 and disallows free bet deductions in FY 2026-27 onwards. Due to Proposition JJ and HB 25-1311, water projects are expected to receive an additional \$18.2 million in FY 2025-26, another \$36.0 million in FY 2026-27, and another \$41.2 million in FY 2027-28, compared to what would have been received prior to these policy changes.

TABOR-exempt sports betting revenue, which consists of taxes and interest, grew by 20.8 percent in FY 2024-25, marking five years of double-digit growth since the legalization of sports betting. Growth is expected to accelerate to 27.4 percent in FY 2025-26 and another 37.3 percent in FY 2026-27, largely attributable to increased revenue from the HB 25-1311 provisions described above. Total TABOR-exempt sports betting revenue is expected to reach \$72.7 million in FY 2027-28, up from the \$37.5 million posted in FY 2024-25.

Sports betting fee revenue subject to TABOR—which includes gaming licenses, operations fees, credit card fees, interest, and other charges for service—declined 20.7 percent to \$1.9 million in FY 2024-25, mostly due to decreasing revenue from operations fees and other charges for services such as credit card fees, fines, and interest. Revenue is expected to rebound from its FY 2024-25 low in future years, growing 3.8 percent in FY 2025-26, another 4.3 percent in FY 2026-27, and another 1.6 percent in FY 2027-28. This revenue is included in the Other Cash Funds forecast in Table 13.

Firearms Tax

Approved by voters in the November 2024 election, Proposition KK created a new 6.5 percent tax on firearms, certain firearm parts, and ammunition (firearms tax). Firearms dealers, manufacturers, and ammunition vendors making less than \$20,000 per year in retail sales are exempt, as are sales to peace officers, law enforcement agencies, and active-duty military. Implementation of the new tax began on April 1, 2025. Revenue from the tax is TABOR exempt as a voter-approved revenue change.

Proposition KK revenue is deposited in the General Fund, transferred to the new Firearms and Ammunition Excise Tax Cash Fund, then distributed as follows after paying administrative costs:

- the first \$30 million in the first fiscal year, adjusted for inflation in each fiscal year thereafter, is transferred to the Colorado Crime Victim Services Fund (Victim Services Fund) in the Division of Criminal Justice of the Department of Public Safety for crime victim services grants;
- the next \$5 million in each fiscal year is transferred to the Behavioral and Mental Health Cash Fund for the continuation and expansion of the Veterans Mental Health Services program;
- the next \$3 million in each fiscal year is transferred to the Behavioral and Mental Health Cash Fund for the continuation and expansion of access to behavioral health crisis response system services for children and youth; and
- the next \$1 million in each fiscal year is transferred to the School Disbursement Program Cash Fund and is subject to annual appropriation by the General Assembly.

If revenue is left over after making the required annual distributions, it will remain available for future use as determined by the state legislature. Revenue from the firearms tax totaled \$3.9 million in the final months of FY 2024-25, representing an estimated 52,000 gun sales and \$22.2 million in ammunition sales. FY 2024-25 revenue totaled just 45 percent of what would have been expected under typical spending patterns and full compliance. For example, 2024 gun sales in Colorado averaged 109,277 per quarter, well above the 52,000 gun sales subject to the firearms tax in the last quarter of FY 2024-25. Lower-than-expected actuals are likely attributable to accelerated sales ahead of the new tax, as well as potential noncompliance. Despite nationwide trends of declining firearms sales, Colorado firearms sales through the first four months of 2025 grew by an estimated 32 percent, indicative of consumers stocking up on firearm and ammunition sales before the implementation of the tax.

Firearms tax revenue is projected to total \$16.4 million in FY 2025-26, \$24.3 million in FY 2026-27, and \$32.1 million in FY 2027-28, a downgrade from the July 2025 forecast based on lower-than-expected FY 2024-25 receipts. This forecast assumes that purchases for which tax is remitted return to 90 percent of what they would have been without the tax by FY 2027-28.

Unemployment Insurance Trust Fund

The Unemployment Insurance Trust Fund (UITF) receives revenue from the UI standard premium, the employer support surcharge, and interest. Additionally, a solvency surcharge is sometimes imposed when the trust fund balance is low. The premium and surcharge rates are determined by the prior fiscal year's reserve ratio, which is the fund balance as a percentage of total wages, such that a higher fund balance corresponds to lower premium and surcharge rates in the following calendar year. Revenue in the fund is used to pay unemployment insurance benefits to Coloradans who have lost a job through no fault of their own. Benefit payments are determined by an individual's prior wages.

Forecasts for Unemployment Insurance Trust Fund (UITF) revenue, benefit payments, and year-end balances are shown below in Table 20. Revenue to the UITF is not subject to TABOR and is therefore excluded from Table 13. Revenue to the Employment Support Fund and Benefit Recovery Fund, which receive a portion of the UI premium surcharge, is subject to TABOR and is included in the revenue estimates for other cash funds in Table 13.

Table 20A
Unemployment Insurance Trust Fund Balance
Dollars in Millions

Component	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Beginning Balance	\$726.1	\$1,231.5	\$1,688.0	\$1,861.8
Total Revenue	\$1,315.3	\$1,379.3	\$1,125.4	\$1,020.9
Less: Benefits Paid	\$796.6	\$922.9	\$951.6	\$1,064.7
Other Net Changes	-\$13.3	\$0.0	\$0.0	\$0.0
Ending Balance	\$1,231.5	\$1,688.0	\$1,861.8	\$1,818.1
Ending Reserve Ratio	0.65%	0.85%	0.90%	0.85%

Table 20B
Unemployment Insurance Trust Fund Revenue
Dollars in Millions

Source	Preliminary FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
UI Premium	\$1,018.6	\$1,040.1	\$964.8	\$974.8
UI Premium Percent Change	26.1%	2.1%	-7.2%	1.0%
Solvency Surcharge	\$242.2	\$272.9	\$115.4	\$0.0
Solvency Surcharge Percent Change	87.9%	12.6%	-57.7%	N/A
Interest	\$20.9	\$25.2	\$26.8	\$29.6
Interest Percent Change	159%	20.7%	6.5%	10.3%
Employer Support Surcharge Diversions	\$33.6	\$41.1	\$18.3	\$16.5
Employer Support Surcharge Percent Change	109.8%	22.5%	-55.4%	-9.9%
Total Revenue	\$1,315.3	\$1,379.3	\$1,125.4	\$1,020.9
Percent Change in Total Revenue	28.1%	4.9%	-18.4%	-9.3%

Totals may not sum due to rounding.

FY 2024-25. Revenue to the UITF increased by 28.1 percent in FY 2024-25. Revenue from the UI premium grew due to an increase in the taxable wage base pursuant to [Senate Bill 20-207](#), as well as a higher premium rate. Additionally, the solvency surcharge was assessed for the full fiscal year, compared to only a half-year impact in FY 2023-24. Benefit payments increased by 9.5 percent as claims rose and the average benefit payment increased. The fund ended the fiscal year with a balance of \$1.23 billion, representing a downward revision of \$104.6 million compared to the July forecast, and a reserve ratio of 0.65 percent.

FY 2025-26. Revenue to the UITF is expected to increase by 4.9 percent in FY 2025-26 due to an increasing wage base in 2026. The solvency surcharge is directed to be turned off in the calendar year following the fiscal year when the reserve ratio exceeds 0.7 percent. As a result, the solvency surcharge is expected to remain on in 2026. The UI premium and employer support surcharge rates are expected to be reduced for 2026 due to the improving fund balance. Benefit payments are expected to increase through FY 2025-26 as unemployment continues to rise. The number of continued claims is 13.0 percent higher compared to a year ago, a trend that is expected to continue. Additionally, as a result of the fund balance exceeding \$1 billion in FY 2024-25, the forecast also anticipates an increase in benefits paid pursuant to [Senate Bill 22-232](#), which repealed the requirement that a person wait one week before becoming eligible for unemployment compensation once the balance reaches at least \$1 billion. Claimants began being paid for their first week of benefits beginning in July 2025. The fund balance is expected to rise to \$1.68 billion by the end of the fiscal year, increasing the reserve ratio to 0.85 percent.

FY 2026-27. UITF revenue is projected to fall in FY 2026-27 as the solvency surcharge turns off in calendar year 2027 and the UI premium rate falls again due to the rising reserve ratio in FY 2025-26. Interest revenue is projected to reach \$26.8 million, while employer support surcharge diversions are expected to fall. Benefits payments are expected to increase only slightly, about 3.1 percent, as growth in the number of unemployed people is expected to slow. The UITF is projected to end the year with a balance of \$1.86 billion.

FY 2027-28. UITF revenue is projected to decline again in FY 2027-28 as solvency surcharge revenue falls to zero. Standard premium revenue is projected to increase to \$974.8 million, a 1 percent increase, as the premium rate stays the same in 2028 relative to 2027. Benefits payments are expected to increase primarily due to rising wages causing higher benefits payments. The UITF is projected to end the year with a balance of \$1.82 billion.

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Economic Outlook

More than halfway through the year, the current economic situation for the U.S and Colorado economies is fluid, but most indicators remain stable. Economic output has maintained a moderate pace of growth, unemployment rates remain relatively low and personal income continues to improve. Though consumer sentiment has weakened over the past few months, consumer spending has been sufficient to keep the economy moving. However, inflation expectations and rapid shifts in federal policy remain top concerns for consumers and businesses. Businesses, faced with the uncertainty of the changing environment and still having to contend with high lending costs, have become more vigilant by significantly pulling back their investments and slowing their rates of hiring.

While this forecast anticipates the U.S. and Colorado economies will expand through the forecast period, recent weakening in several economic indicators have heightened risks and narrowed the path for continued economic expansion. A near-term recession is possible, though not necessarily imminent and not assumed here.

This forecast expects variable federal policies to continue to create uncertainty for consumers and businesses, influencing their behavior, which will have downstream economic impacts. Over the rest of the year, expected and actual tariffs are likely to reduce trade volumes, put upward pressure on prices, and dampen consumer spending and business investment in structures and equipment. For Colorado specifically, tariffs will impact the state's reliance on Canadian crude oil and put upward pressure on retail gasoline prices.

Labor markets are softening with downward pressure on both supply and demand. The unemployment rate is projected to remain higher through the forecast period, impacted by the lagged effects of higher interest rates, slowing consumer and business activity, and reduced federal spending in the labor market. Coinciding with higher unemployment, Colorado's labor force participation rate has moderated, and businesses are adding fewer employees, currently at an average rate well below pre-pandemic levels.

Inflation has crept back up for both the state and the nation. Inflation has been measured at slightly lower levels in Colorado than nationally, with the most significant difference in the housing component. Other indicators also point to an ongoing housing market correction in Colorado including a sharp drop in multifamily home construction, and declining single family home construction. Residential construction is expected to continue to decline through 2026.

Most economic data are backward looking, and cannot provide a clear signal if the economy is in fact heading for a change in course. Given the rapidly evolving environment of the past several months, this forecast is subject to elevated uncertainty, with risks tipped toward the downside. On the downside, consumers and businesses may respond more negatively to turbulent trade policy, federal spending changes, rising prices, and market volatility than anticipated. On the upside, recent tax cuts will provide stimulus, while clearer trade policy could alleviate market volatility and cultivate domestic industrial activity in a protective trade environment.

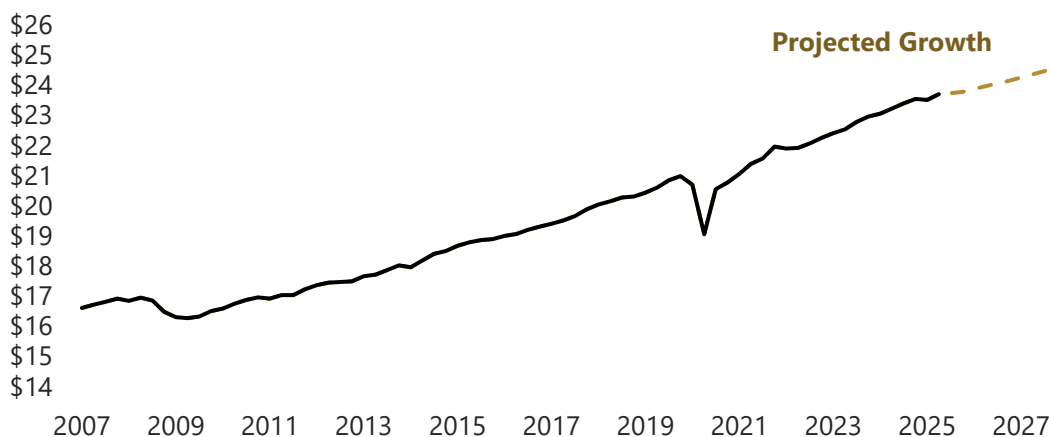
Tables 21 and 22 on pages 97 and 98 present the September 2025 Legislative Council Staff forecasts for the U.S. and Colorado economies, respectively. The tables in the Appendix, beginning on page 109, present historical data for the U.S. and Colorado economies.

Gross Domestic Product

After declining in the first quarter 2025, U.S. real inflation-adjusted gross domestic product (GDP), the broadest measure of economic output, increased at an annualized rate of 3.3 percent in the second quarter of the year. The rebound was primarily driven by a reduction in imported goods, which subtracts from the estimate of U.S. economic activity. In anticipation of higher tariffs, businesses stockpiled foreign-made products during the first quarter of the year, including technological equipment, machinery, steel and aluminum. Businesses also pulled back on investments in nonresidential and residential properties and total government expenditures were down in the second quarter of 2024. Consumer spending slowed but still managed to beat expectations, partially offsetting some of these declines.

Real U.S. GDP growth is projected to slow to 1.6 percent in 2025 as contributions from consumer activity, business investment, and government spending all decelerate. U.S imports are expected to continue to slow through the rest of the year. Economic activity is expected to pick up modestly through the remainder of forecast period. The labor market's lagged response to still-high interest rates, tepid business investment, expected tariffs, and reduced federal government spending will likely dampen growth in 2025. Risks to the GDP forecast are weighted to the downside.

Figure 8
U.S. Real Gross Domestic Product
2017 Dollars in Trillions



Source: U.S. Bureau of Economic Analysis and Legislative Council Staff September 2025 Forecast.

Consumer spending is still sluggish. Consumer spending increased at an annual rate of 1.6 percent in the second quarter of 2025, after growing by just 0.5 percent in the first quarter of the year. Consumer spending on goods and services improved. Spending on durable goods increased at an annual rate of 2.4 percent from the prior quarter. Spending on nondurable goods, such as food and clothing, increased 2.6 percent after falling 3.1 percent in the previous

quarter. Finally, spending on services increased by an annual rate of 1.2 percent in the second quarter after growing 0.6 percent in the previous quarter.

The outlook for the overall economy depends greatly on near-term and medium-term consumer activity. The economy will expand as long as consumers are able to sustain growth. This forecast anticipates positive U.S. consumer contributions through 2026, although the lagged effects of high interest rates, tariff constraints, and higher prices will slow the pace of expansion.

Business investment fell in the second quarter. After increasing by a robust 23.8 percent in the first quarter, business investment fell at an annual rate of 13.8 percent in the second quarter of 2025. The notable increase in the first quarter of the year was expected to be temporary as businesses increased their inventories, particularly on information processing equipment like computers, laptops, phones, and servers; and intellectual property products as businesses expected higher future costs due to tariffs.

Investment on equipment and intellectual property remained relatively strong in the second quarter of 2025, increasing at an annual rate of 7.4 percent and 12.8 percent, respectively. However, these gains were offset by reduced investment in factories, offices and commercial buildings. In the second quarter of 2025, spending on nonresidential structures declined by 8.9 percent, after falling by 2.4 percent in the first quarter. Finally, investment in residential structures continued to slide, declining by 4.7 percent.

Total government spending remains flat in the second quarter of 2025. Total government expenditures declined by 0.2 percent in the second quarter of 2025 after falling by 0.6 percent in the prior quarter. The decline in federal spending more than offset increases in state and local government spending. Public sector contributions, especially at the federal level, are expected to be minimal or negative through the remainder of 2025 and in 2026.

U.S. imports surged in early 2025 to outrace tariffs. U.S. importers frontloaded on goods purchases in the first quarter of 2025 to get in front of anticipated tariff hikes. As a result, U.S. imports surged in the first quarter of 2025, increasing by a robust 37.9 percent from the prior quarter. This was the largest increase since the third quarter of 2020, when international trade resumed after a period of pandemic-induced restrictions and slowdowns. U.S. exports were up slightly by 0.4 percent over the same period. The recent import surge is expected to give way to sharp declines as tariffs dramatically raise prices.

Colorado's economic growth was relatively flat in the first quarter. Similar to the nation, Colorado's GDP slightly declined in the first quarter of the year, decreasing at an annual rate of 0.1 percent. The decline was broad based across most industries; however, the agricultural industry reported a 20.1 percent drop from the previous quarter. Market volatility, high costs, and worsening drought conditions have placed financial stress on Colorado's agricultural sector.

Colorado GDP increased by 2.0 percent in the first quarter of the year, compared to the same quarter last year. The professional, scientific, and technical services industry remains the state's largest sector. Colorado had the 16th largest state economy in the U.S in 2024 but ranked 40th in terms of growth, down from the 10th fastest in 2023.

Global Economy and International Trade

Global economy holds up amidst still-evolving trade policy. Global economic growth is expected to continue but at a slower rate in 2025 and 2026 as business investments stalls amid trade policy instability. Still, global GDP is expected to remain above recessionary levels as inflation wanes and financial conditions improve at the aggregate level. Conflicts in the Middle East and Ukraine have not yet had a significant impact on supply chains for most of the rest of the world. However, conflict escalation still poses a risk to global supply, and to broader economic growth.

Global economic outlook upgraded slightly, uncertainty remains. The International Monetary Fund upgraded its baseline projection for global GDP growth in July 2025 based on stronger-than-expected front-loading of goods to avoid tariff rates in early 2025, an overall improvement in financial conditions globally, and subduing inflation in other large economies. Expectations for global growth were upgraded from 2.8 percent to 3.0 percent in 2025 and from 3.0 percent to 3.1 percent in 2026, in line with a slow-to-moderate expansion. Temporary trade deals may buoy short-term growth for impacted countries, but uncertainty remains as policy continues to develop, leaving the global economy vulnerable. The most significant upgrades were in the Euro area and China, both on higher-than-expected export activity. Moving forward, economic performance will diverge by country, with inflation waning globally more so than in the United States and other countries most directly impacted by the trade war.

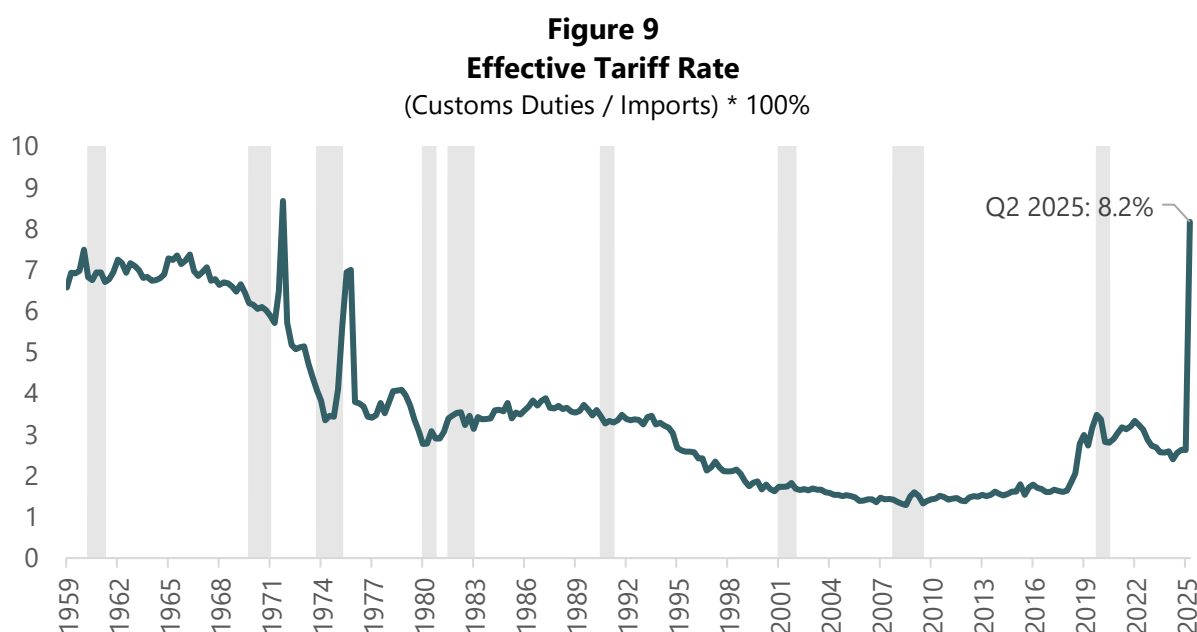
U.S. tariffs near a century high and rising. The estimated effective tariff rate—calculated by measuring total customs duties paid as a percent of the value of total imported goods—rose to 8.2 percent through the second quarter of 2025. Changes to tariff policy rarely apply to goods already in transit and importers may additionally delay payments for up to six weeks. In addition, trade data is lagged, and businesses stocked up on inventory in the first quarter to minimize tariff burdens for the future. For all of these reasons, the effective tariff rate will continue to rise in the third and fourth quarters. The current effective tariff rate as of September 2025 is estimated to be closer to 15 percent, after accounting for the full implementation of existing tariffs and tariff policies set after the second quarter, the highest tariff rate since the Smoot-Hawley Tariff Act of 1930.

New tariff policy that took effect, or is expected to take effect, in the second half of 2025 includes:

- effective August 1, 2025, a 50 percentage point increase in the tariff rate on copper;
- effective August 1, 2025, an increase in tariffs on imports from Canada to 35 percent for all USMCA non-compliant goods;
- effective August 6, 2025, an additional 40 percent tariff on select goods from Brazil;
- effective August 7, 2025, reciprocal tariff rates imposed on over 70 different countries, ranging from 15 percent to 50 percent;
- effective August 18, 2025, the extension of Section 232 steel and aluminum tariffs to certain derivative products, including aerosol containers and goods packaged in aerosol containers;
- effective August 27, 2025, an increase of tariffs on most imports from India to 25 percent;

- effective August 29, 2025, the end of the *de minimis* exemption, such that all imports regardless of size are subject to tariffs;
- effective September 8, 2025, added and removed product exemptions from the country-specific reciprocal tariffs that were imposed on August 7;
- effective September 17, 2025, but retroactive to August 7, tariffs on Japanese automobiles reduced from 27.5 percent to 15 percent;
- effective November 1, 2025, the end of the 90-day pause on the scheduled tariff increase to 30 percent for Mexican imports; and
- effective November 10, 2025, the pause of a 125 percent tariff rate on Chinese imports is scheduled to end.

The above list does not include future tariff policy that may evolve from current federal investigations, trade deal negotiations, or judicial decisions.

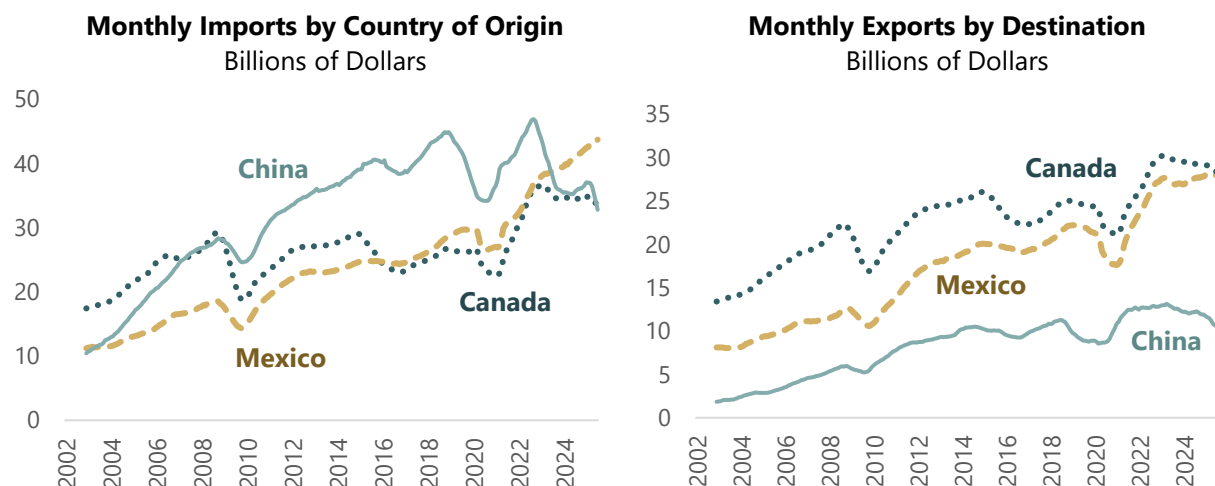


Source: U.S. Bureau of Economic Analysis. Federal government current tax receipts: Taxes on production and imports: Customs duties, and Current payments to the rest of the world: Imports of goods. Data through Q2 2025.

Tariffs accelerated early 2025 imports, trade activity quickly slowing. Though tariffs are expected to discourage business investment in the long-term, U.S. imports were up 11.0 percent year-to-date as of July 2025. Businesses stocked up on inventory in the first quarter of 2025 to avoid paying increased tariffs later. Trade volumes will decrease through the remainder of 2025 and into 2026 as the trade war continues. The nation and state's top three trading partners—Canada, China, and Mexico—are subject to increased tariffs of 35 percent, 30 percent, and 25 percent, respectively. China and Canada have both imposed reciprocal tariffs on U.S. goods, bidirectionally decreasing trade with those countries (Figure 10). A larger portion of Mexican goods are exempt from duties under the United States-Mexico-Canada Agreement, and U.S. imports from Mexico have continued to grow.

Colorado imports have largely declined since mid-2023. Colorado businesses may be investing less than those nationwide as the Colorado economy underperforms that of the United States, contributing to a larger declining imports trend in the state. Colorado imports were down 5.5 percent in 2024 and down another 2.6 percent through the first seven months of 2025. However, the state's export activity remains robust and is up 7.8 percent through July 2025, compared to the nation's 4.6 percent year-to-date growth.

Figure 10
United States Trade with Largest Trade Partners



Source: U.S. Census Bureau, Economic Indicators Division. U.S. Import and Export Merchandise trade statistics through July 2025. Data is seasonally adjusted using a 12-month moving average.

Labor Markets

The U.S. and Colorado labor markets have shown stronger signs of fraying in recent months, raising concern for overall economic health. Employment growth is challenged by weak business and consumer confidence coincident with a sharp decline in immigration and AI-related disruptions. Risks to the labor market outlook have increased since the June forecast. Revised economic data indicate that labor market activity is not as robust as previously thought, with the unwelcome specter of further downward revisions plaguing the outlook.

Employers are adding new employees at a monthly average rate well below pre-pandemic levels. Unemployment rates remain low but are increasing, as exits from the labor force mask some labor market weakness. Near-term employment growth will continue to slow for both the U.S. and Colorado, as labor markets are likely to respond slowly to anticipated interest rate cuts and as the impacts of tariff uncertainty and immigration policies linger. Long-term employment growth is challenged by demographic shifts. Employment to population ratios and measures of labor market turnover provide further indication of labor market fraying.

- U.S. nonfarm employment growth is expected to be 0.6 percent in 2025, before slowing to 0.3 percent in 2026 and 2027. The U.S. unemployment rate is expected to average 4.2 percent in 2025, 4.6 percent in 2026, and 4.7 percent in 2027.
- In Colorado, employment growth is expected to decelerate to 0.1 percent in 2025 from 1.1 percent in 2024. Employment is expected to grow 0.1 percent growth in 2026 and

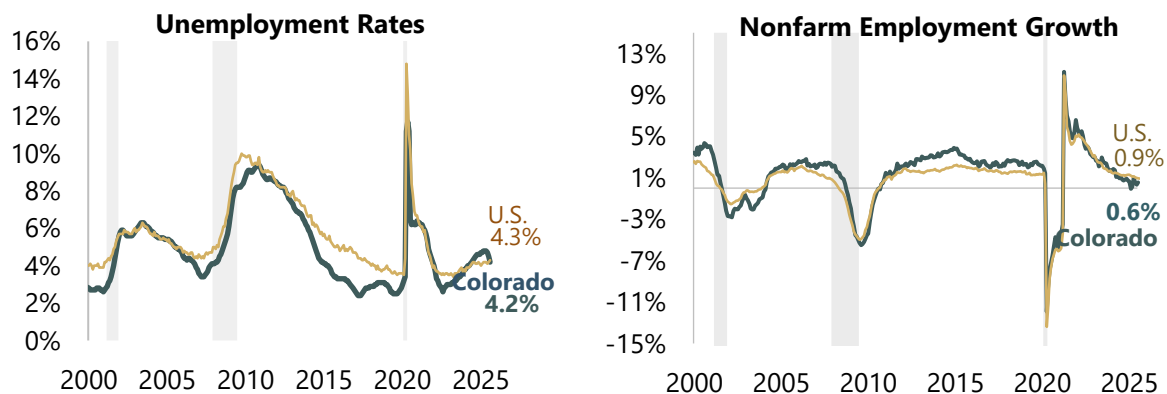
0.5 percent in 2027. The Colorado unemployment rate averaged 4.3 percent in 2024, and is expected to increase to averages of 4.6 percent in 2025, 4.8 percent in 2026, and 4.8 percent in 2027.

Summer employment growth was weak, signaling labor market deterioration. Employment growth slowed considerably over the summer in the state and nation (Figure 11, right), raising concerns that the pace of job creation is at “stall speed,” or weak enough to trigger a self-reinforcing rise in unemployment if the poor labor market leads consumers to pull back from spending. Nationally, employers added 22,000 jobs in August, underperforming expectations for the fourth straight month. Employers postponed hiring plans in the face of headwinds from tariff and immigration policies. With revisions, U.S. employment declined in June for the first time since December 2020. Through August 2025, the number of nonfarm jobs in the U.S. was up 0.9 percent relative to year-ago levels, down from 1.3 percent growth in 2024. Colorado added jobs at a rate of 0.6 percent through August 2025, for an average monthly gain of 1,800 jobs, even with gains in 2024 and below pre-pandemic monthly gains of about 5,000 jobs in 2018 and 2019. These numbers may undergo significant future revisions, discussed below.

Through August 2025, unemployment rates in the U.S. and Colorado averaged 4.3 percent and 4.2 percent, respectively, up from averages of 4.0 and 4.3 percent in 2024 (Figure 11, left). Colorado’s unemployment rate was the 15th highest among the states in August 2025, just above that of Delaware and South Carolina. South Dakota had the lowest unemployment rate (1.9 percent), while California had the highest rate (5.5 percent).

While the unemployment rate has drifted upward since mid-2022, it remains low by historical standards. However, the headline rate may mask underlying weakness in the labor market if workers leave the country or become discouraged and stop looking for employment. These workers are no longer counted in either the numerator or the denominator of the unemployment rate, so that the unemployment rate may be slow to rise, or even fall, even as labor market conditions deteriorate.

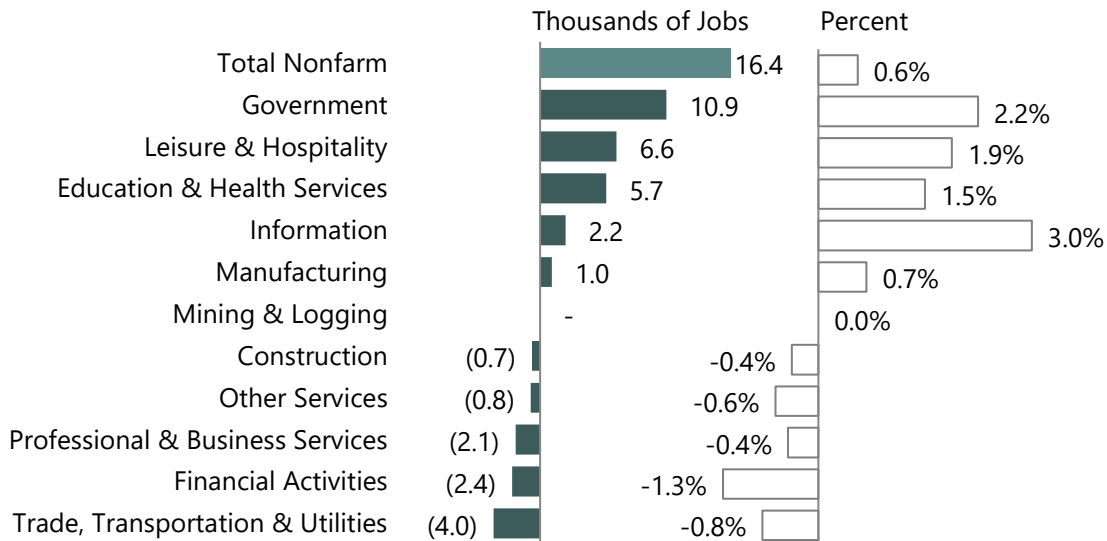
Figure 11
Selected Colorado and U.S. Labor Market Indicators



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. U.S. data are through August 2025. Colorado data are through July 2025.

Employment growth challenges widespread across sectors. Several of Colorado's supersectors face employment challenges, shedding jobs in the past year or struggling to add them through July. Among goods-producing sectors, only manufacturing has added jobs over the year, up by 1,000 jobs (0.7 percent), while mining and logging has remained flat and construction lost 700 jobs (0.4 percent). Colorado's two largest supersectors in terms of employment have lost jobs, with trade, transportation and utilities, which accounted for 17.1 percent of employment in January 2025, down by 4,000 jobs (-0.8 percent). Professional and business services, which accounted for 16.6 percent of employment in January 2025 lost 2,100 jobs (-0.4 percent). The private services-producing supersectors outpacing overall employment growth include leisure and hospitality, up 6,600 jobs (1.9 percent), education and health services, up 5,700 jobs (1.5 percent), and information, up 2,200 jobs (3.0 percent).

Figure 12
Colorado Job Gains and Losses by Industry
 Year-over-Year Change, July 2025



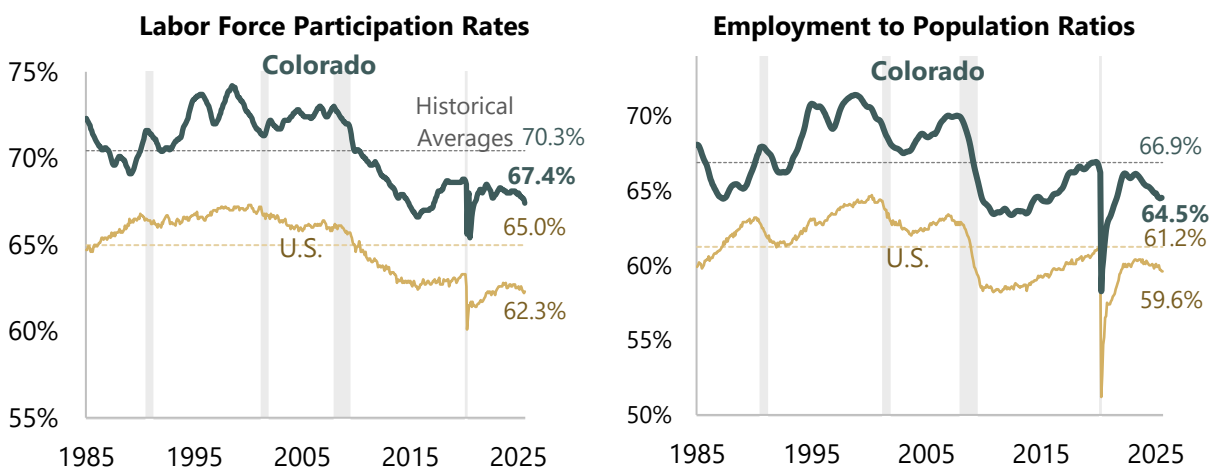
Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

Federal personnel policy may lift unemployment rates. Reductions in the federal workforce are impacting job growth and unemployment rates in Colorado, although the full impacts are delayed due to the Deferred Resignation Program, whereby employees who resigned are on paid administrative leave until October 2025. About 57,300 federal workers were employed in Colorado in January, accounting for 1.9 percent of total nonfarm employment. The federal workforce declined by 2,700 workers, or 4.7 percent through July 2025. The federal government workforce in Colorado includes civilian employees in a variety of federal agency regional offices, as well as active military, security agency employees, and postal workers. Additional state and local government jobs as well as certain private sector jobs are also dependent on federal government activities. For example, U.S. Forest Service, National Park Service, U.S. Fish and Wildlife Service, and Bureau of Land Management activities support leisure and hospitality employment in the state.

Expected revisions to nonfarm employment. Preliminary annual revisions to nonfarm payroll employment numbers are expected to be larger than in prior years, with an expected downward revision in February 2026 of 911,000 jobs in the U.S., or 0.6 percent of employment, the largest revision since 2002. Colorado is expected to have the largest percentage revision among the states, with an expected downward revision of 51,200 jobs, or 1.8 percent of employment. Applying these revisions through July 2025 erases year-over-year job growth of 0.6 percent in current official data, and instead results in a 1.2 percent decline in nonfarm employment. The anticipated revisions are not yet reflected in the official data used in Figure 12. These larger-than-usual revisions increase the amount of uncertainty in the economic forecast.

Colorado's labor force participation rate is among the nation's highest. Colorado's labor force participation rate ticked down to 67.4 percent in August 2025, but remained well above the U.S. rate of 62.3 percent (Figure 13, left). Among the 50 states, Colorado's labor force participation rate consistently ranks in the top five, along with North Dakota (69.4), Nebraska (69.4), South Dakota (68.7), Utah (67.8), and Minnesota (68.1). The lowest labor force participation rates belong to West Virginia (54.3) and Mississippi (55.9).

Figure 13
Selected Labor Force Indicators



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Labor force data are through August 2025. Employment to population data are through July 2025 (Colorado) and August 2025 (U.S.). Historical averages date back to January 1985.

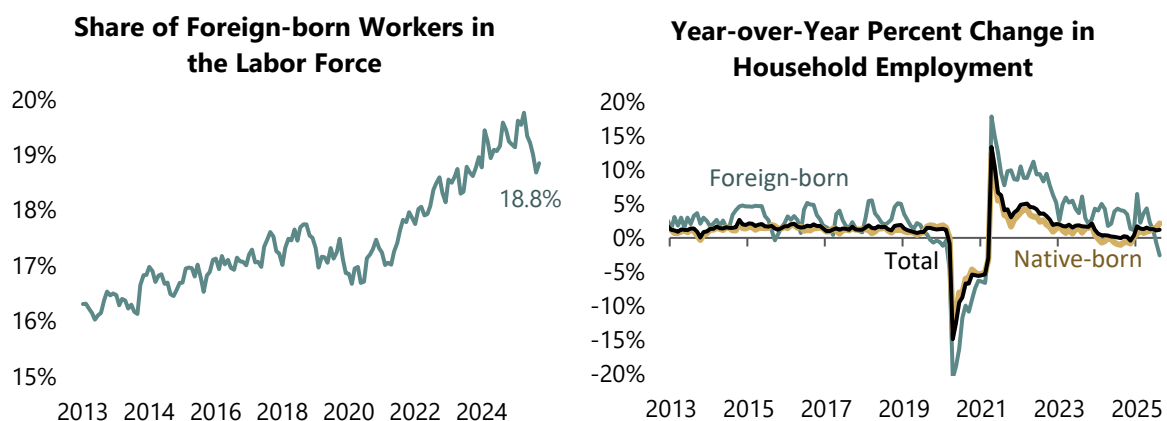
Labor force growth will be challenged by demographic shifts. While Colorado's labor force is bolstered by its higher labor force participation rate, longer term demographic shifts will challenge growth and slow job gains. The State Demography Office projects that while Colorado's prime working age population (ages 25 to 54) will increase by 12 percent between 2020 and 2030, the population ages 65 and older is expected to grow by 36 percent, with especially fast growth among the population ages 75 and older. As the Colorado population ages into groups with lower labor force participation rates, labor force growth will slow, weighing on employment growth and impacting the types of jobs that are needed.

Labor force and employment growth relies on net migration. Colorado's labor force and employment will be constrained by population growth, which has slowed since 2015. Growth declined from 1.9 percent in 2015, to a 32-year low of 0.5 percent in 2021. Natural increase, or

births minus deaths, has mostly declined since 2006, with rising death rates and falling birth rates. Employment and population growth has relied on net migration to the state, from other states and from outside the U.S. Challenges from housing affordability as well as federal immigration policies are expected to weigh on net migration and therefore population and employment growth through the forecast period. Sectors such as construction and leisure and hospitality are particularly reliant on an immigrant workforce and more likely to face workforce shortages.

Nationally, immigration enforcement is weighing on employment growth and shifting the composition of the labor force between foreign-born and native-born workers. Household employment growth for native-born workers is 2.1 percent year-over-year in August, with a decline of 2.6 percent for foreign-born workers, and a total growth in household employment of 1.2 percent in August 2025 (Figure 14, right). The share of foreign-born workers in the labor force declined from 19.6 percent in January 2025, to 18.8 percent in August 2025 (Figure 14, left). The household employment measure differs from the establishment employment measure because it counts people instead of payrolls, counting multiple job-holders only once and including agricultural and self-employed workers.

Figure 14
Selected Labor Market Indicators for Native-born and Foreign-born Workers



Source: U.S. Bureau of Labor Statistics. Data are not seasonally adjusted.

Declining employment population ratios signal weak current labor market conditions.

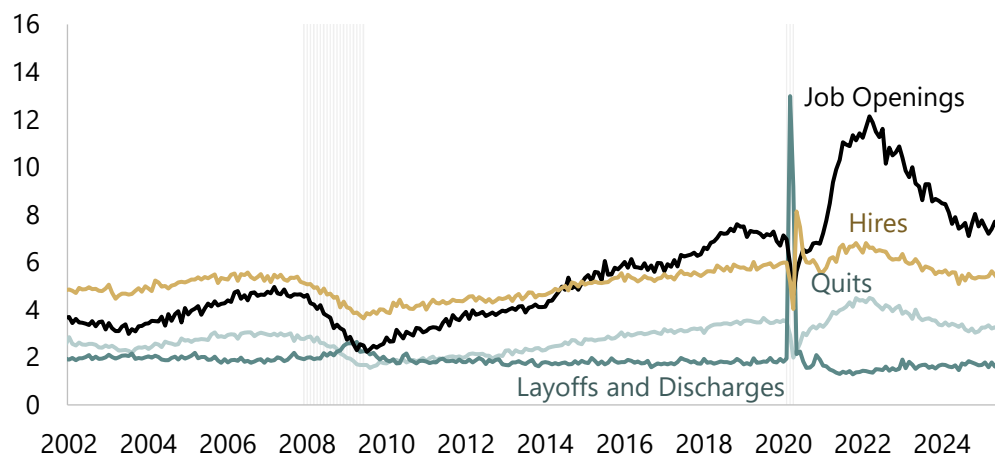
While the labor force participation rate measures the proportion of the working age population that is either employed or looking for work, the employment to population ratio measures the proportion of the working age population that is employed. Downward drift in the employment to population ratio in the state and nationally in 2025 indicates that the economy is not generating jobs fast enough to provide employment for a constant proportion of the population and is one indicator of weak labor market conditions.

Job switching declines in favor of job hugging, while layoffs and discharges remain flat.

Indicators of labor market turnover, including quits, openings, and hires also signal sluggish labor market activity in the nation. Declining quits indicate that workers are pessimistic about labor market conditions and are staying longer in current jobs, or a phenomenon referred to as "job hugging." This contrasts with job switching, which had been a key feature of the post-

pandemic labor market (Figure 15). For May through July 2025, the wage premium for job switchers, which reached as high as 2.2 percent in late 2022, had fallen to zero for the first time since September 2010 according to data from Federal Reserve Bank of Atlanta. Likewise, employers are—for the most part—holding off on hiring, advertising fewer openings, and electing to leave open jobs unfilled. In contrast, layoffs or discharges remained relatively unchanged through May 2025, but have ticked up slightly in recent months.

Figure 15
U.S. Job Turnover
Millions



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS). Data are for total nonfarm employment and are seasonally adjusted through July 2025.

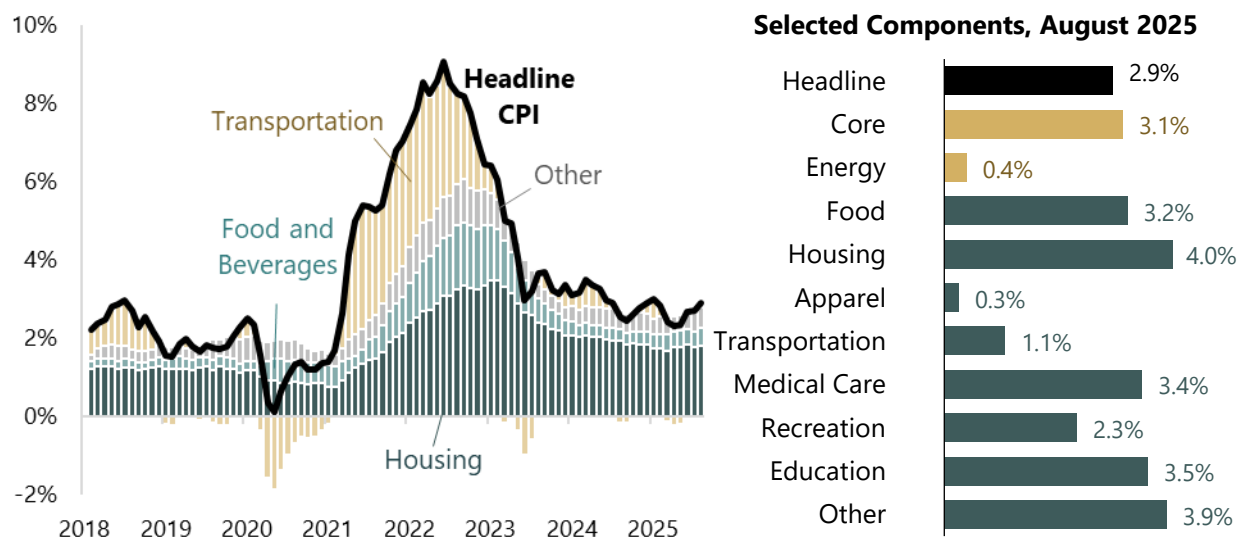
Inflation

The U.S. urban average consumer price index (CPI) measures changes in the prices of final goods and services purchased by urban consumers in the U.S. The CPI tracks the prices of a fixed basket of consumer goods and services, which the BLS categorizes into eight major components: housing, transportation, food and beverages, medical care, education and communication, recreation, apparel, and other goods and services. The only Colorado index is for the Denver-Aurora-Lakewood area ("the Denver area"), which LCS uses as proxy for prices statewide.

Beginning in 2025, the Bureau of Labor Statistics stopped collecting price data in Buffalo, NY; Lincoln, NE; and Provo, Utah. Additionally, the Bureau of Labor Statistics reduced the sample size in existing cities, including the Denver area, by approximately 15 percent. Reduced data collection may make data less reliable, particularly for smaller indices.

Inflation remains elevated despite falling energy prices. U.S. inflation remains only slightly above the Federal Reserve's long-term 2 percent rate target, though inflation reduction has stalled in recent months. Year-over-year inflation ticked up to 2.9 percent in August after reaching its lowest value in over four years in April (2.3 percent). A slight increase in food inflation contributed to the small uptick in recent months. On the other hand, energy prices, which tend to be more volatile than other components of spending, have declined in recent months and contributed to lower overall inflation.

Figure 16
Contributions to U.S. Consumer Price Index (CPI-U) Inflation
 Percent Change in Prices, Year-over-Year

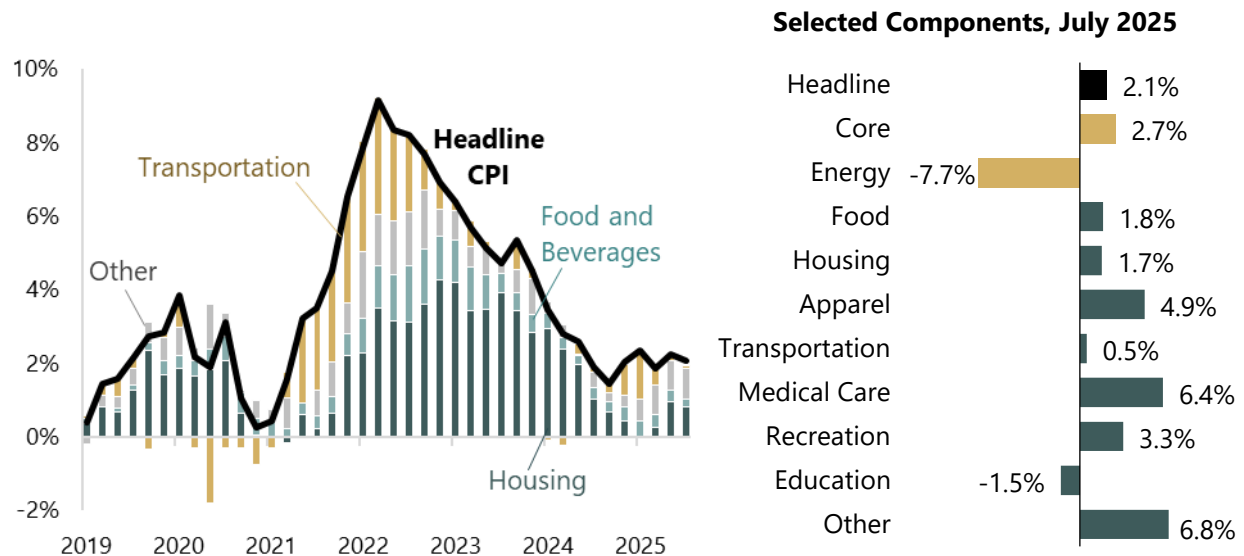


Source: U.S. Bureau of Labor Statistics.

Headline inflation includes all products and services. Transportation includes new and used vehicles, vehicle parts, and motor fuel. Housing includes the cost of rent, homeowner rental equivalent, utilities, and other housing costs.

Inflation in the Denver area ticks up as housing inflation rebounds. Inflation in the Denver area sits at 2.1 percent in the most recent reading. Figure 17 shows the recent path of headline inflation and inflation among select components, as measured by the Denver area consumer price index. Housing inflation remains low by historical standards, but it accelerated rapidly to 1.7 percent in July after falling to 0.0 percent in January, on a year-over-year basis. Transportation inflation has been volatile throughout 2025 due to changes in vehicle and gas prices, but remains low. Inflation for goods in the Denver area fell to 0.2 percent in the most recent reading, compared with 2.9 percent for services.

Figure 17
Denver-Aurora-Lakewood Consumer Price Index (CPI-U) Inflation
 Percent Change in Prices, Year-over-Year

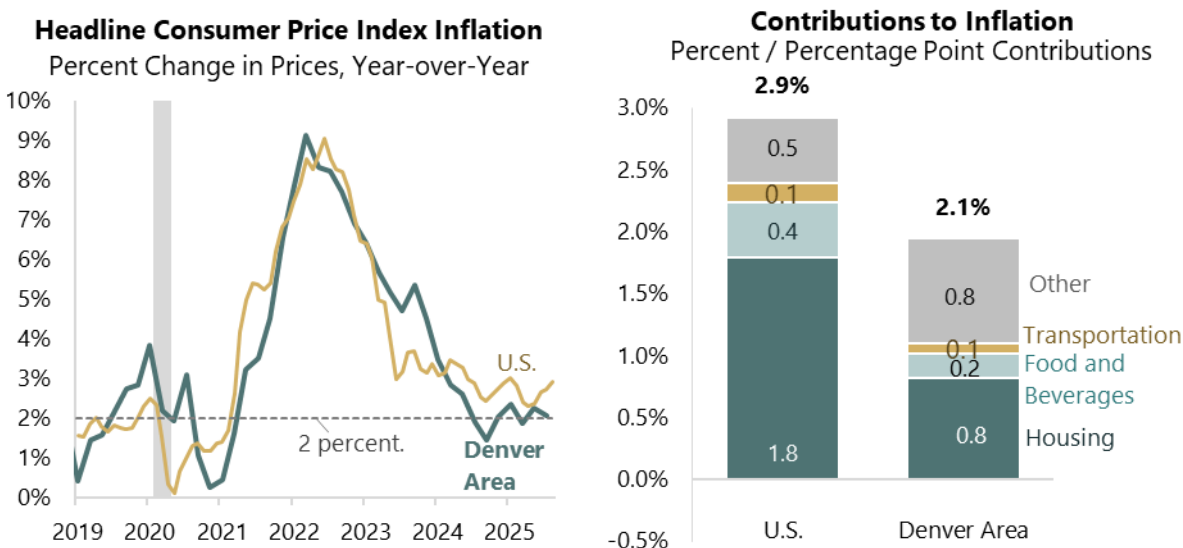


Source: U.S. Bureau of Labor Statistics and Legislative Council Staff calculations.

Headline inflation includes all products and services. Transportation includes new and used vehicles, vehicle parts, and motor fuel. Housing includes the cost of rent, homeowner rental equivalent, utilities, and other housing costs.

Housing inflation is significantly lower in the Denver area compared to the U.S. Headline inflation in the Denver area is lower than that of the nation as housing inflation in Denver remains low, despite recent increases. In particular, rents of primary residences have declined by 0.7 percent year-over-year in the Denver area, compared to a 3.5 percent increase for the nation. Owners' equivalent rent is up 3.7 percent in the Denver area and 4.0 percent for the U.S. Lower housing inflation in the Denver area has been partially offset by higher inflation in the "other" category, which includes personal care products, tobacco products, and a variety of miscellaneous services. Figure 17 (right) presents contributors to the current rates of inflation for the nation compared to the Denver area.

Figure 18
Comparing U.S. and Colorado Inflation



Source: U.S. Bureau of Labor Statistics and Legislative Council Staff calculations.

Note: The "Contributions to Inflation" chart (right) shows U.S. inflation through August 2025 and Denver area inflation through July 2025, reflecting the most recent data available. Totals may not sum due to rounding.

Housing is by far the largest component of the CPI and currently makes up about 45 percent of U.S. consumer prices. The housing component includes costs for rent payments (or for homeowners, the cost a homeowner would receive to rent their home), utilities, and other housing-related goods and services. Housing prices in the U.S. are 4.0 percent higher than they were a year ago, compared to 1.7 percent higher in the Denver area. The exact reason for low housing inflation in the Denver area is not clear. However, the Denver area did see a larger run-up in prices during the 2020 to 2022 housing boom and has higher housing prices overall, which may have resulted in a larger price correction at the beginning of 2025 that is beginning to normalize.

Prices increases in the "other" category, on the other hand, were significantly higher in the Denver area compared to the U.S., which partially offset the difference in housing inflation. In particular, medical care inflation is higher in the Denver area than in the U.S.

Tariffs put upward pressure on near-term prices and cloud the inflation outlook. New tariffs are expected to put one-time upward pressure on inflation beginning in the fall of 2025. However, there is considerable uncertainty around how tariffs will impact inflation in 2025, as the extent of the new tariffs, including final tariff rates, total countries and goods affected, retaliatory tariffs, and legal contests continue to develop. The forecast assumes the continuation of tariffs currently in place. Additionally, the effect of tariffs on final consumer prices, and when their impact will be fully incorporated, is uncertain.

On the other hand, tariffs and the uncertainty around them are expected to slow economic activity, which will partially offset some of the upward pressure on prices. Recent upticks in inflation data and the imposition of new tariffs have both contributed to an upward revision to the inflation forecast for the Denver area.

- U.S. inflation is expected to be 2.8 percent in 2025, accelerating to 3.2 percent in 2026, before dropping to 2.5 percent in 2027.
- Denver-area inflation is expected to be 2.8 percent in 2025, increase to 3.4 percent in 2026, and then tick down to 2.7 percent in 2027.

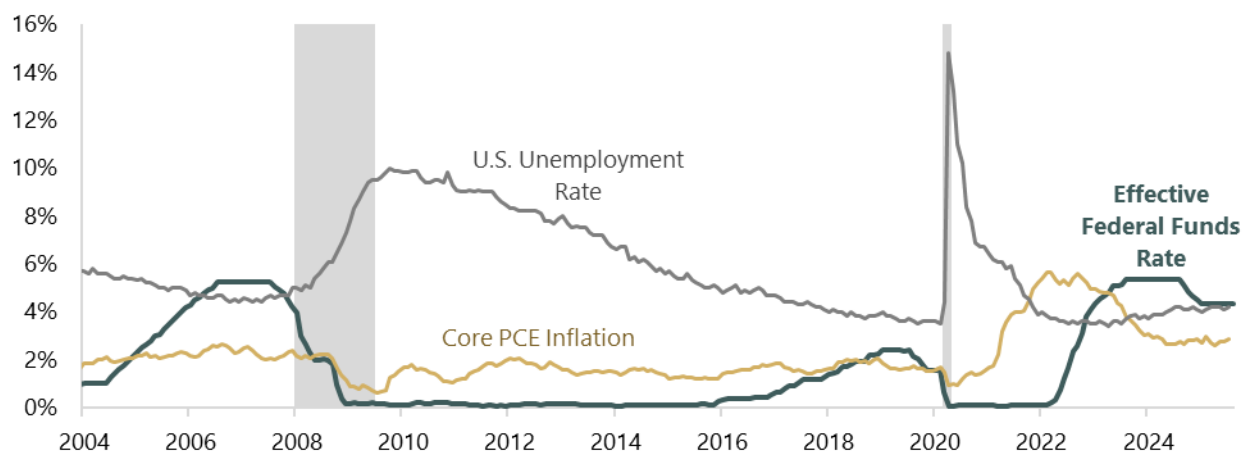
Monetary Policy

The Federal Reserve's Federal Open Market Committee (FOMC) uses changes to its balance sheet and its benchmark interest rate, the federal funds rate, to promote maximum employment and a long-term average of 2 percent inflation. The Federal Reserve can slow inflation by raising the federal funds rate, which increases the cost of short- and medium-term borrowing, and by reducing the size of its balance sheet, which increases the cost of long-term borrowing.

Interest rates are expected to fall as the labor market weakens. The FOMC have held interest rates steady throughout 2025, but has signaled a likely cut in September due to a weakening labor market. This forecast expects the FOMC will cut interest rates by 50 to 75 basis points in 2025. The longer run outlook remains cloudy as the labor market is expected to continue to soften while tariffs put upward pressure on inflation, but additional cuts are expected in 2026.

The FOMC uses the personal consumption expenditures price index excluding food and energy, also known as core PCE, as its preferred measure of trend inflation. Core PCE remains above the Federal Reserve's 2 percent average inflation target, inching up to 2.9 percent in the most recent reading, while the unemployment rate remains at a healthy level (Figure 19). Despite this healthy unemployment rate, employment growth has stagnated in recent months. Weakening employment growth has caused the FOMC to indicate that rate cuts are more likely, even amidst small upticks in inflation. The path of the federal funds rate beyond 2025 is uncertain, as the Federal Reserve identifies inflation risks as being weighted to the upside (implying higher interest rates) and risks to economic activity as weighted to the downside (implying lower interest rates).

Figure 19
Core PCE, Unemployment, and the Federal Funds Rate
Percent / Year-Over-Year Percent Change



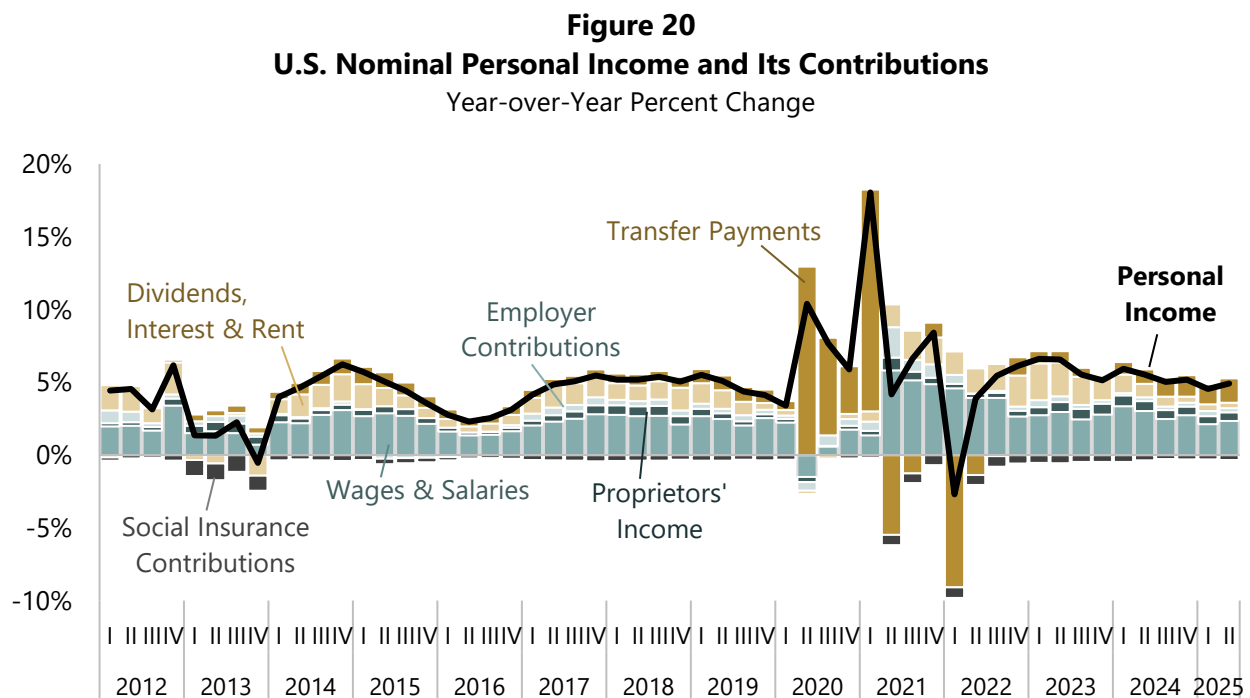
Source: The Federal Reserve, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics.

The Fed continues to reduce its balance sheet, but at a slowing pace. In April 2025, the Fed began dramatically slowing its pace balance sheet reductions. Reducing the size of the balance sheet puts upward pressure on long term interest rates. Therefore, slowing or pausing the balance sheet reduction reflects more dovish monetary policy, and puts more downward pressure on long term interest rates.

The FOMC is expected to continue to make monetary policy decisions that are consistent with the Federal Reserve's dual mandate. If the Federal Reserve were to pursue monetary policy that is more accommodative than the dual mandate would otherwise prescribe, inflation may be significantly higher than anticipated in this forecast, particularly as inflation expectations become unanchored. However, this may also stimulate more economic growth in the short run than is currently anticipated.

Personal Income

Personal income measures the aggregate amount of income received by individuals and households from wages and salaries, business ownership, investments, and other sources. Personal income drives individual income tax revenue, the state's principal revenue stream, and foreshadows consumer spending and contributions to sales tax receipts. Incomes have grown slower in Colorado than the nation since early 2023. Data quality concerns with Colorado's employment census data may make state level personal income less reliable, resulting in an underreporting of total wages and salaries. A history of year-over-year growth in nominal personal income in the U.S. is shown in Figure 20.



Source: U.S. Bureau of Economic Analysis with Legislative Council Staff calculations. Data are seasonally adjusted through the second quarter of 2025.

Total U.S. personal income was 4.9 percent higher in the second quarter of 2025 compared to a year prior. Wages and salaries are the largest source of personal income, and were up 4.7 percent compared to one year prior, similar to the average rate of growth before the pandemic. The second-largest component of personal income, dividends, interest, and rent, grew by just 1.9 percent over the past year, particularly due to slow growth in dividends. Modest growth in most areas of personal income have been offset by larger government transfer payments as the Social Security Fairness Act takes effect, increasing social security payments. Payments for Medicaid also accelerated in the second quarter.

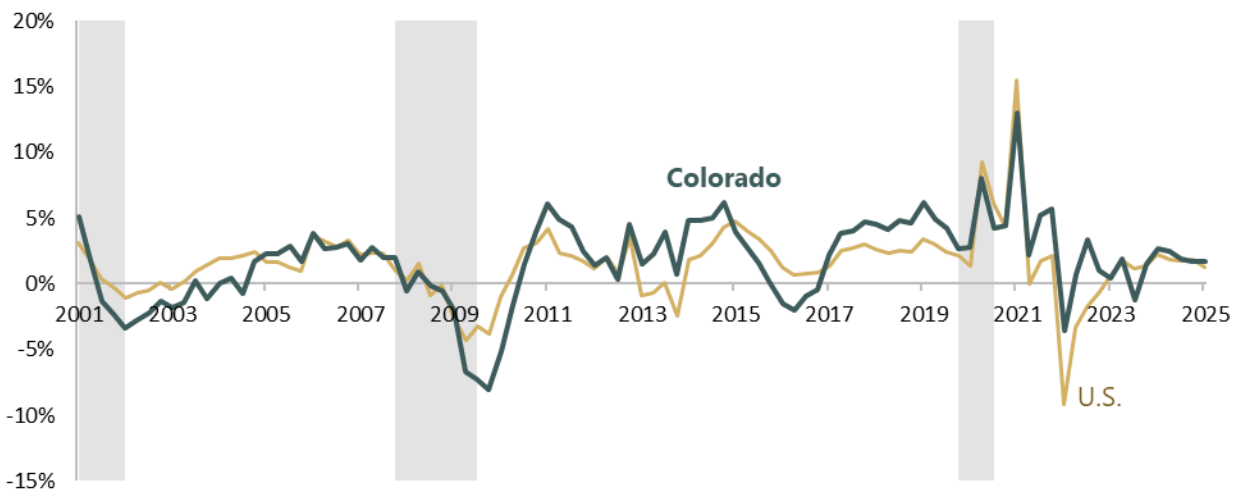
- U.S. personal income growth is expected to slow to 5.1 percent in 2025, 4.8 percent in 2026, and 4.3 percent in 2027.

Data on personal income growth in Colorado are available through the first quarter of 2025, and show growth at a 4.3 percent rate over the most recent three quarters, slightly slower than for the U.S. Growth in wages and salaries slowed to 3.9 percent in the first quarter, the slowest growth rate since 2021. Slowing wage growth may be due to receding inflationary pressure, slower employment growth, or poor-quality data underreporting wages. Colorado personal income growth is expected to remain below the U.S. throughout 2025 and 2026. Through the forecast period, more moderate labor market expectations will weigh on the state's personal income growth.

- Personal income growth in Colorado is expected to slow to a modest 4.8 percent in 2025 as employment growth slows. Personal income is projected to increase 4.6 percent in 2026, then grow 5.1 percent in 2027.

While nominal personal income continues to grow, households have also had to contend with above trend inflation. After adjusting for population and inflation, estimated real personal incomes in both Colorado and the U.S. increased modestly over the past year, up by 1.5 percent and 1.8 percent, respectively (Figure 21). Real per-capita personal income is expected to continue increasing at a slow pace for both the U.S. and Colorado throughout the forecast period 2025, although higher-than-expected inflation could result in headwinds.

Figure 21
Real Per-Capita Personal Income Growth
 Year-over-Year Percent Change



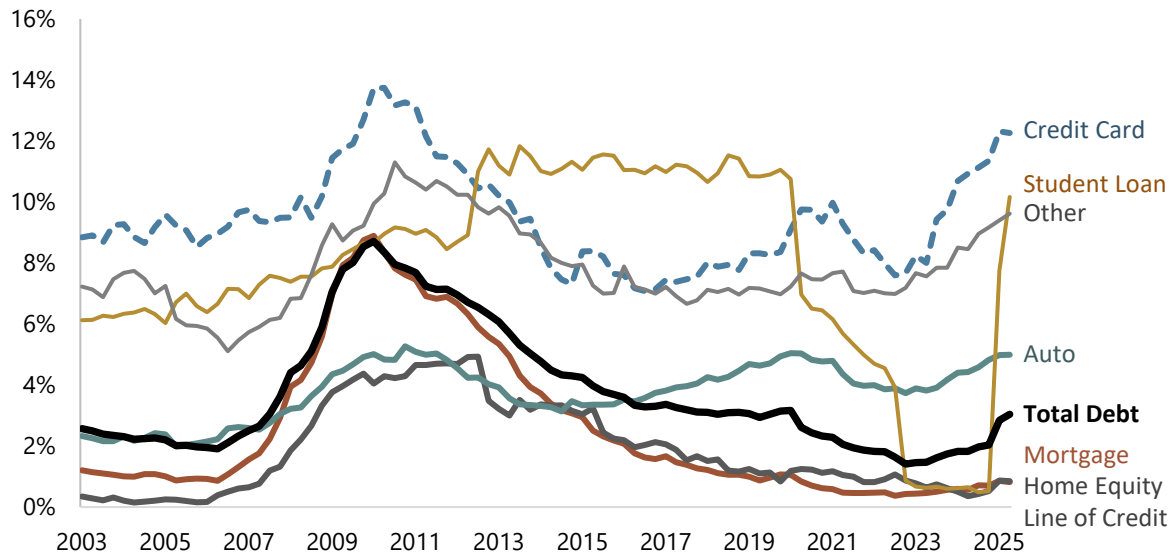
Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, and LCS calculations. Data are adjusted for inflation using the national PCE price index.

Household Finances

Household debt and delinquencies are on the rise and the saving rate remains low, indicating that households may be financially overextended. Deteriorating household conditions both derive from and pose risks to consumer confidence, suggesting further drags on spending, business activity, and GDP.

Delinquency rates for student loans and credit cards continue to rise. Delinquency rates show the percentage of outstanding loan debt that is past due by ninety days or more (Figure 22). Student loan delinquencies have surged in 2025 due to the end of the forty-three month pause on payments that was initiated at the beginning of the pandemic. Payments resumed in September 2023, with a grace period that prevented missed payments from being reported in credit reports. This period ended near the end of 2024, resulting in a sharp rise in reported delinquencies beginning in the first quarter of 2025. In the second quarter of 2025, nearly 10.2 percent of student loan debt was delinquent by more than 90 days, slightly below the pre-pandemic delinquency rate.

Figure 22
U.S. Serious Delinquency Rates by Loan Type
 Percent of Debt



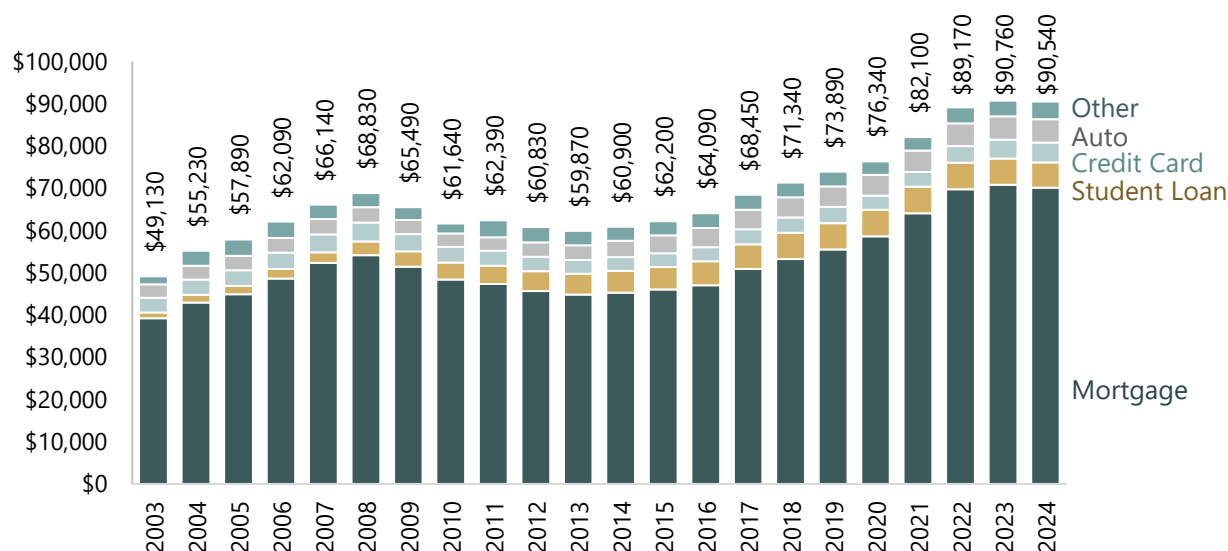
Source: New York Fed Consumer Credit Panel/Equifax. Data are through 2025Q2.

Serious delinquency rates are the percentage of total debt that is delinquent by 90 days or more. "Other" refers to retail cards and consumer finance loans.

The delinquency rate on credit card debt sits at 12.3 percent, the highest rate since 2011. Similarly, the delinquency rate for other loans, which includes personal loans and retail loans, is at its highest level since 2013. On the other hand, the mortgage delinquency rate remains at a healthy level, below its pre-pandemic rate and holding steady in the second quarter. In total, 3.0 percent of debt was delinquent by 90 days or more in the second quarter.

Higher delinquency rates will result in lower credit scores, particularly for younger borrowers defaulting on student loans, which will result in higher interest rates and less access to credit. Additionally, the current data may be understating the amount of household debt in the economy due to buy now, pay later (BNPL) loans not being included in credit reports. FICO scores will begin reflecting BNPL loans this fall, which will impact some households' credit scores. According to the [Federal Reserve](#), BNPL is primarily used by low-income households, and nearly one in four users were late making a payment in 2024.

Figure 23
Colorado Debt Balance Per Capita
Dollars

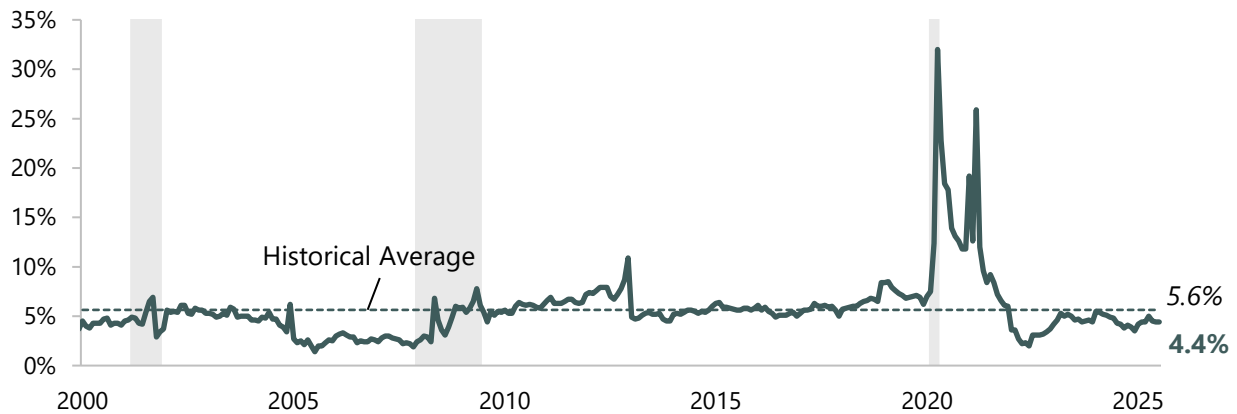


Source: New York Fed Consumer Credit Panel/Equifax: State Level Household Debt Statistics.

Colorado has the highest level of debt per capita of any state, averaging \$90,540 in debt per person in 2024. The second highest state is California, which averages \$86,000, while the national average is \$61,660. Coloradans have had the highest level of debt in every year since 2020. Colorado has the highest rate of mortgage debt, while being middle of the pack for auto and credit card debt. Mortgage debt in Colorado ticked down slightly in 2024, while most states saw a modest increase. Higher levels of mortgage debt may make Coloradans more exposed to the impacts of high interest rates and changes in the housing market.

The U.S. personal saving rate remains low. The personal saving rate ticked down to 4.4 percent in July, down from a high of 5.0 percent in April. The saving rate had increased in the beginning of 2025, but has fallen over the past three months. The downgrade reflects the fact that consumption has increased at a faster rate than incomes in recent months. This may indicate an increase in consumer confidence or could reflect more households being financially overextended.

Figure 24
U.S. Personal Saving Rate
Percent



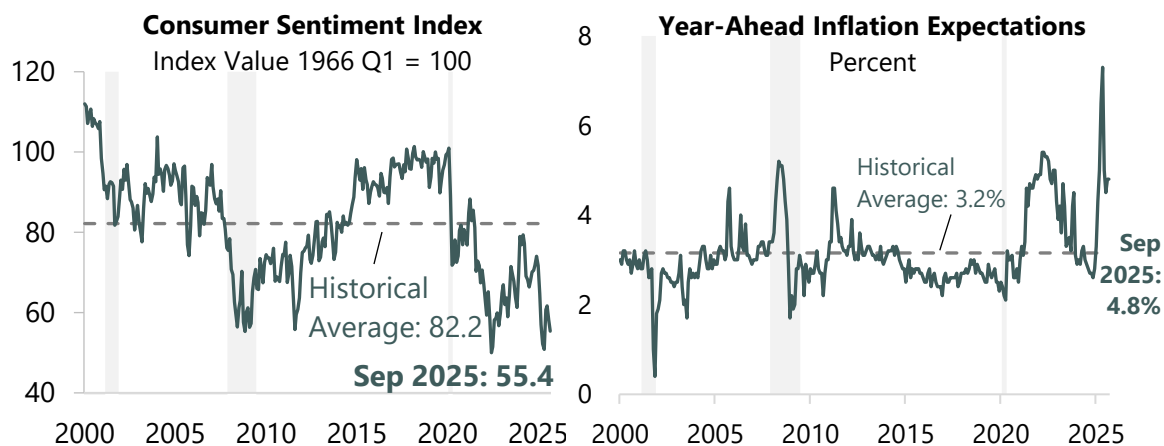
Source: U.S. Bureau of Economic Analysis.

Note: Data are shown as seasonally adjusted annual rates. Data are through July 2025. The personal saving rate is calculated as the ratio of personal saving as a percentage of disposable personal income.

Consumer Activity

Consumers are wary and showing signs of weakness. Consumer spending as measured by personal consumption expenditures accounts for roughly 70 percent of total GDP, making it the leading determinant for economic output. Though personal consumption expenditures ended the second quarter of 2025 up 2.4 percent compared to the year prior, total personal consumption expenditures grew more slowly in the first half of 2025, with quarter-over-quarter growth averaging about half of the historical average rate. Weakened growth in consumer spending is in line with consumer sentiment as reported by the University of Michigan's Survey of Consumers, which was down sharply in September compared with the year prior (Figure 25, left). A less reliable but more forward-looking indicator, survey results suggest that consumers may be more cautious with their spending in the wake of trade policy uncertainty and labor market weakening.

Figure 25
University of Michigan Survey of Consumers

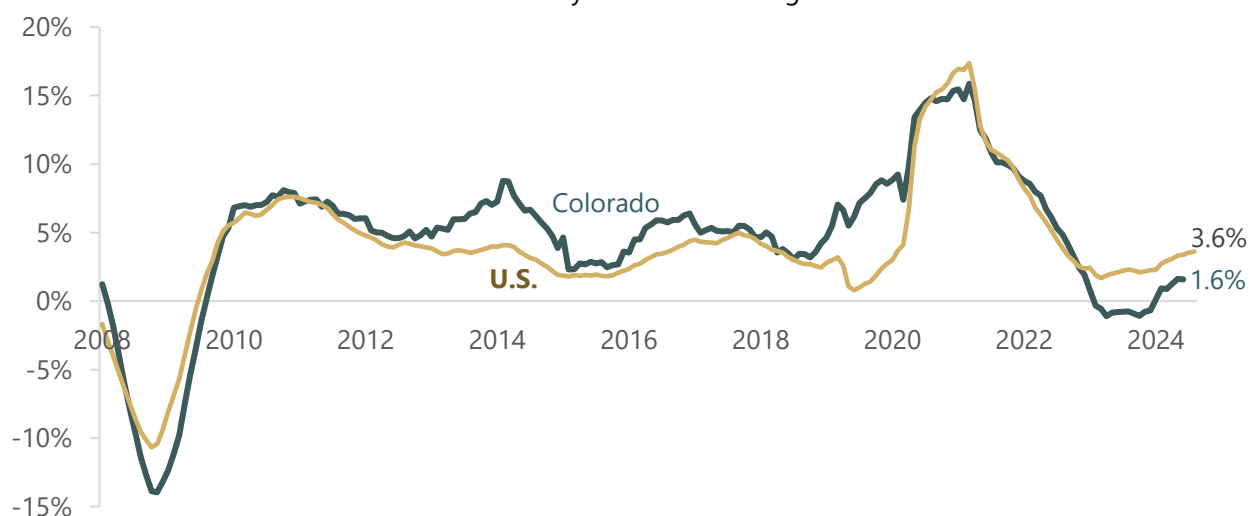


Source: University of Michigan Survey of Consumers. Data through September 2025.

Tourist activity within the United States weakens. While international flights by United States citizens are up 3.2 percent through July 2025 compared to the same period last year, international flights by foreign tourists to and from the United States are down 2.6 percent. Looking at local measures of tourist activity, through the first half of 2025, national park visits were down 1.0 percent at Rocky Mountain National Park and down 3.5 percent at Mesa Verde National Park, Colorado's two most-visited national parks. These combined statistics imply that while American consumers continue to prioritize international travel, slowing tourist activity within the United States poses risk to businesses and regions reliant on tourism for economic growth, such as leisure and accommodation retailers in the Colorado mountains.

Colorado posts real declines in retail sales. After growing only 0.1 percent in 2024 compared to the nation's 2.3 percent growth, Colorado retail sales are up 1.6 percent year-over-year through May 2025. While a slight improvement from 2024, growth in Colorado retail sales rests below the inflation rate, indicating a real decline in state consumer spending. Feeble growth is partially offset by strength in sales for general merchandise stores, which account for roughly 17 percent of sales in the retail trade sector, and exacerbated by declines in sales for building materials, clothing and accessory stores, and food and beverage stores. National retail sales continue to outperform Colorado, posting 3.6 percent year-over-year growth through July 2025, slightly below historical average growth rates. While some of the difference between national and state-level retail sales is partly attributable to inflation, which is higher in the nation than in Colorado, the state is generally lagging the nation across economic indicators. Retail sales are additionally sensitive to tourist activity. As a high-tourism state, Colorado's relative underperformance in retail sales is likely also partially attributable to slowing tourist activity.

Figure 26
Nominal Sales in the Retail Trade Sector
Year-over-year Percent Change

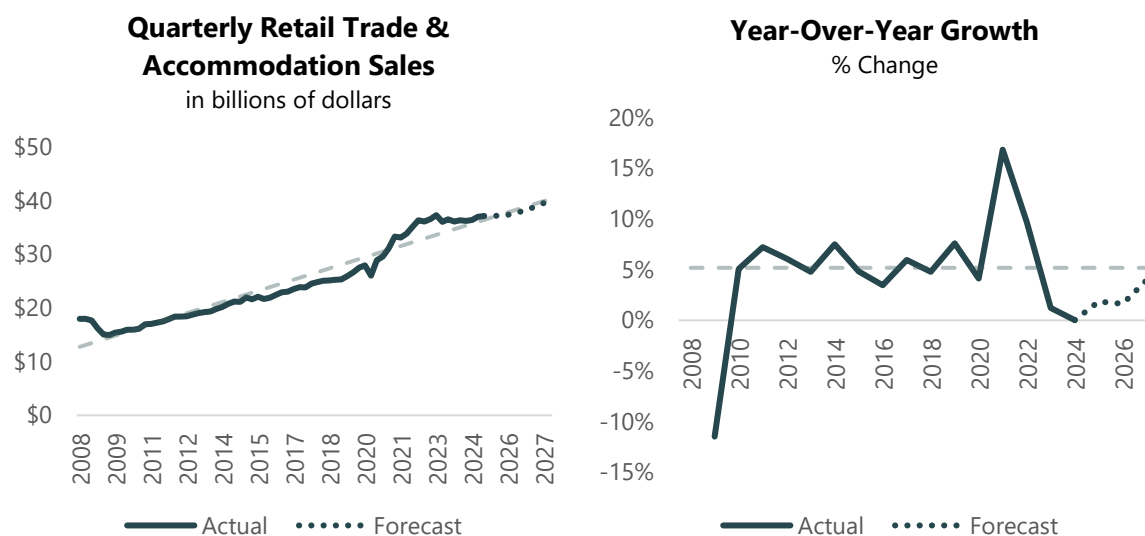


Source: U.S. data from U.S. Census Bureau, seasonally adjusted through July 2025. Colorado data from Colorado Department of Revenue through May 2025. Data seasonally adjusted using a 12-month moving average.

Consumer activity expected to slow in the near term. The forecast continues to expect slowing growth in consumer spending both in the state and nationwide through the remainder of 2025 and 2026 as the labor market weakens and uncertainty plagues consumer sentiment. In addition, near-term inflation may increase the amount consumers spend on certain necessities, reducing discretionary income for spending on other goods but boosting overall nominal retail sales. Easing monetary policy and the resolution of uncertainty are expected to encourage borrowing and boost consumer spending, contributing to more robust growth in consumer spending in 2027, the forecast's out year.

The September 2025 forecast for Colorado retail sales was revised downward due to weak consumer sentiment, real declines in retail sales, and a weakening labor market. However, these downward revisions were more than offset by increased inflation expectations for 2025 and 2026, thus increasing nominal growth expectations in the near-term. Still, with a 1.9 percent and 1.6 percent estimated growth rate for 2025 and 2026 respectively, inflation is expected to outpace nominal retail sales through 2026.

Figure 27
Colorado Retail Trade and Accommodation Forecast



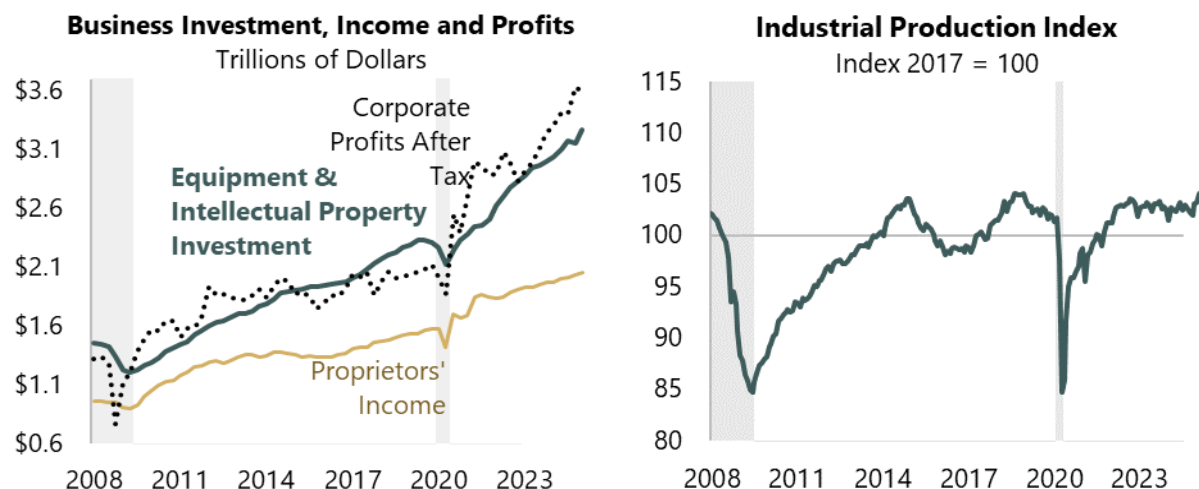
Source: LCS September 2025 Forecast. Actuals from Colorado Department of Revenue through the first quarter of 2025.

Business Activity

U.S. business indicators remain stable, even in the face of trade policy and inflation uncertainty and poor consumer sentiment. Total corporate profits remain at all-time highs through the second quarter of 2025, though earnings have been mixed across industries. Banks and other service sector businesses continue to post strong corporate profits as they are not as directly exposed to tariffs, while some manufacturers struggle with high borrowing costs, tariffs, and a sluggish global economy. Higher import costs have allowed domestic producers, like steel and aluminum and semiconductor manufacturers, to increase prices and expand production. Finally, major U.S. stock indices continue post record highs.

U.S. business activity is expected to improve at a slower pace through the forecast period as pressures from tariffs, inflation, and federal government spending mount. However, federal tax cuts and possible trade agreements with key partners could boost business.

Figure 28
Selected U.S. Indicators of Business Activity



Sources: U.S. Bureau of Economic Analysis data (left), not adjusted for inflation, through the first quarter of 2025. Federal Reserve Board of Governors data (right) through July 2025.

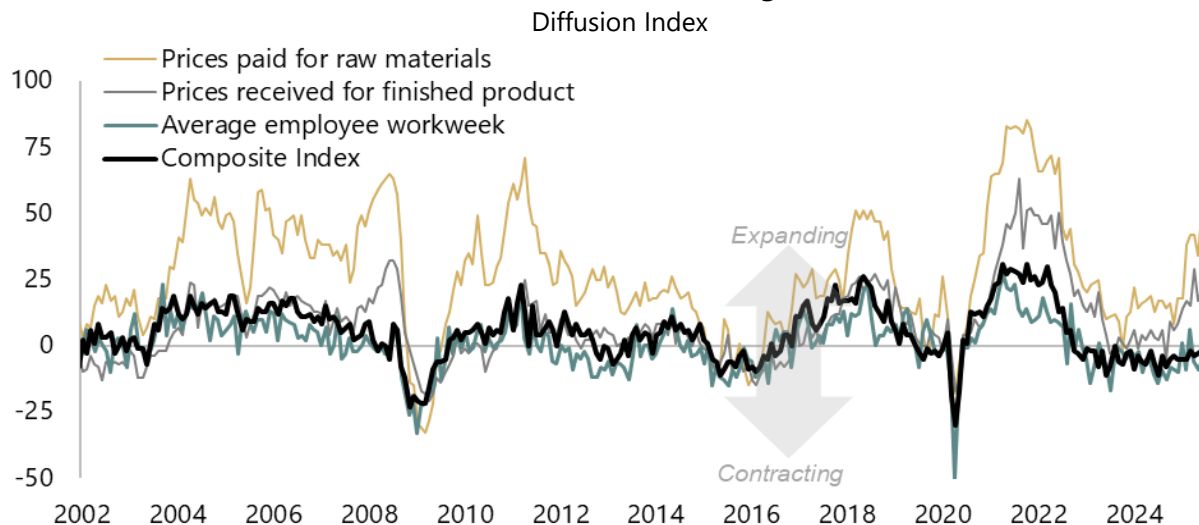
Corporate profits retain prior gains, but are slowing. In 2024, U.S. corporate profits after tax increased by a seasonally adjusted annual rate of 12.1 percent from the previous year, averaging just over \$3.4 trillion in profits for the year (Figure 28, left). In the last quarter of 2024, corporate profits surged by nearly 30 percent from the previous quarter to \$3.6 trillion, the highest amount on record, but held steady in the first quarter and second quarters of 2025. Profits will continue to increase through the forecast period, though a darkening outlook for consumer spending will raise headwinds.

Capital investment surged in early 2025, but the outlook is less certain. In 2024, total business investment increased by 5.9 percent from the previous year. The first quarter of 2025 was exceptionally strong, increasing by 12.9 percent from the previous quarter, as businesses made investments in equipment and intellectual property to outrace tariffs. The cost of investing is rising with high import costs and constrained supply for both goods and labor, while lower interest rates will reduce capital costs into 2026.

Despite record corporate profits elsewhere, manufacturing remains sluggish. The industrial production index, which measures real output from manufacturing, mining, and utilities compared to output in 2017, has been sluggish since mid-2022 (Figure 28, right). These industries are particularly sensitive to higher interest rates and global economic conditions, which have weakened demand and increased the cost for materials. In July 2025, the industrial production index was relatively flat year-over-year, up 1.4 percent.

Following the post-pandemic surge, the manufacturing sector has struggled. The Federal Reserve Bank of Kansas City produces a monthly manufacturing index for the Tenth District region, which includes Colorado and several surrounding states (Figure 29). The composite index has been mildly negative since late 2022, indicating contracting manufacturing activity. Respondents were more likely to report decreases than increases in production, volume of shipments, and volume of new orders. With new orders down and inventories up, manufacturing activity is likely to remain stalled in the near term.

Figure 29
Tenth District Manufacturing Index

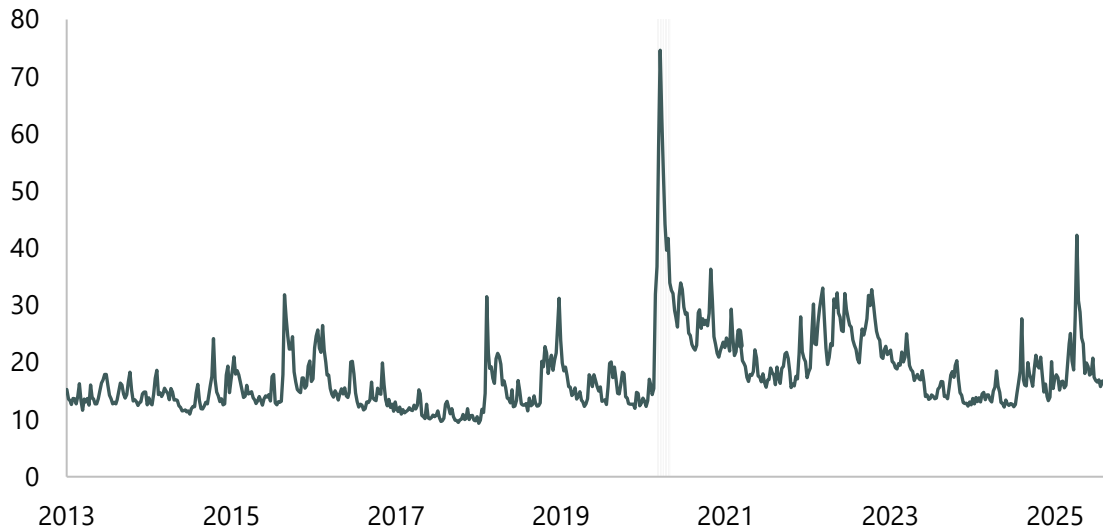


Source: Federal Reserve Bank of Kansas City. Data are seasonally adjusted. Data through July 2025. A value above zero indicates expansion; below zero indicates contraction.

Investors remain calm despite uncertainty. Despite mounting fears over tariffs, inflation, and rising federal government debt, major equity markets have been strong. A common measure to gauge how optimistic or fearful investors are about businesses listed on the U.S. stock market is the CBOE Volatility Index (VIX). It measures how much the U.S. stock market is expected to fluctuate in the next 30 days. In general, a VIX reading of less than 15 indicates low volatility and optimism, while a reading between 15 and 25 indicates some minor expected volatility, but not extreme. A VIX reading greater than 25 indicates increasing volatility and possible future market turbulence. At the height of the pandemic, the VIX reading averaged around 32. The VIX has averaged a reading of 20.4 since mid-2020.

The VIX had been steadily gaining momentum in late March 2025 as reciprocal tariff policies on nearly all U.S. imports escalated. By April 8, 2025, the VIX reported a reading of 52, among the highest on record (Figure 30). A 90-day pause on all reciprocal tariffs, excluding China, was announced on April 9, 2025 easing market concerns, but the VIX remained above its historical average though the rest of the month and into early May as tariff concerns with China remained. On May 12, 2025, a temporary trade agreement, which substantially reduced tariffs by the U.S. and China, was announced. Since then, the VIX has steadily declined toward its historical average level. Through August 2025, the average VIX reading was 15.6 as expectations for future interest rate cuts rose.

Figure 30
CBOE Volatility Index (VIX)



Source: Chicago Board Options Exchange. Data through September 5, 2025.

Real Estate and Construction Activity

National home prices decline and reverse trend, Denver prices regress. After rising 8.4 percent above the previous peak recorded in mid-2022, home prices across the nation's largest cities have declined for four consecutive months for the first time since 2022, according to the Case-Shiller 20-city composite index. In June, the price index was up just 2.1 percent year-over-year.

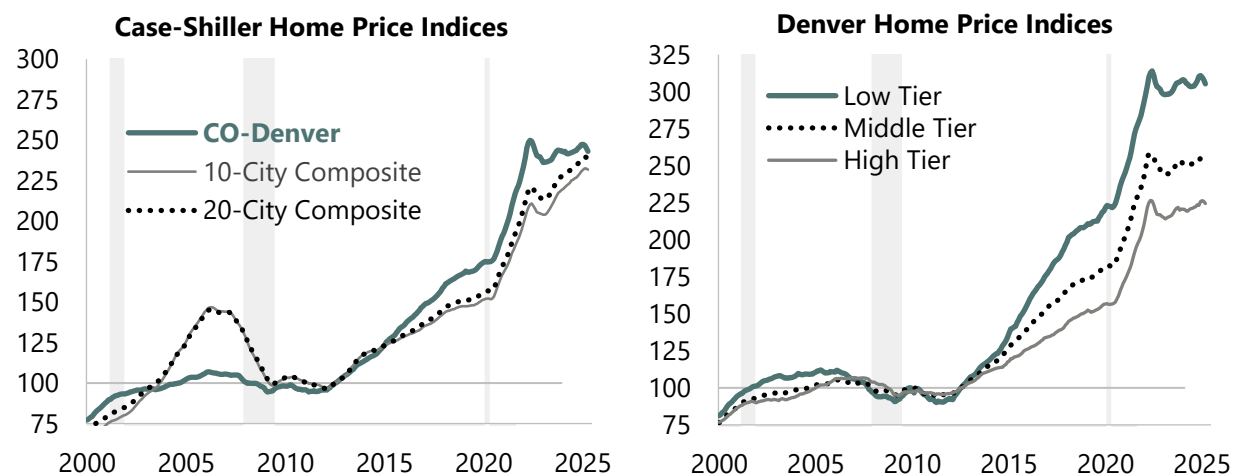
As tracked by the National Association of Realtors (NAR), home sales have declined by about 38 percent since early 2022 and inventory is at its highest level since 2020. In July, inventory was up 15.7 percent year-over-year and unsold inventory reached a projected shelf life of 4.6 months, up from 2.6 months in 2022. Home affordability remains a challenge for buyers under the current economic and interest rate environment. As measured by the NAR, mortgage payments for a household with median income buying a median-priced home has risen to 26.5 percent of income, up from 23 percent in 2022. The National Association of Home Builders estimates payments could be as much as 37 percent of income among households with a median income. The national housing market appears set for an ongoing price correction. Although the market will warm to interest rate cuts, the poor labor market will weigh on sales.

From 2012 to 2022, prices in the Denver area rose significantly more than in other large cities across the nation. However, the past three years have witnessed much slower price increases, less than other major metro areas (figure 31, left). Like other areas of the country, prices in Denver have also contracted in 2025, falling for the five consecutive months to date, and contracting 0.6 percent year-over-year. Prices in Denver have yet to recover since the post-recession peak in mid-2022 and as of June are 3.7 percent below the peak level.

Across the state, the Colorado Association of Realtors reported that median price of a single-family home was \$590,000 in July 2025, essentially flat from the mid-2024 level. The inventory of active listings is up 18.1 percent year-over-year. Though affordability remains a

challenge for the state under the current economic environment, interest rates have already begun to ease. In August, the 30-year fixed rate mortgage averaged about 6.6 percent, down from a high of 7.6 percent in October 2023. Interest rates have remained above 6 percent since the end of 2022.

Figure 31
Selected Home Price Indicators
 Index 100 = July 2012



Source: S&P Dow Jones Indices LLC. Data are seasonally adjusted and are through June 2025.

Market conditions lead to slower homebuilding. Housing permits for new units in the U.S. are struggling for the third consecutive year since the interest rate hike that began in 2022. In July 2025, permits were down 0.4 percent year-to-date, with a 6 percent decrease in single family units that was partially offset by an increase in multifamily. Homebuilder sentiment is poor, having fallen significantly since the start of the year according to the National Association of Home Builders. For 16 consecutive months through August the survey has indicated that the majority of builders view home building conditions as poor, expressing concern over the level of interest rates, tariffs, and materials costs. Homebuilders continue to offer price reductions and sales incentives at higher levels to boost purchases.

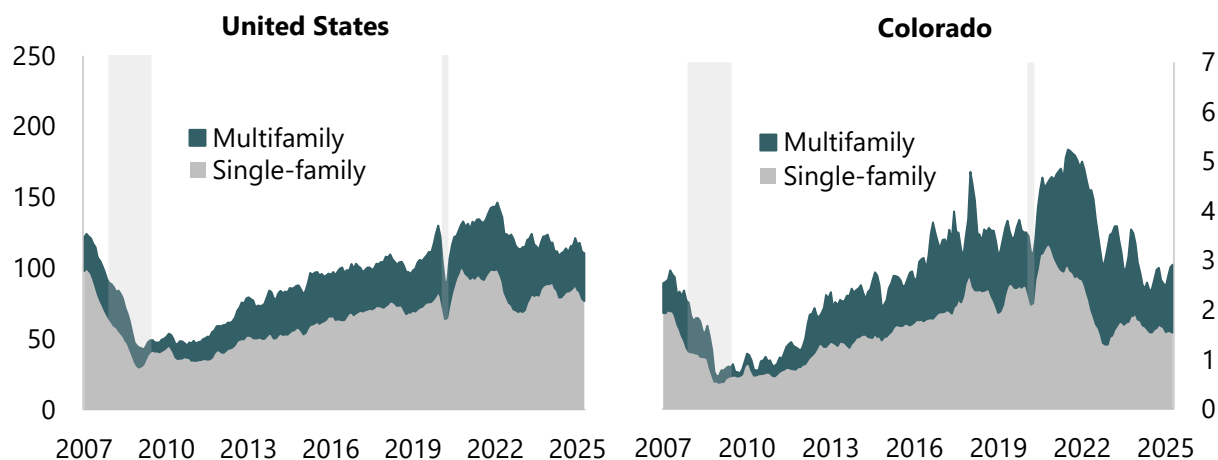
In Colorado, housing starts are reeling after a historic surge in multifamily construction. In 2024, multifamily starts were down 43 percent compared with 2023. In 2025, multifamily starts are expected to decline another 2.4 percent. Combined with a projected 10.7 percent decline in single family permits and ongoing weakness in the single-family market, residential construction is expected to decrease over the forecast period.

A glut of vacant housing units is contributing to the multifamily construction decline. Utilizing data from the Colorado State Demography Office for housing units and households to estimate vacancy, vacant housing units have approached levels last posted following the Great Recession. While part of the increase may be attributable to the rise in second homes and investment properties in the state, data indicate that annual building permits have outpaced new household formation for several years. Combined with an uncertain policy environment, weak market fundamentals will weigh on new construction.

- The number of residential construction permits issued in Colorado is expected to decrease in 2025 by 7.7 percent. In 2026, permits are expected to decline by another 9.7 percent, then stay relatively flat in 2027.

Figure 32
Building Permits for New Construction

Thousands of Units



Source: U.S. Census Bureau. Data through July 2025 are seasonally adjusted and shown as 3-month moving averages.

Nonresidential construction slows in the U.S., and is expected to improve in Colorado.

Following two quarters of decline to close 2024, nationwide real investment in structures has continued to contract through the second quarter of 2025, down 2.3 percent year-to-date. Over the past 12 months, construction of commercial structures like hotels and offices led the declines, down 8.2 percent from year-ago levels. Manufacturing construction has likewise begun to contract and in July was down 6.6 percent year-over-year. Declines in these sectors were partially offset by steadily growing construction in infrastructure such as the power grid, water, sewage, and highways and streets.

Following the steep contraction in 2024, nonresidential construction in Colorado started 2025 on a more positive trajectory. Largely boosted by the start of a \$280 million manufacturing project in Adams County, commercial buildings and offices have also improved year-to-date through July. Construction for the year is expected to grow from the low recorded in 2024. However, developers and builders will continue to navigate the impact of tariffs on prices and business investment. Changing market and policy conditions have impacted plans for large projects that were expected to boost nonresidential construction in the coming years. This included plans for battery manufacturing and other renewable energy component manufacturing projects that anticipated federal grants. Overall, construction and investment will remain muted until there is more market certainty.

- The value of nonresidential construction starts in Colorado is expected to increase by 19.2 percent in 2025, decline by 15.8 percent in 2026, then rebound by 7.4 percent in 2027.

Energy Markets

Oil prices are expected to soften on weak global demand and increased supply. Through August, crude oil prices have rapidly contracted from the start of the year. The average price was \$75.74 per barrel in January 2025 and has fallen to \$64.34 in August. (Figure 33, left). The average price fell as low as \$60 in June. For the year, oil prices are expected to average \$65.18, an upgrade from the June forecast with higher-than-expected summer prices, but falling 14.8 percent below the average in 2024.

The outlook continues to be shaped by concerns over global demand under an ongoing trade war. Tariff policies are expected to reduce global trade volumes, putting downward pressure on demand for fuel. Further, tariffs are expected to curb consumer demand and business activity, reducing demand for travel. Cautious households may pull back on spending and travel, drive fewer miles, and buy fewer vehicles. Businesses may also reduce travel budgets, refrain from expanding capital and workforce, and choose domestic proximity for certain inputs. Uncertainty continues to impact oil markets with diffuse expectations of prices as investors and purchasers adjust to new and changing policies.

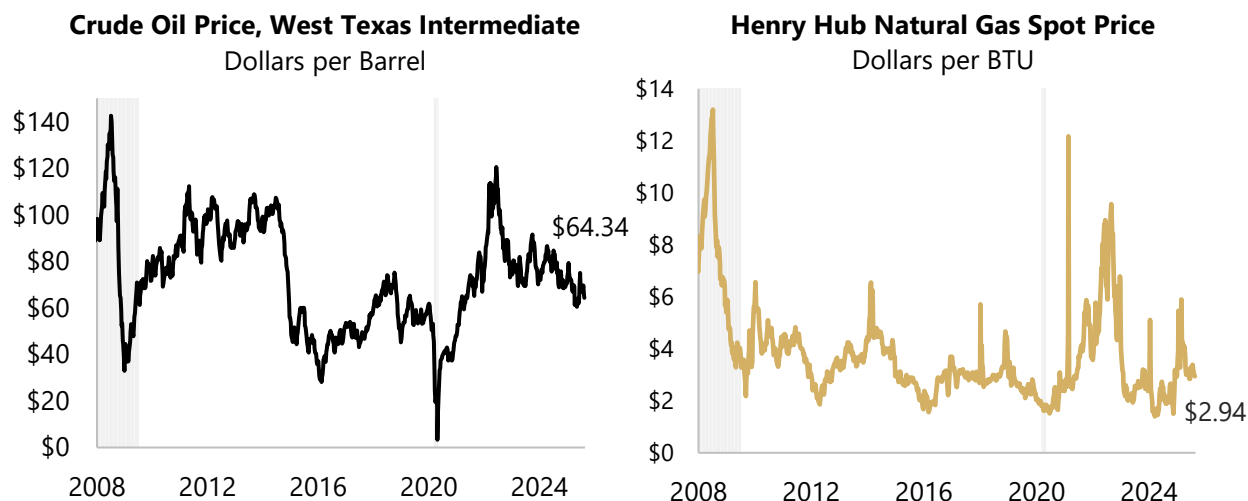
On the supply side, OPEC+ countries are unwinding voluntary production cuts more quickly than anticipated. The Energy Information Administration now anticipates OPEC+ countries will end their voluntary production cuts by September 2025 instead of September 2026. Countries outside of OPEC+ are also expected to grow production, including the U.S., Canada, Brazil, and Guyana. Guyana is set to become one of the top producers in the Americas following the discovery of offshore oil in the Stabroek Block in 2015. Overall, global production over the next year is still expected to outpace demand and contribute to growing inventories and lower prices.

- The price of West Texas Intermediate crude oil is expected to decrease through the forecast period, with the price per barrel averaging \$65.18 in 2025, \$55.38 in 2026, and \$57.17 in 2027.

Natural gas prices are expected to climb. Natural gas prices fell back to mid-pandemic levels over the past two years after rising as high as \$8.76 per million BTU in August 2022 as supply outpaced demand. The outlook for natural gas prices in 2025 and 2026 has been revised down from the June forecast on weaker than expected prices over the past few months. In 2025, the spot price is now expected to average \$3.63, down from \$4.12 in the June 2025 forecast. In July, the Henry Hub spot price was \$3.24 per million BTU, up nearly 54 percent year-over-year. The Energy Information Administration notes that contrary to expectations, inventories have risen above the 5-year average rather than falling below it. However, the agency still expects inventories to decline and contribute to price pressure through the forecast period. Further, demand for liquefied natural gas exports remains strong and will also contribute to higher prices.

- In 2025, the Henry Hub spot price is expected to average \$3.63 per million BTU, rising to \$4.23 in 2026, and \$4.75 in 2027.

Figure 33
Select Energy Price Indicators



Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted and are through the week of August 22, 2025.

Colorado's oil production expected to decrease, natural gas to increase in 2025. Following the pandemic recession, Colorado's crude oil production experienced a larger pull-back and has recovered more slowly than the U.S. (Figure 34, left). From 2022 to 2024, Colorado's production increased about 7.4 percent compared with 10.4 percent nationwide. The outlook for Colorado's production has been revised down from the June 2025 forecast as the outlook for prices continues to remain weak. In 2025, production is projected to decrease 1.5 percent, down from an expected decrease of 0.5 percent projected in June. In contrast, U.S. crude oil production is forecast by the EIA to increase 2.3 percent in 2025, before slowing to 0.1 percent in 2026.

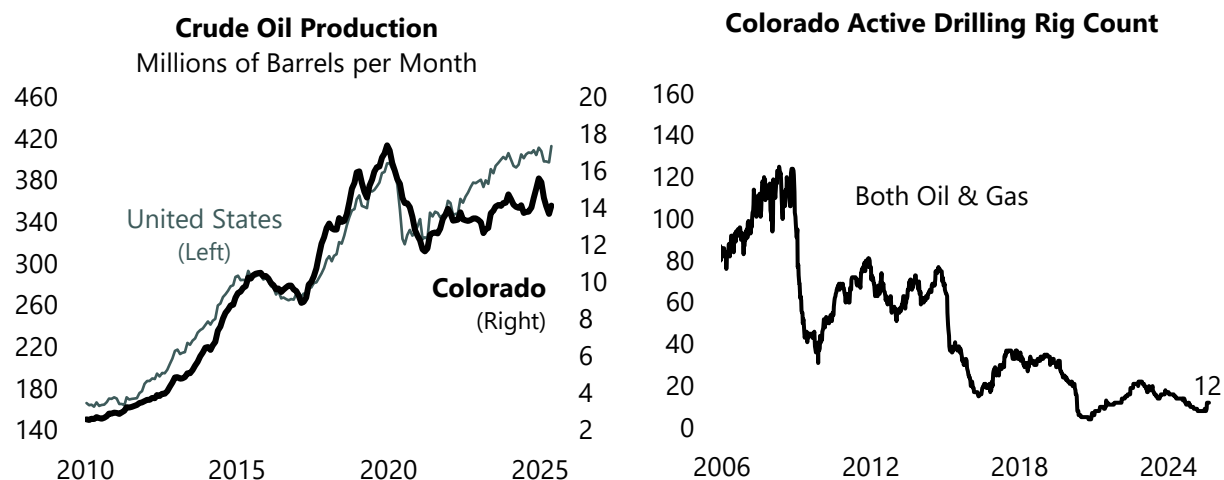
Low prices are expected to impact Colorado's production through the forecast period. According to the Kansas City Federal Reserve Bank's second quarter energy survey, firms reported that oil prices in the tenth district, which includes Colorado, needed to be at least \$64 on average for drilling to be profitable, and around \$83 per barrel for a substantial increase in drilling. A price dip to around \$55 per barrel in 2026 would impede the profitability of new wells in many areas and is expected to impact production overall beginning in the second half of the year into 2027. The state's production is projected to decline by 3.0 percent in 2026, and then decrease another 5.6 percent in 2027.

Tariffs on imports of crude oil from Canada present a risk to the forecast. Imports of oil from Canada are Colorado's largest import commodity, comprising about 20 percent of the value of imports in 2024. As such, Canadian crude oil is a significant source for Colorado's total oil consumption. Higher prices for Canadian crude oil may make crude production from in-state sources more price competitive for local markets. However, state oil markets are also subject to the effect tariffs have on national and global markets and prices, and the overall impact on the state's production is uncertain.

Colorado natural gas production has lagged the U.S. for several years. From 2020 to 2024, U.S. natural gas production has increased by 12.6 percent, compared with a decline of 7.2 percent in

Colorado. This is partly due to natural gas production across the U.S. from oil wells (approximately 10 percent), while oil well production in Colorado has significantly diminished. In 2025, Colorado's projected natural gas production was revised down from the June forecast based on weaker than expected prices and production. Production is now expected to fall 0.8 percent for the year compared with a projected increase of 1.4 percent in the June forecast. According to survey data from the Kansas City Federal Reserve Bank, natural gas prices have mostly remained below the average profitability for new wells for several years. In the second quarter, firms indicated a spot price of \$3.79 per million BTU for drilling new wells. As prices approach this level in the latter half of 2026, production in the state is expected to increase modestly and improve with sustained prices in 2027. In 2026 and 2027, natural gas production in Colorado is expected to increase by 1.4 percent and 2.2 percent.

Figure 34
Select Energy Production Indicators



Sources: U.S. Energy Information data (left) shown as a three-month moving average, not seasonally adjusted, through May 2025. Baker Hughes data (right) not seasonally adjusted, through August 2025.

Colorado's retail gasoline prices expected to remain around \$3.10 in 2025. Colorado's retail gasoline prices averaged about \$3.10 per gallon through August 2025, lower than the \$3.20 average through August one year ago, and lower than the U.S. average of \$3.25. Prices in August were down nearly 10 percent year-over-year and continue to trend below U.S. prices, consistent with the trend historically. From 2025 to 2027, U.S. retail gasoline prices are expected to trend downward with projected oil prices.

Agriculture

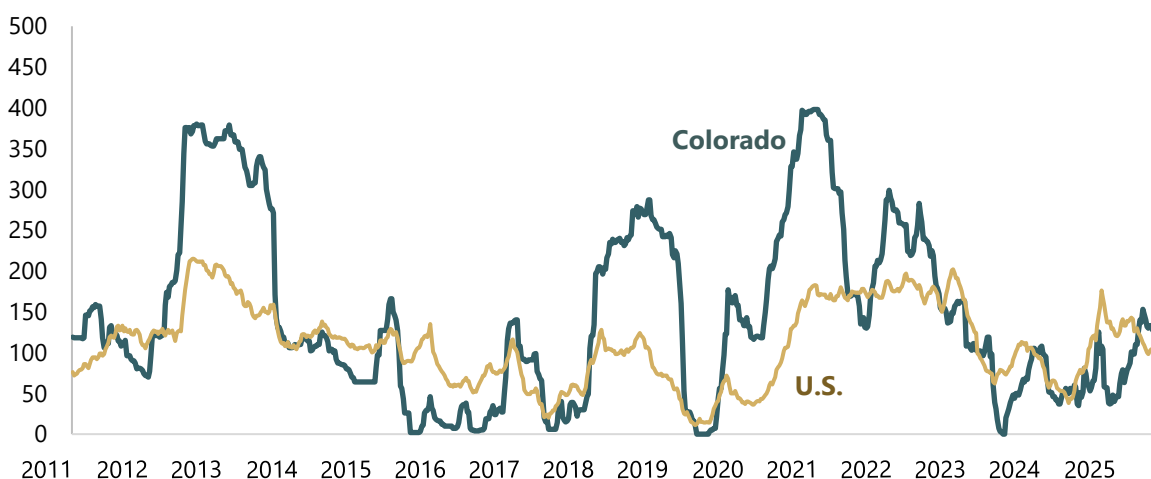
Conditions in the U.S. agriculture industry remain dampened by higher input costs and expensive financing. Immigrant population declines pose a challenge to the labor supply, while retaliatory tariff measures threaten ongoing international demand for American food products. In Colorado, worsening moisture conditions in the state further burden farmers, who saw a 27.5 percent decrease in 2024 net farm income. In contrast, national net farm income declined only 10.3 percent in 2024 as input costs remained high.

Still, the U.S. Department of Agriculture (USDA) forecasts that net farm income, a broad measure of profits, will end 2025 up over 28 percent after two years of declines as moderating interest rates bring down production expenses. Colorado net farm income may similarly rebound as inflation ticks up and monetary policy eases; however, it is expected to grow at a slower pace than nationwide through the forecast period.

Moisture conditions deteriorate, giving way to fires across the state. Drought conditions in the state largely continued to worsen through the summer, reaching the highest level seen in three years, well above the historical average drought level for the state (Figure 35). As of September 2025, drought conditions were most severe in the western half of the state, especially in northwest Colorado, with pockets of less severe drought spreading all the way down through the southeast corner of the state. Drought conditions are partly attributable to lower-than-usual spring snowpack levels paired with year-to-date precipitation that is below historical average rates for each of Colorado's nine major basins, with levels averaging 84 percent of the median through September 3, a deterioration from levels seen in the spring.

Wildfire has further burdened Colorado farmers through the 2025 summer growing season. On August 2nd, the Lee Fire started in Rio Blanco County west of Meeker and spread over 138,000 acres, making it the fourth-largest wildfire in Colorado history. Wildfires pose a double threat to farmers—in addition to burned acreage, farmland is at increased risk for flash flooding and mudslides as burn scars leave the land particularly vulnerable to the monsoon season. In response to Colorado wildfires, the U.S. Department of Agriculture (USDA) offered disaster assistance to agricultural producers in Colorado that suffered crop, range, forestland, infrastructure, and/or livestock losses and damages.

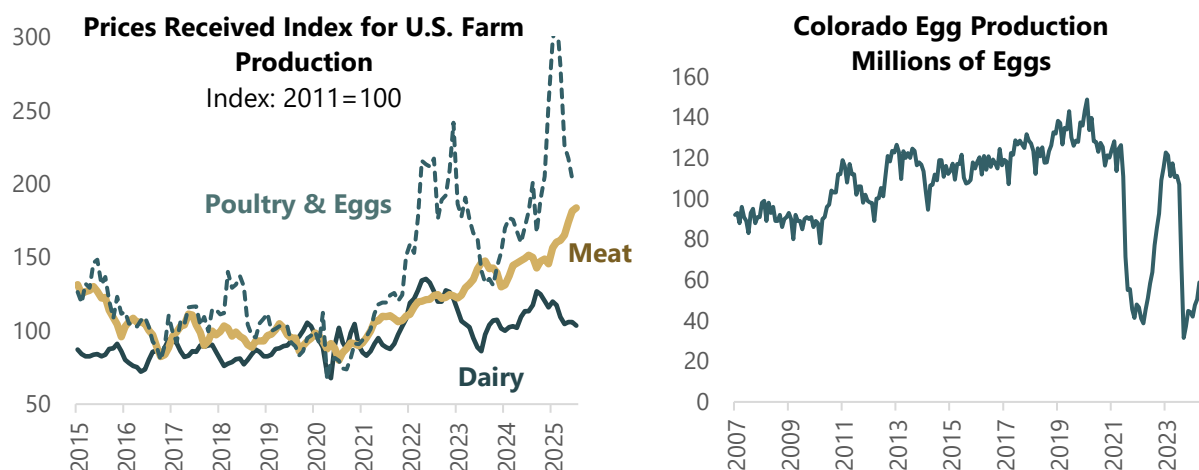
Figure 35
Drought Severity and Coverage Index
Index 0-500



Source: United States Drought Monitor. Data through August 26, 2025.

Egg production continues recovery after avian flu outbreak. Egg production and prices have started to moderate in 2025 after a July 2024 avian flu outbreak in Weld County led to a 74 percent decrease in state egg production compared to the peak seen at the end of 2023 (Figure 36, right). As impacted producers recover the losses, state egg production has grown 75 percent year-to-date, but remains 40 percent below peak production prior to the July 2024 outbreak.

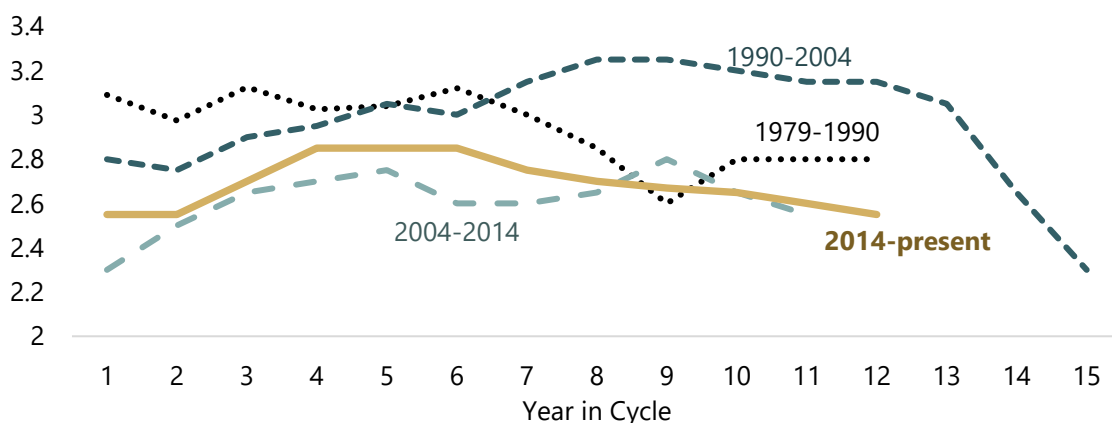
Figure 36
U.S. and Colorado Agricultural Indicators



Source: USDA National Agricultural Statistics Services; data through July 2025.

Colorado cattle ranchers have still faced significant challenges in 2025, including still-high interest rates contributing to higher input costs, the deportation of immigrants working in the agricultural industry, declining prices received for dairy products, and worsening drought conditions. Therefore, total cattle inventory (Figure 37) is expected to remain depressed through the forecast period as beef and dairy cattle ranchers, particularly those located in the western half of the state, face ongoing profitability barriers.

Figure 37
Colorado Cattle Inventory on U.S. Cattle Cycle
Cattle in Millions, Includes Beef and Dairy Cattle/Calves



Source: USDA National Agricultural Statistics Service. Survey data through 2025.

Risks to the Forecast

The broad theme of the current economy is extremely high uncertainty, which supercharges both upside and downside risks to the forecast. This section discusses risks that could cause economic and revenue performance to deviate from the expectations presented in this document.

Weaker job growth and trade policy lead the list of downside risks. Recent labor market data show a slowdown in hiring and rising unemployment rates. The baseline forecast already estimates slow to flat employment growth. Further job growth deceleration than anticipated will create challenges across household finances, consumer activity, and business activity, and could spark a recession.

To date, most American businesses have remained resilient in the face of broad tariff impositions. However, current trade policy is very new, and more tariffs have yet to come online. This forecast anticipates an economic response in line with that already observed; however, if new tariffs push some sectors beyond an economic tipping point, sectoral economic contractions could quickly emerge.

Clear and stable federal policies can present an upside risk to this forecast. Consumers and businesses are struggling to navigate the impact of current and potential federal policy shifts on prices, investment, markets, and monetary policy. A shift toward clear and predictable federal policies would help remove some of these reservations about the overall economy. Businesses may feel more comfortable to make long-term capital investments, expand operations and increase hiring, which in turn may boost consumer sentiment and spending. In addition, the outlook may benefit from tax policy stimulus enacted through [OBBBA](#). A permanent extension of lower tax bracket rates, higher standard deductions for individual income taxpayers, and immediate tax deductions for businesses may boost consumer and business confidence more than anticipated in this forecast.

Table 21
National Economic Indicators

Calendar Years	2020	2021	2022	2023	2024	Legislative Council Staff Forecast		
						2025f	2026f	2027f
Real GDP (Billions, 2017 dollars)	\$20,267.6	\$21,494.8	\$22,034.8	\$22,671.1	\$23,305.0	\$23,677.9	\$24,009.4	\$24,417.5
Percent Change in Real GDP	-2.2%	6.1%	2.5%	2.9%	2.8%	1.6%	1.4%	1.7%
Nonfarm Employment (Millions)	142.2	146.3	152.5	155.9	158.0	158.9	159.4	159.9
Percent Change in Nonfarm Employment	-5.8%	2.9%	4.3%	2.2%	1.3%	0.6%	0.3%	0.3%
Unemployment Rate	8.1%	5.3%	3.6%	3.6%	4.0%	4.2%	4.6%	4.7%
Personal Income (Billions)	\$19,620.1	\$21,419.5	\$22,088.9	\$23,402.5	\$24,669.3	\$25,927.4	\$27,172.0	\$28,340.3
Percent Change in Personal Income	6.8%	9.2%	3.1%	5.9%	5.4%	5.1%	4.8%	4.3%
Wage and Salary Income (<i>Billions</i>)	\$9,465.7	\$10,315.6	\$11,123.1	\$11,725.2	\$12,401.1	\$12,996.4	\$13,555.2	\$14,056.7
Percent Change in Wages and Salary Income	1.5%	9.0%	7.8%	5.4%	5.8%	4.8%	4.3%	3.7%
Inflation	1.2%	4.7%	8.0%	4.1%	2.9%	2.8%	3.2%	2.5%

Sources:

Gross domestic product (GDP) and income data from U.S. Bureau of Economic Analysis. Real GDP is adjusted for inflation and shown in 2017 dollars. Personal income, wages, and salaries not adjusted for inflation.

Employment and inflation data from 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 22
Colorado Economic Indicators

Calendar Years	2020	2021	2022	2023	2024	Legislative Council Staff Forecast		
						2025f	2026f	2027f
Population (Thousands, as of July 1)	5,787.1	5,814.0	5,850.9	5,901.3	5,957.5	6,009.2	6,061.8	6,139.5
Percent Change in Population	0.5%	0.5%	0.6%	0.9%	1.0%	0.9%	0.9%	1.3%
Nonfarm Employment (Thousands)	2,652.7	2,750.9	2,869.7	2,937.5	2,971.0	2,974.0	2,976.9	2,991.8
Percent Change in Nonfarm Employment	-4.9%	3.7%	4.3%	2.4%	1.1%	0.1%	0.1%	0.5%
Unemployment Rate	6.8%	5.5%	3.1%	3.3%	4.3%	4.6%	4.8%	4.8%
Personal Income (Millions)	\$374,262	\$416,727	\$447,854	\$470,606	\$493,195	\$516,868	\$540,644	\$568,217
Percent Change in Personal Income	6.5%	11.3%	7.5%	5.1%	4.8%	4.8%	4.6%	5.1%
Wage and Salary Income (Millions)	\$187,826	\$205,637	\$224,794	\$238,724	\$250,802	\$261,837	\$272,834	\$285,112
Percent Change in Wage and Salary Income	2.7%	9.5%	9.3%	6.2%	5.1%	4.4%	4.2%	4.5%
Retail Trade Sales (Millions)	\$112,431	\$131,528	\$144,145	\$145,707	\$145,322	\$148,083	\$150,452	\$156,471
Percent Change in Retail Trade Sales	6.5%	17.0%	9.6%	1.1%	-0.3%	1.9%	1.6%	4.0%
Housing Permits (Thousands)	40.5	56.5	48.3	39.4	32.2	29.7	26.8	26.9
Percent Change in Housing Permits	4.8%	39.7%	-14.5%	-18.5%	-18.3%	-7.7%	-9.7%	0.1%
Nonresidential Construction (Thousands)	\$5,607.5	\$5,681.0	\$6,630.1	\$6,690.8	\$4,668.0	\$5,564.2	\$4,685.1	\$5,031.8
Percent Change in Nonresidential Construction	8.6%	1.3%	16.7%	0.9%	-30.2%	19.2%	-15.8%	7.4%
Denver-Aurora-Lakewood Inflation	2.0%	3.5%	8.0%	5.2%	2.3%	2.8%	3.4%	2.7%

Sources:

Population and housing permits from U.S. Census Bureau. 2020 population numbers reflect the 2020 Census, while other numbers reflect the July 1 estimates.

Residential housing permits are the number of new single family and multifamily housing units permitted for building.

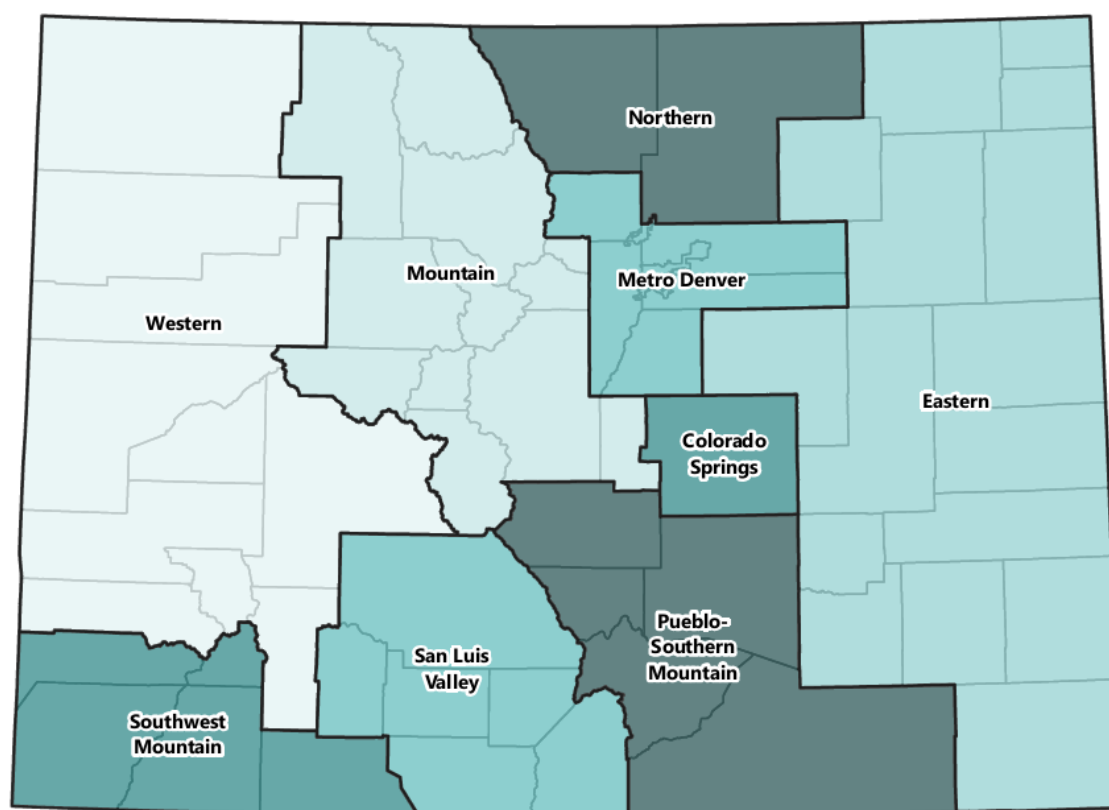
Employment and inflation data from U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index.

Income data from U.S. Bureau of Economic Analysis. Personal income, wages, and salaries not adjusted for inflation.

Retail trade sales data from Colorado Department of Revenue.

Nonresidential construction data from F.W. Dodge.

Colorado Economic Regions



The tables in the following sections provide economic indicators for nine regions in Colorado. Beginning with the March 2024 forecast, detailed regional narratives describing trends and the outlook for each region were replaced by summary tables for the December, March, and September forecasts. Each year, detailed regional profiles and outlooks will be prepared for the June forecast document that reflect the depth of analysis provided in previous forecasts.

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 individual’s 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 agricultural 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.

Metro Denver Region

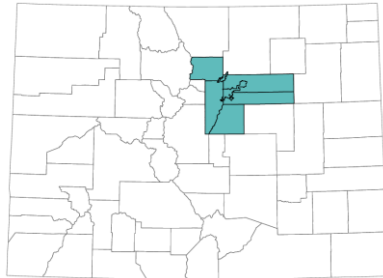


Table 23

Metro Denver Region Economic Indicators

Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

Economic Indicators	2021	2022	2023	2024	YTD 2025
Employment Growth in Denver MSA	3.9%	5.0%	2.1%	0.6%	0.1%
Employment Growth in Boulder MSA	3.5%	4.2%	1.7%	-0.5%	-0.1%
Unemployment Rate	5.4%	3.0%	3.2%	4.2%	4.5%
Average Weekly Wage Level	\$1,524	\$1,604	\$1,654	\$1,729	\$1,912
Growth in Average Weekly Wages	6.5%	5.2%	3.1%	4.5%	4.2%
Single Family Permit Growth in Denver MSA	16.3%	-22.3%	-10.2%	0.3%	-15.2%
Single Family Permit Growth in Boulder MSA	-34.4%	42.7%	22.8%	-31.5%	-17.4%
Nonresidential Construction Value Growth	2.8%	35.7%	-14.2%	-26.0%	35.4%
Nonres Construction Square Footage (thousands)	19,470	25,023	12,867	9,041	5,830
Nonres Construction Square Footage Growth	32.4%	28.5%	-48.6%	-29.7%	-6.9%
Number of Nonresidential Projects	788	902	1,022	1,092	554
Nonresidential Projects Growth	14.4%	14.5%	13.3%	6.8%	-21.0%
Average Single Family Sale Price	\$712,000	\$790,000	\$787,000	\$802,000	\$813,000
Average Single Family Sale Price Growth	19.4%	10.8%	-0.4%	2.0%	0.2%
Single Family Inventory Growth	-46.4%	102.3%	13.6%	41.3%	42.2%
Single Family Home Sales Growth	1.9%	-21.1%	-16.3%	8.2%	3.1%
Retail Sales Growth	17.4%	11.4%	-0.1%	1.7%	2.3%

Employment data from U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through July 2025.

Unemployment rate from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through July 2025.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q1.

Residential construction data from U.S. Census. Growth in the number of residential building permits. Data through July 2025.

Nonresidential construction data from F.W. Dodge. Data through July 2025.

Housing market data from Colorado Association of Realtors. Data through August 2025.

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through June 2025.

Northern Region

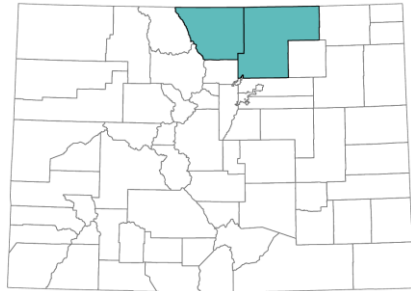


Table 24
Northern Region Economic Indicators
Weld and Larimer Counties

Economic Indicators	2021	2022	2023	2024	YTD 2025
Employment Growth in Fort Collins MSA	3.7%	4.2%	3.0%	1.0%	-0.8%
Employment Growth in Greeley MSA	-0.2%	4.6%	4.2%	3.0%	0.6%
Unemployment Rate	5.3%	3.1%	3.3%	4.3%	4.6%
Average Weekly Wage Level	\$1,149	\$1,219	\$1,284	\$1,317	\$1,422
Growth in Average Weekly Wages	3.8%	6.2%	5.3%	2.6%	5.9%
State Cattle and Calf Inventory Growth	4.0%	-1.0%	-7.5%	-0.3%	-1.6%
Natural Gas Production Growth	-2.8%	-2.3%	0.8%	5.7%	0.0%
Oil Production Growth	-10.3%	-0.1%	0.8%	2.7%	-0.4%
Total Housing Permit Growth in Fort Collins MSA	13.3%	-19.5%	7.7%	-29.3%	35.2%
Single Family Housing Permit Growth in Fort Collins MSA	-0.1%	-36.1%	-7.5%	6.5%	-21.6%
Total Housing Permit Growth in Greeley MSA	15.5%	17.8%	-14.1%	-30.4%	-1.2%
Single Family Housing Permit Growth in Greeley MSA	3.8%	-9.8%	-6.9%	-8.9%	3.3%
Nonresidential Construction Value Growth	-26.9%	61.0%	30.3%	-46.0%	-2.1%
Nonresidential Construction Square Footage (thousands)	2,581	6,763	2,969	1,687	1,128
Nonresidential Construction Square Footage Growth	-1.5%	162.1%	-56.1%	-43.2%	5.7%
Number of Nonresidential Projects	229	277	224	250	195
Nonresidential Projects Growth	-5.4%	21.0%	-19.1%	11.6%	17.5%
Average Single Family Sale Price	\$532,000	\$598,000	\$606,000	\$623,000	\$634,000
Average Single Family Sale Price Growth	16.5%	12.3%	1.4%	2.7%	1.6%
Single Family Inventory Growth	-44.3%	53.4%	14.5%	21.0%	35.2%
Single Family Home Sales Growth	2.3%	-20.4%	-19.0%	3.6%	10.0%
Retail Sales Growth in Larimer County	13.0%	12.3%	4.1%	-1.9%	4.1%
Retail Sales Growth in Weld County	13.6%	16.2%	3.7%	1.3%	6.9%

Employment data from U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through July 2025.

Unemployment rate from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through July 2025.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q1.

Agricultural data from National Agricultural Statistics Service. Cattle and calves on feed. Data through August 2025.

Energy data from the Energy and Carbon Management Commission. Data through June 2025.

Residential construction data from U.S. Census. Growth in the number of residential building permits. Data through July 2025.

Nonresidential construction data from F.W. Dodge. Data through July 2025.

Housing market data from Colorado Association of Realtors. Seasonally adjusted. Data through August 2025.

Retail sales data from Colorado Department of Revenue. Data through June 2025.

Colorado Springs Region

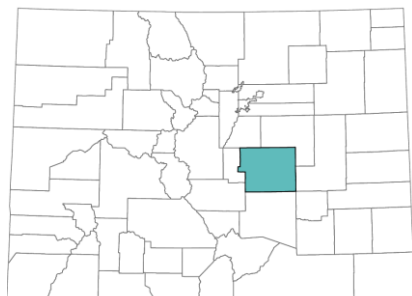


Table 25
Colorado Springs Region Economic Indicators
El Paso County

Economic Indicators	2021	2022	2023	2024	YTD 2025
Employment Growth in Colorado Springs MSA	4.1%	4.3%	3.2%	1.6%	0.9%
Unemployment Rate	5.6%	3.2%	3.4%	4.3%	4.5%
Average Weekly Wage Level	\$1,140	\$1,192	\$1,244	\$1,298	\$1,369
Growth in Average Weekly Wages	4.8%	4.6%	4.4%	4.3%	4.3%
Total Housing Permit Growth	34.7%	-5.5%	-40.0%	-24.6%	7.6%
Single Family Housing Permit Growth	0.7%	-28.4%	-26.2%	7.1%	-2.6%
Nonresidential Construction Value Growth	0.8%	-30.4%	13.7%	-37.7%	56.9%
Nonres Construction Square Footage (thousands)	3,480	2,310	1,603	1,433	1,659
Nonresidential Construction Square Footage Growth	-48.2%	-33.6%	-30.6%	-10.6%	50.4%
Number of Nonresidential Projects	320	375	213	428	225
Nonresidential Projects Growth	-26.4%	17.2%	-43.2%	100.9%	-11.8%
Average Single Family Sale Price	\$492,000	\$542,000	\$541,000	\$559,000	\$571,000
Average Single Family Sale Price Growth	18.0%	10.1%	-0.2%	3.4%	2.1%
Single Family Inventory Growth	-30.0%	117.7%	8.0%	25.6%	35.6%
Single Family Home Sales Growth	4.0%	-17.5%	-24.3%	-1.9%	5.2%
Retail Sales Growth	18.3%	8.5%	0.1%	1.3%	3.5%

Employment data from U.S. Bureau of Labor statistics, CES (establishment survey). Seasonally adjusted. Data through July 2025.

Unemployment rate from U.S. Bureau of Labor statistics, LAUS (household survey). Data through July 2025.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q1.

Housing construction data from U.S. Census. Growth in the number of residential building permits. Data through July 2025.

Nonresidential construction data from F.W. Dodge. Data through July 2025.

Housing market data from Colorado Association of Realtors. Data through August 2025.

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through June 2025.

Pueblo – Southern Mountains Region

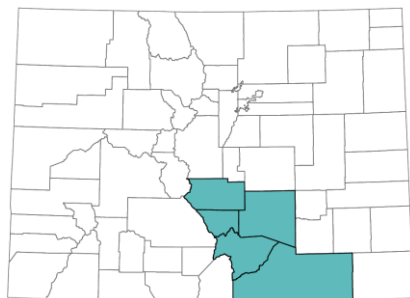


Table 26

Pueblo Region Economic Indicators

Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

Economic Indicators	2021	2022	2023	2024	YTD 2025
Employment Growth in Pueblo Region	0.6%	1.6%	-0.5%	-0.7%	-0.5%
Employment Growth in Pueblo MSA	0.6%	2.8%	0.4%	-0.4%	-0.7%
Unemployment Rate	7.9%	4.6%	4.8%	5.9%	6.0%
Average Weekly Wage Level	\$939	\$988	\$1,026	\$1,057	\$1,078
Growth in Average Weekly Wages	3.8%	5.3%	3.8%	3.0%	5.4%
Total Housing Permit Growth in Pueblo MSA	24.0%	-22.9%	-43.8%	-13.5%	-6.0%
Single Family Permit Growth in Pueblo MSA	24.0%	-22.9%	-43.8%	-13.5%	-6.0%
Nonres Construction Value Growth	175.3%	-63.2%	157.0%	-62.3%	-50.8%
Nonres Construction Square Footage (thousands)	1,658	520	1,426	523	67
Nonres Construction Square Footage Growth	278.3%	-68.6%	174.2%	-63.3%	-71.4%
Number of Nonresidential Projects	71	56	72	110	49
Nonresidential Projects Growth	2.9%	-21.1%	28.6%	52.8%	-21.0%
Average Single Family Sale Price	\$326,000	\$340,000	\$349,000	\$347,000	\$347,000
Average Single Family Sale Price Growth	22.9%	4.2%	2.8%	-0.8%	-0.2%
Single Family Inventory Growth	-27.0%	68.7%	31.4%	28.3%	23.2%
Single Family Home Sales Growth	7.3%	-6.2%	-17.5%	-8.1%	-15.3%
Retail Sales Growth	13.4%	14.5%	-1.7%	-5.1%	7.9%

Employment data from U.S. Bureau of Labor statistics, LAUS (Pueblo region) and CES (Pueblo MSA). Data through July 2025.

Unemployment rate from U.S. Bureau of Labor statistics, LAUS (household survey). Data through July 2025.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q1.

Housing construction data from U.S. Census. Growth in the number of residential building permits. Data through July 2025.

Nonresidential construction data from F.W. Dodge. Data through July 2025.

Housing market data from Colorado Association of Realtors. Data through August 2025.

Retail sales data from Colorado Department of Revenue. Seasonally Adjusted. Data through June 2025.

Eastern Region

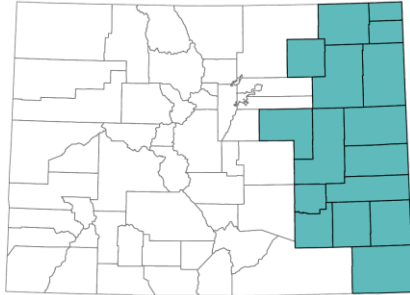


Table 27

Eastern Region Economic Indicators

Baca, Bent, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Logan, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

Economic Indicators	2021	2022	2023	2024	YTD 2025
Employment Growth	-1.7%	1.3%	0.6%	0.4%	-0.8%
Unemployment Rate	4.8%	3.0%	3.1%	3.9%	4.1%
Average Weekly Wage Level	\$872	\$918	\$957	\$988	\$1,005
Growth in Average Weekly Wages	4.1%	5.3%	4.3%	3.2%	3.5%
Wheat Price Growth (\$/Bushel)	37.7%	42.2%	-14.3%	-28.4%	-11.4%
Corn Price Growth (\$/Bushel)	53.8%	30.9%	-7.0%	-30.1%	-2.5%
Alfalfa Hay Price Growth (Baled, \$/Ton)	2.5%	2.8%	14.5%	-23.4%	-28.4%
State Cattle and Calf Inventory Growth	4.0%	-1.0%	-7.5%	-0.3%	-1.6%
Milk Production Growth	2.4%	0.7%	-1.9%	0.8%	4.3%
Housing Permit Growth	21.7%	-26.2%	-25.9%	47.4%	67.2%
Average Single Family Sale Price	\$382,000	\$412,000	\$407,000	\$431,000	\$460,000
Average Single Family Sale Price Growth	16.6%	7.7%	-1.2%	5.9%	8.6%
Single Family Inventory Growth	-28.9%	65.9%	23.6%	11.6%	34.4%
Single Family Home Sales Growth	9.9%	-6.8%	-10.3%	0.7%	-1.2%
Retail Sales Growth	12.5%	18.9%	-0.3%	0.2%	1.2%

Employment data from U.S. Bureau of Labor statistics, LAUS (household survey). Data through July 2025.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q1.

Agricultural data from National Agricultural Statistics Service statewide data. Data through July 2025.

Construction data from F.W. Dodge. Permits for residential units. Data through July 2025.

Housing market data from Colorado Association of Realtors. Seasonally adjusted. Data through August 2025.

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through June 2025.

Mountain Region

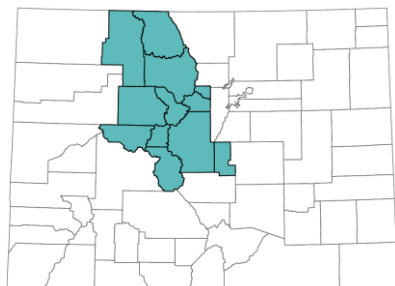


Table 28

Mountain Region Economic Indicators

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

Economic Indicators	2021	2022	2023	2024	YTD 2025
Employment Growth	1.8%	3.7%	1.9%	1.3%	0.9%
Unemployment Rate	5.1%	2.8%	2.9%	3.7%	3.8%
Average Weekly Wage Level	\$1,028	\$1,114	\$1,159	\$1,196	\$1,213
Growth in Average Weekly Wages	4.8%	8.4%	4.1%	3.2%	3.4%
Housing Permit Growth	30.7%	41.1%	-34.7%	60.2%	-7.2%
Nonresidential Construction Value Growth	-55.1%	36.5%	-11.8%	17.2%	65.7%
Nonres Construction Square Footage (thousands)	893	983	836	668	133
Nonres Construction Square Footage Growth	-21.7%	10.1%	-15.0%	-20.0%	-56.7%
Number of Nonresidential Projects	87	100	68	79	45
Nonresidential Projects Growth	7.4%	14.9%	-32.0%	16.2%	0.0%
Average Single Family Sale Price	\$1,300,000	\$1,424,000	\$1,465,000	\$1,601,000	\$1,621,000
Average Single Family Sale Price Growth	18.8%	9.6%	2.8%	9.3%	4.7%
Single Family Inventory Growth	-47.0%	21.8%	15.7%	37.1%	45.1%
Single Family Home Sales Growth	1.4%	-30.4%	-15.5%	2.8%	0.6%
Retail Sales Growth	21.0%	17.0%	4.0%	1.6%	1.9%

NA = Not available.

Employment data from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through July 2025.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q1.

Construction data from F.W. Dodge. Permits for residential units. Data through July 2025.

Housing market data are for single family homes, townhouses, and condos combined and from Colorado Association of Realtors. Seasonally adjusted. Data through August 2025.

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through June 2025.

Western Region

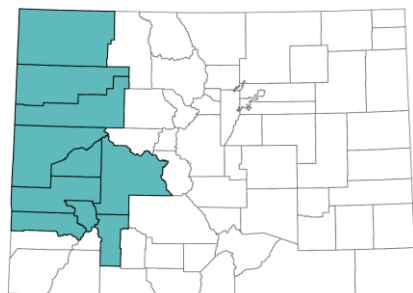


Table 29

Western Region Economic Indicators

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

Economic Indicators	2021	2022	2023	2024	YTD 2025
Employment Growth in Western Region	1.5%	2.0%	1.2%	1.5%	1.4%
Employment Growth in Grand Junction MSA	3.9%	2.5%	1.7%	1.8%	1.3%
Unemployment Rate	5.6%	3.4%	3.5%	4.3%	4.3%
Average Weekly Wage Level	\$954	\$1,025	\$1,072	\$1,102	\$1,120
Growth in Average Weekly Wages	3.5%	7.4%	4.6%	2.8%	2.2%
Natural Gas Production Growth	-9.1%	-5.8%	-17.0%	-5.8%	0.0%
Housing Permit Growth	20.8%	-10.8%	13.9%	-36.0%	12.9%
Nonresidential Construction Value Growth	244.5%	-12.4%	-23.9%	66.2%	25.2%
Nonres Construction Square Footage (thousands)	774	773	687	906	552
Nonresidential Construction Square Footage Growth	61.6%	0.0%	-11.1%	31.8%	37.8%
Number of Nonresidential Projects	117	125	113	153	96
Nonresidential Projects Growth	34.5%	6.8%	-9.6%	35.4%	6.7%
Average Single Family Sale Price	\$519,000	\$536,000	\$597,000	\$636,000	\$644,000
Average Single Family Sale Price Growth	23.3%	3.3%	11.3%	6.6%	3.3%
Single Family Inventory Growth	-42.4%	25.2%	15.2%	10.4%	16.7%
Single Family Home Sales Growth	1.6%	-21.8%	-16.9%	1.4%	2.4%
Retail Sales Growth	19.2%	11.4%	4.8%	2.9%	6.3%
National Park Recreational Visits	12.7%	-3.9%	0.1%	0.0%	21.3%

Employment data from U.S. Bureau of Labor Statistics, LAUS (western region) and CES (Grand Junction MSA). Data through July 2025

Unemployment rate from U.S. Bureau of Labor statistics, LAUS (household survey). Data through July 2025

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q1

Energy data from the Energy and Carbon Management Commission. Data through June 2025

Construction data from F.W. Dodge. Data through July 2025

Housing market data from Colorado Association of Realtors. Data through August 2025

Retail sales data from Colorado Department of Revenue. Data through June 2025

National Park visit data from National Park Service. Recreation visits for Black Canyon of the Gunnison NP, Colorado NP, Dinosaur NM, and Curecanti NRA. Data through August 2025.

Southwest Mountain Region

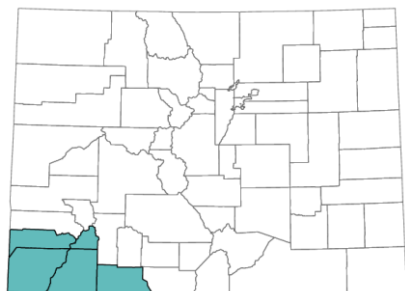


Table 30
Southwest Mountain Region Economic Indicators
 Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

Economic Indicators	2021	2022	2023	2024	YTD 2025
Employment Growth	-0.3%	2.5%	0.6%	1.3%	1.1%
Unemployment Rate	6.0%	3.5%	3.6%	4.4%	4.4%
Average Weekly Wage Level	\$948	\$991	\$1,042	\$1,085	\$1,077
Growth in Average Weekly Wages	4.8%	4.5%	5.1%	4.1%	1.7%
Housing Permit Growth	18.4%	-21.9%	21.0%	10.3%	-50.3%
Average Single Family Sale Price	\$656,000	\$750,000	\$805,000	\$808,000	\$844,000
Average Single Family Sale Price Growth	21.2%	14.2%	7.4%	0.4%	7.4%
Single Family Inventory Growth	-47.5%	12.4%	8.9%	21.1%	21.2%
Single Family Home Sales Growth	-1.2%	-23.3%	-18.9%	-0.8%	7.8%
Retail Sales Growth	20.1%	4.9%	1.4%	2.7%	5.2%
National Park Recreational Visits	87.2%	-8.2%	2.3%	-5.3%	-2.8%

Employment data from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through July 2025.

Wage data from U.S. Bureau of Labor statistics, QCEW. Data through 2025Q1.

Construction data from F.W. Dodge. Permits for residential units. Data through July 2025.

Housing market data from Colorado Association of Realtors. Seasonally adjusted. Data through August 2025.

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through June 2025.

National Park visit data from National Park Service. Recreation visits for Mesa Verde National Park and Hovenweep National Monument. Data through August 2025.

San Luis Valley Region

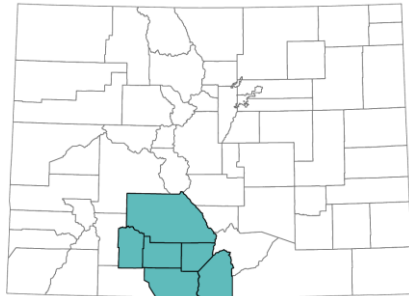


Table 31
San Luis Valley Region Economic Indicators
 Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

Economic Indicators	2021	2022	2023	2024	YTD 2025
Employment Growth	-1.8%	2.3%	0.2%	0.0%	-1.4%
Unemployment Rate	6.5%	4.0%	4.1%	5.1%	5.1%
Average Weekly Wage Level	\$805	\$856	\$901	\$906	\$908
Growth in Average Weekly Wages	4.6%	6.3%	5.2%	0.6%	1.4%
Growth in Barley Acres Harvested	47,000	40,000	52,000	39,000	34,000
Barley Crop Value Growth (\$/Acre)	\$548	\$628	\$1,000	\$1,003	NA
Growth in Potato Acres Harvested	52,400	52,900	54,800	53,700	54,800
Potato Crop Value (\$/Acre)	\$4,674	\$7,169	\$3,557	\$3,698	NA
Housing Permit Growth	28.6%	-21.6%	-6.3%	24.9%	-13.9%
Average Single Family Sale Price	\$343,000	\$352,000	\$365,000	\$376,000	\$375,000
Average Single Family Sale Price Growth	27.2%	2.5%	3.7%	3.1%	-1.2%
Single Family Inventory Growth	-44.0%	18.6%	32.9%	23.1%	12.2%
Single Family Home Sales Growth	7.1%	-25.4%	-14.8%	8.7%	-7.4%
Retail Sales Growth	17.1%	9.0%	2.3%	1.0%	4.4%
National Park Recreational Visits	30.6%	-18.1%	3.8%	-14.6%	-1.0%

N/A = not available.

Employment data from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through July 2025

Wage data from U.S. Bureau of Labor statistics, QCEW. Data through 2025Q1.

Agricultural data from National Agricultural Statistics Service statewide data. Data through July 2025.

Construction data from F.W. Dodge. Permits for residential units. Data through July 2025.

Housing market data from Colorado Association of Realtors. Seasonally adjusted. Data through August 2025.

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through June 2025.

National Park visits data from National Park Service. Recreation visits for Great Sand Dunes NP. Data through August 2025.

Appendix: Historical Data

National Economic Indicators

Calendar Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
GDP (Billions)	\$15,599.7	\$16,254.0	\$16,880.7	\$17,608.1	\$18,295.0	\$18,804.9	\$19,612.1	\$20,656.5	\$21,540.0	\$21,354.1	\$23,681.2	\$26,006.9	\$27,720.7	\$29,184.9
Percent Change in GDP	3.7%	4.2%	3.9%	4.3%	3.9%	2.8%	4.3%	5.3%	4.3%	-0.9%	10.9%	9.8%	6.6%	5.3%
Real GDP (Billions of 2017 dollars)	\$17,052.4	\$17,442.8	\$17,812.2	\$18,261.7	\$18,799.6	\$19,141.7	\$19,612.1	\$20,193.9	\$20,715.7	\$20,267.6	\$21,494.8	\$22,034.8	\$22,671.1	\$23,305
Percent Change in Real GDP	1.6%	2.3%	2.1%	2.5%	2.9%	1.8%	2.5%	3.0%	2.6%	-2.2%	6.1%	2.5%	2.9%	2.8%
Unemployment Rate	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%	5.3%	3.6%	3.6%	4.0%
Inflation	3.1%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	2.9%
10-Year Treasury Note (Annual Average)	2.8%	1.8%	2.4%	2.5%	2.1%	1.8%	2.3%	2.9%	2.1%	0.9%	1.4%	3.0%	4.0%	4.2%
Personal Income (Billions)	\$13,309.6	\$13,917.8	\$14,068.8	\$14,784.1	\$15,473.7	\$15,887.7	\$16,662.8	\$17,528.2	\$18,363.2	\$19,620.1	\$21,419.5	\$22,088.9	\$23,402.5	\$24,669.3
Percent Change in Personal Income	6.0%	4.6%	1.1%	5.1%	4.7%	2.7%	4.9%	5.2%	4.8%	6.8%	9.2%	3.1%	5.9%	5.4%
Wage & Salary Income (Billions)	\$6,626.2	\$6,928.1	\$7,114.0	\$7,476.3	\$7,859.5	\$8,091.2	\$8,474.4	\$8,899.8	\$9,325.1	\$9,465.7	\$10,315.6	\$11,123.1	\$11,725.2	\$12,401.1
Percent Change in Wage & Salary Income	4.0%	4.6%	2.7%	5.1%	5.1%	2.9%	4.7%	5.0%	4.8%	1.5%	9.0%	7.8%	5.4%	5.8%
Nonfarm Employment (Millions)	131.9	134.2	136.4	138.9	141.8	144.3	146.6	148.9	150.9	142.2	146.3	152.5	155.9	158.0
Percent Change in Nonfarm Employment	1.2%	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.3%	-5.8%	2.9%	4.3%	2.2%	1.3%

Sources:

GDP and income data from 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.

Unemployment, inflation, and nonfarm employment data from 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).

10-year treasury yields from Federal Reserve Board of Governors.

Colorado Economic Indicators

Calendar Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Nonfarm Employment (Thousands)	2,257	2,312	2,381	2,463	2,541	2,602	2,660	2,727	2,790	2,653	2,751	2,870	2,938	2,971
Percent Change in Nonfarm Employment	1.6%	2.4%	3.0%	3.5%	3.1%	2.4%	2.3%	2.5%	2.3%	-4.9%	3.7%	4.3%	2.4%	1.1%
Unemployment Rate	8.7%	8.0%	6.7%	5.0%	3.7%	3.1%	2.6%	3.0%	2.7%	6.8%	5.5%	3.1%	3.3%	4.3%
Personal Income (Millions)	\$223,874	\$236,033	\$247,817	\$268,453	\$279,696	\$283,679	\$303,367	\$328,113	\$351,476	\$374,262	\$416,727	\$447,854	\$470,606	\$492,712
Percent Change in Personal Income	8.6%	5.4%	5.0%	8.3%	4.2%	1.4%	6.9%	8.2%	7.1%	6.5%	11.3%	7.5%	5.1%	4.7%
Per Capita Income	\$43,735	\$45,495	\$47,088	\$50,251	\$51,401	\$51,312	\$54,176	\$57,798	\$61,278	\$64,671	\$71,676	\$76,544	\$79,746	\$82,705
Percent Change in Per Capita Income	7.1%	4.0%	3.5%	6.7%	2.3%	-0.2%	5.6%	6.7%	6.0%	5.5%	10.8%	6.8%	4.2%	3.7%
Wage & Salary Income (Millions)	\$118,415	\$124,947	\$129,521	\$138,626	\$146,578	\$151,168	\$160,940	\$170,790	\$182,963	\$187,826	\$205,637	\$224,794	\$238,724	\$250,216
Percent Change in Wage & Salary Income	4.2%	5.5%	3.7%	7.0%	5.7%	3.1%	6.5%	6.1%	7.1%	2.7%	9.5%	9.3%	6.2%	4.8%
Retail Trade Sales (Millions)	\$69,874	\$74,100	\$77,639	\$83,395	\$87,379	\$90,627	\$95,890	\$100,503	\$105,547	\$112,431	\$131,528	\$144,145	\$145,707	\$145,993
Percent Change in Retail Trade Sales	7.2%	6.0%	4.8%	7.4%	4.8%	3.7%	5.8%	4.8%	5.0%	6.5%	17.0%	9.6%	1.1%	0.2%
Housing Permits	13,502	23,301	27,517	28,698	31,871	38,974	40,673	42,627	38,633	40,469	56,524	48,341	39,404	32,185
Percent Change in Housing Permits	16.5%	72.6%	18.1%	4.3%	11.1%	22.3%	4.4%	4.8%	-9.4%	4.8%	39.7%	-14.5%	-18.5%	-18.3%
Nonresidential Construction (Millions)	\$3,923	\$3,695	\$3,624	\$4,351	\$4,991	\$5,988	\$6,151	\$8,132	\$5,161	\$5,608	\$5,681	\$6,630	\$6,691	\$4,668
Percent Change in Nonresidential Construction	24.7%	-5.8%	-1.9%	20.1%	14.7%	20.0%	2.7%	32.2%	-36.5%	8.6%	1.3%	16.7%	0.9%	-30.2%
Denver-Aurora-Lakewood Inflation	3.7%	1.9%	2.8%	2.8%	1.2%	2.8%	3.4%	2.7%	1.9%	2.0%	3.5%	8.0%	5.2%	2.3%
Population (Thousands, July 1)	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	5,787.1	5,814.0	5,850.9	5,901.3	5,957.5
Percent Change in Population	1.5%	1.4%	1.5%	1.6%	1.9%	1.6%	1.3%	1.4%	1.1%	0.5%	0.5%	0.6%	0.9%	1.0%

Sources:

Employment and inflation data from 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.

Income data from U.S. Bureau of Economic Analysis. Personal income, wages, and salaries not adjusted for inflation.

Retail trade sales data from Colorado Department of Revenue.

Housing permits and population data from U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building. 2010 and 2020 population numbers reflect the decennial Census, while other numbers reflect July 1 estimates.

Nonresidential construction data from F.W. Dodge.