

Economic & Revenue Forecast

March 2025



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

March 2025 | Economic & Revenue Forecast

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Executive Summary

This report presents the budget outlook based on current law and the March 2025 forecast for General Fund revenue, cash fund revenue, and the state TABOR outlook. It also includes summaries of expectations for the U.S. and Colorado economies and current economic statistical indicators for the state's nine regions.

General Fund Budget Outlook

FY 2023-24

The State Controller's audited annual comprehensive financial report indicates that the General Fund ended FY 2023-24 with a 22.8 percent reserve, \$1.12 billion above the statutory requirement. State TABOR revenue exceeded the Referendum C cap by \$1.35 billion, triggering a \$1.64 billion TABOR refund obligation for FY 2024-25 that incorporates underrefunded prior year surpluses.

FY 2024-25

The General Fund is expected to end FY 2024-25 with a 14.3 percent reserve, \$127.1 million below the statutory requirement. General Fund revenue is expected to decrease by 1.5 percent and total \$16.99 billion, mostly on an expected decline in corporate income tax collections. Revenue is expected to exceed the Referendum C cap by \$108.4 million, just 0.6 percent of the level of the cap, and could fall short of the Referendum C cap with or without an economic downturn.

FY 2025-26

General Fund revenue is expected to grow 5.3 percent and total \$17.89 billion, with state revenue subject to TABOR exceeding the Referendum C cap by \$617.6 million. The General Fund is projected to have \$320 million, or 1.8 percent, more available to spend or save relative to what is budgeted to be spent in FY 2024-25 after the application of current law transfers, rebates, and expenditures, and the statutory reserve requirement, and incorporating the FY 2024-25 supplemental budget package and the General Fund appropriations required to offset FY 2024-25 appropriations paid from federal funds under House Bill 24-1466. This amount does not incorporate caseload growth, inflationary, or other budgetary pressures.

The General Fund Budget Overview section also presents the budget outlook assuming Joint Budget Committee actions through March 13 for the FY 2025-26 budget ("Scenario B"). That scenario presents an incomplete outlook for the FY 2025-26 budget picture that incorporates committee actions taken in advance of the completion of this forecast document.

FY 2026-27

General Fund revenue is expected to grow 5.0 percent and total \$18.78 billion, with state revenue subject to TABOR exceeding the Referendum C cap by \$934.0 million. The budget outlook for this year depends in large part on choices the General Assembly will make for FY 2025-26.

Risks to the Budget Outlook

The revenue forecast carries risk to the budget outlook. Lower-than-expected General Fund revenue could cause revenue to fall below the Referendum C cap in any year of the three-year forecast period, even without a recession. Meanwhile, higher-than-expected cash fund revenue would put pressure on the General Fund budget by increasing the state TABOR refund obligation without offsetting General Fund revenue to accommodate the increase. Other risks include elevated recession risk, volatile income tax revenue streams, and a volatile federal policy environment.

TABOR Refund Requirement for Exceeding Proposition FF Blue Book Estimate

Final accounting indicates that income tax revenue attributable to Proposition FF reached \$112.0 million in FY 2023-24 on an accrual basis, exceeding the estimate provided to voters in the 2022 Blue Book. The state will be required to refund \$12.4 million to taxpayers unless voters approve a ballot measure allowing the state to keep this amount.

Cash Fund Revenue

Cash fund revenue subject to TABOR totaled \$2.80 billion in FY 2023-24, representing an increase of 1.5 percent from the prior fiscal year. The increase primarily came from transportation-related cash funds and other miscellaneous cash funds

In the current budget year, cash fund revenue subject to TABOR is expected to total \$2.76 billion, a 1.3 percent decrease from the prior fiscal year. The decrease is mostly attributable to falling severance tax revenue and to HB 24-1434, which lowered the amount of sales tax revenue credited to the Housing Development Grant Fund. Falling revenue in these areas is expected to more-than-offset increases in other miscellaneous cash funds revenue, which continues to come in above expectations, and in transportation-related revenue. Revenue is expected to pick up through the forecast period as severance tax revenue recovers, growing 11.1 percent in FY 2025-26 and 2.6 percent in FY 2026-27. Discussion of the cash fund revenue outlook begins on page 41.

Economic Outlook

In 2024, U.S. and Colorado economies continued to expand with low unemployment rates, continued job growth, and rising incomes. This forecast anticipates the U.S. and Colorado economies will continue to expand through the forecast period. However, recent weakening in several economic indicators, rapidly shifting federal policy, tighter expectations for monetary policy, and heightened ongoing risks have resulted in downward revisions to the economic forecasts for the state and nation in 2025 and 2026. In addition to 2025 and 2026, this forecast also debuts an economic outlook for 2027.

This forecast is shaped by the rapidly changing federal policy environment. This includes the expected implementation of higher tariffs. In the near-term, both proposed and realized tariff policies have resulted in more business volatility and uncertainty for consumers. Over the next year, labor markets are expected to soften. Colorado's unemployment rate has climbed over the past year and is projected to remain near its current level through 2026, before moderating in 2027. Businesses are adding fewer employees, with average monthly job growth now below

pre-pandemic levels. Inflation measures remain above the Federal Reserve's 2 percent target, and interest rates are anticipated to remain higher for a longer period of time in 2025 and 2026. While there are bidirectional risks to the economic forecast, risks have tipped toward the downside since December.

Discussion of the economic outlook begins on page 57, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 19 and 20 on pages 87 and 88.

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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 that incorporates Joint Budget Committee (JBC) actions approved affecting the final FY 2024-25 General Fund balance and the FY 2025-26 General Fund budget (Table 2);
- a summary of changes in expectations relative to the December 2024 forecast (Table 3);
- a summary of transfers to and from the General Fund (Table 4);
- transfers to the State Education Fund (Figure 1);
- 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 cash fund 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 the supplemental appropriations package for FY 2024-25, as well as other 2025 legislation approved by both chambers of the General Assembly, notably Senate Bill 25-180.

FY 2023-24

The State Controller's audited annual comprehensive financial report (ACFR) for FY 2023-24 indicates that the General Fund ended FY 2023-24 with a 22.8 percent reserve, \$1.12 billion more than the statutorily required 15 percent reserve. The actual reserve was \$15.9 million less than projected using the preliminary figures available at the time of the December 2024 forecast, the net impact of a \$2.6 million lower TABOR refund obligation, and \$18.4 million less in reversions of appropriations and other accounting adjustments. State revenue exceeded the TABOR limit by \$1.35 billion, resulting in a TABOR refund obligation of \$1.64 billion in the current FY 2024-25 that also includes \$288.9 million in underrefunded prior year TABOR surpluses.

Revised Proposition FF accrual adjustment. Following completion of the ACFR, the State Controller revised the year-end accrual adjustment for Proposition FF income tax revenue credited to the Healthy School Meals for All General Fund exempt account. The downward revision reflects the receipt of lower levels of Proposition FF revenue for the 2023 income tax year during the second half of 2024 than the amounts used to set the original accrual adjustment. The lower accrual adjustment is not reflected in the ACFR for FY 2023-24. For FY 2024-25, the lower accrual adjustment resulted in the reduction of the General Fund transfer to the Healthy School Meals for All Program Cash Fund under House Bill 24-1390 from \$14.9 million to \$0 (Table 7B), and an expected negative General Fund accounting adjustment of \$15.0 million (Table 1B, line 17).

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

Line	Funds Available	FY 2023-24 Actual	FY 2024-25 Estimate	FY 2025-26 Estimate	FY 2026-27 Estimate
1	Beginning Reserve	\$2,427.4	\$3,153.5	\$2,200.4	*
2	General Fund Revenue (Table 10)	\$17,251.4	\$16,991.1	\$17,886.4	\$18,781.4
3	Transfers from Other Funds (Table 7A)	\$93.3	\$178.3	\$71.3	\$57.9
4	Total Funds Available	\$19,772.2	\$20,322.9	\$20,158.0	\$18,839.3
5	Percent Change in Funds Available	-7.0%	2.8%	-0.8%	-6.5%

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

Table 1B
General Fund Expenditures
Dollars in Millions

Line	Expenditures	FY 2023-24 Actual	FY 2024-25 Budgeted	FY 2025-26 Estimate	FY 2026-27 Estimate
6	GF Appropriations Subject to the Limit	\$13,818.6	\$15,414.8	*	*
7	Appropriations from HSMA	\$115.3			
8	Overexpenditure from General Fund	\$153.8			
9	TABOR (7) Refund Obligation	\$1,643.4	\$108.4	\$617.6	\$934.0
10	Rebates and Expenditures (Table 6)	\$241.9	\$184.9	\$284.2	\$176.5
11	Transfers to Other Funds (Table 7B)	\$543.9	\$1,881.8	\$437.6	\$444.0
12	Transfers to the State Education Fund	\$0.0	\$146.0	\$0.0	\$0.0
13	Transfers to Transportation Funds (Table 5A)	\$5.0	\$117.5	\$117.5	\$117.5
14	Transfers to Capital Funds (Table 5B)	\$351.4	\$254.1	\$20.0	\$20.0
15	Total Expenditures	\$16,873.3	\$18,107.5	*	*
16	Percent Change In Funds Available	-11.3%	7.3%	*	*
17	Reversions and Accounting Adjustments	\$254.7	-\$15.0	*	*

Asterisks ("*") indicate values not estimated. "GF" = General Fund; "HSMA" = Healthy School Meals for All Account.

Line 12, "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 29.

Line 17, "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 2023-24 includes \$255.0 million underfunded from prior TABOR refund obligations, along with other adjustments. FY 2024-25 includes \$15.0 million in revised accrual adjustments for FY 2023-24 Proposition FF revenue.

Table 1C
General Fund Reserve
Dollars in Millions

Line	Reserve	FY 2023-24 Actual	FY 2024-25 Budgeted	FY 2025-26 Estimate	FY 2026-27 Estimate
18	Year-End General Fund Reserve	\$3,153.5	\$2,200.4	*	*
19	Reserve as Percent of Appropriations	22.8%	14.3%	*	*
20	Statutorily Required Reserve	\$2,031.5	2,327.5	*	*
21	Amount in Excess of Statutory Reserve	\$1,122.0	-\$127.1	*	*
22	Reserve as a Percent of Expenditures	6.6%	-0.7%	*	*

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

Line 20, "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). Appropriations from the Healthy School Meals Account (line 7) are exempt from the reserve requirement.

Table 1D
Budget Scenario A: Holds FY 2024-25 Appropriations Constant
Dollars in Millions

Line	Projected Reserve Under Scenario	FY 2023-24 Actual	FY 2024-25 Estimate	FY 2025-26 Estimate	FY 2026-27 Estimate
23	Amount in Excess of 15% Reserve Requirement			\$320.1	
24	As a Percent of Prior-Year Expenditures			1.8%	

This scenario holds appropriations in FY 2025-26 equal to appropriations in FY 2024-25 (line 6) to determine the total amount of money available relative to FY 2024-25 expenditures, net of the obligations in lines 9 through 14.

Table 1E
Budget Scenario B: JBC-Approved Budget Actions through March 13
Dollars in Millions

Line	Projected Reserve Under Scenario	FY 2023-24 Actual	FY 2024-25 Estimate	FY 2025-26 Estimate	FY 2026-27 Estimate
25	Amount in Excess of 15% Reserve Requirement		-\$293.1	-\$1,212.5	
26	As a Percent of Proposed Expenditures		-1.6%	-6.5%	

This scenario incorporates JBC-approved adjustments to FY 2024-25 and FY 2025-26 appropriations to be included in the 2025 Long Bill, as well as bills the JBC had approved for introduction, through its actions on March 13, 2025. The scenario includes JBC Staff recommendations for appropriations on which the JBC had not acted by March 13, except that it does not incorporate a \$13.3 million recommended cut to the higher education budget, and instead includes a \$62.5 million increase based on a revised estimate of the institutions' minimum costs model. The scenario includes Capital Development Committee and Joint Technology Committee recommendations for capital transfers. Finally, it includes a one-time \$350 million transfer for law enforcement recruitment and training under Proposition 130.

Table 1F
General Fund Overview Addenda
Dollars in Millions

Line	Addendum Items	FY 2023-24 Actual	FY 2024-25 Estimate	FY 2025-26 Estimate	FY 2026-27 Estimate
27	Percent Change in GF Appropriations	3.8%	11.6%	*	*
28	5% of Personal Income Appropriations Limit	\$20,836.4	\$22,392.7	\$23,530.3	\$24,659.7
29	Transfers to SEF per Amendment 23	\$1,209.0	\$1,089.4	\$1,151.5	\$1,198.6

Asterisks ("*") indicate values that are not estimated. "GF" = General Fund. "SEF" = State Education Fund.

FY 2024-25

The General Fund is expected to end FY 2024-25 with a 14.3 percent reserve, \$127.1 million below the statutory reserve requirement (Table 1C, line 21). In addition to normal forecast revisions, supplemental appropriations adopted in the 2025 Long Bill and other legislative changes to appropriations and transfers will affect this amount.

General Fund revenue collections are expected to decrease by 1.5 percent, mostly due to a projected decline in corporate income tax collections. After incorporating tax credits enacted during the 2024 legislative session and a significant downward revision to severance tax revenue expectations in this forecast, state revenue subject to TABOR is expected to exceed the Referendum C cap by just \$108.4 million, or 0.6 percent of projected state revenue subject to TABOR. State revenue could fall short of the cap in FY 2024-25, even without a recession. In such a case, the FY 2024-25 budget would be constrained by available revenue, rather than the TABOR limit.

The first portion of any TABOR surplus collected in FY 2024-25 is scheduled to be refunded to taxpayers in FY 2025-26 via constitutional homestead exemptions and property tax valuation reductions under Senate Bill 24-111. The forecast projects that the amount required to fully cover the reimbursements to counties for those property tax benefits is \$212.2 million (see Table 6). Because the amount to be refunded is expected to fall below that level, a portion of those costs are expected to be paid from FY 2025-26 revenue, rather than the FY 2024-25 TABOR refund obligation.

Refund obligation for exceeding Proposition FF Blue Book estimate. The final amount of Proposition FF income tax revenue accrued to FY 2023-24 was \$112.0 million, less than originally reported due to the revised accrual adjustment. The amount exceeded the estimate of first full fiscal year revenue provided to voters in the 2022 Blue Book by \$11.3 million. If voters do not approve a ballot measure allowing this revenue to be retained, the state will be required to refund \$12.4 million to taxpayers, including the excess amount plus 10 percent interest. This forecast assumes that this refund would be administered differently than refund obligations when the state exceeds the TABOR limit, and the amount is not included in the refund mechanisms presented in the TABOR Outlook section.

FY 2025-26 (Unbudgeted)

General Fund revenue is expected to grow at a moderate-to-slow rate of 5.3 percent in FY 2025-26. Collections from individual income taxes are expected to rebound from the slower pace of growth expected in FY 2024-25. State revenue subject to TABOR is expected to exceed the Referendum C cap by \$617.6 million. Because a budget has not yet been enacted for FY 2025-26, this forecast presents two scenarios for the General Fund budget outlook.

Scenario A: Holds Appropriations Constant in FY 2025-26

Scenario A, shown in Table 1D, presents the amount of revenue available to be spent or saved in FY 2025-26 assuming that appropriations remain constant across fiscal years. Scenario A incorporates the FY 2024-25 supplemental budget package, which increases the base level of appropriations for FY 2025-26. It also accounts for \$587.2 million in FY 2024-25 personnel costs

for three state agencies that were paid from federal funds in FY 2024-25 under House Bill 24-1466, and that are required to be paid from the General Fund in FY 2025-26 under current law.

Based on this forecast, the General Fund will have \$320.1 million, or 1.8 percent, more available to spend or save than in FY 2024-25. This amount assumes current law obligations for FY 2025-26, including transfers, rebates, and expenditures (Table 1B, lines 10 through 14), as well as the current law reserve requirement and the projected TABOR refund obligation. The \$320.1 million amount is a cumulative amount that reflects the FY 2024-25 budget situation and projected year-end balance. Any changes in revenue or adjustments made to the budget for FY 2024-25 will carry forward into FY 2025-26. Other than accounting for the General Fund assumption of FY 2024-25 costs paid from federal funds under HB 24-1466, this amount holds FY 2024-25 appropriations constant and therefore does not reflect any caseload, inflationary, or other budget pressures.

Scenario B: JBC Approved Budget Actions Through March 13, 2025

Scenario B, shown in Table 1E and Table 2, presents the amount of the General Fund reserve in excess or deficit of the statutory reserve requirement for FY 2024-25 and FY 2025-26 under the assumptions listed below. The scenario is presented for informational purposes only, and is not a recommendation of Legislative Council Staff. Scenario B assumes:

- \$144.4 million in total FY 2024-25 Long Bill supplemental appropriations approved by the JBC through March 13, 2025;
- \$734.9 million in FY 2025-26 Long Bill appropriations above the Scenario A baseline, which includes:
 - all FY 2025-26 Long Bill appropriations approved by the JBC through March 13, 2025;
 - the JBC Staff recommendations for all JBC Staff-recommended Long Bill appropriations on which the JBC had not acted through March 13 (except for higher education, discussed below); and
 - for FY 2025-26 appropriations for the Department of Higher Education, Scenario B does not incorporate a \$13.3 million staff-recommended decrease that the JBC had not yet considered as of March 13, and assumes a \$62.5 million year-over-year increase, based on a revised estimate of the institutions' minimum costs model;
- adoption of orbital legislation and orbital legislation content that the JBC had approved for introduction as of March 13, which increases available FY 2025-26 funds by \$0.2 million and increases FY 2025-26 General Fund appropriations by \$0.9 million;
- as the JBC had not yet acted on capital transfers, Scenario B incorporates \$192.3 million in FY 2025-26 General Fund transfers to the Capital Construction Fund, which includes:
 - \$162.2 million for capital construction projects recommended by the Capital Development Committee; and
 - \$30.1 million for information technology capital projects recommended by the Joint Technology Committee; and

- as the JBC had not yet acted on the Proposition 130 requirement that \$350 million be spent for law enforcement recruitment, retention, and training, Scenario B includes the full amount of this transfer in FY 2025-26, though the transfer may be made over multiple fiscal years.

Under these assumptions, the General Fund would end FY 2024-25 with a 13.2 percent reserve, \$293.1 million below the statutory requirement. The General Fund would end FY 2025-26 with a 7.5 percent reserve, \$1.21 billion below the statutory requirement. Table 2 shows the Scenario B assumptions as applied to the underlying current law assumptions included in Scenario A.

Table 2
FY 2025-26 Budget Scenario B
Incorporates JBC-Approved Budget Actions through March 13, 2025
Dollars in Millions

Line	Component	FY 2025-26
1	Excess Reserve Under Scenario A	\$320.1
2	FY 2024-25 Appropriations via Long Bill Supplementals	\$144.4
3	JBC-Approved FY 2024-25 Reversion	\$0.2
4	Total Change in FY 2025-26 Beginning Balance	-\$144.2
5	Change in FY 2025-26 Long Bill Appropriations from Scenario A	\$734.9
6	Appropriations in Orbital Bill Content Approved for Introduction	\$0.9
7	Total Change in FY 2025-26 Appropriations	\$735.8
8	CDC-Recommended Capital Construction Transfer	\$162.2
9	JTC-Recommended IT Capital Transfer	\$30.1
10	Law Enforcement Transfer Under Proposition 130	\$350.0
11	Total Increase in Transfers	\$542.3
12	Change in Required Reserve (15% of Line 7)	\$110.4
13	Total Change in General Fund Obligations (Line 7 plus Line 11 plus Line 12)	\$1,388.5
14	Excess Reserve Under Scenario B (Line 1 plus Line 4 minus Line 13)	-\$1,212.5

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

Notably, Scenario B does not include budget balancing actions under active JBC consideration, including approximately 100 orbital bills or bill content elements that had been sent to drafting and that the JBC either had not reviewed, or had reviewed and not acted upon, as of March 13. For example, JBC Staff has identified at least \$135.6 million in likely cash fund transfers to the General Fund across FY 2024-25 and FY 2025-26 that are not incorporated in Scenario B as they had not yet been added to approved legislation.

FY 2026-27 (Unbudgeted)

General Fund revenue is projected to increase 5.0 percent and total \$18.78 billion, with modest-to-moderate growth most major components of General Fund revenue. State revenue subject to TABOR is expected to exceed the Referendum C cap by \$934.0 million. The amount available for the budget depends on the FY 2025-26 year-end reserve, which will depend on budget decisions made for FY 2025-26.

Risks to the General Fund Budget Outlook

Current-year revenue may fall below the Referendum C cap. FY 2024-25 revenue is expected to exceed the Referendum C cap by just \$108.4 million, or 0.6 percent. It is within the range of normal forecast error for revenue to fall below the Referendum C cap, in which case revenue, and not the cap, would limit the amount available for the General Fund budget. The amount by which revenue is projected to exceed the Referendum C cap is expected to increase throughout the forecast period, but remain within the range of normal forecast error. Revenue could fall below the Referendum C cap in any year of the forecast period, even without a recession.

Higher-than-expected cash fund revenue would increase General Fund budget pressures. Because TABOR surpluses are refunded using General Fund money, higher-than-expected cash fund revenue subject to TABOR would create additional budgetary pressures for the General Fund. Cash fund collections in FY 2023-24 exceeded expectations, resulting in additional pressure on General Fund budget space.

Recession risk is elevated. This forecast does not anticipate a recession, but heightened economic uncertainty increases recession risk. The Trump administration has begun to implement extensive new tariffs and has promised extensive changes to federal economic and tax policy, which have created more near-term volatility and medium-term uncertainty compared to the December forecast. A recession would reduce revenue below the Referendum C cap, thereby reducing the amount available for the General Fund budget.

The corporate income tax outlook is especially uncertain. Corporate income tax collections increased 18.2 percent in FY 2023-24, continuing to outperform expectations after 3 years of record highs. Corporate collections are expected to fall by 12.2 percent in FY 2024-25. Given that the forecast was prepared with only one week of limited information about 2024 tax filings and recent volatility, there is significant bidirectional risk to the forecast. Greater revenue than forecast would result in a higher TABOR refund obligation with no downstream impact on the state budget. However, a larger decline in corporate collections could raise more significant budget consequences if revenue falls below the Referendum C cap.

Changes Between the December and March Forecasts

Table 3 presents revisions to the General Fund budget outlook relative to the December 2024 forecast. These changes are explained below.

FY 2023-24

The final ending balance for FY 2023-24 was \$15.9 million lower than estimated in the December forecast. The downward revision was due to final accounting adjustments that decreased the

ending balance by \$18.4 million, which were partially offset by a \$2.3 million reduction in required TABOR refunds.

FY 2024-25

The December forecast anticipated that the General Fund would end FY 2024-25 with a reserve \$193.5 million below the statutory requirement. Expectations for the amount of the reserve were increased by \$79.2 million from December, while the expected reserve requirement was increased by \$12.7 million. Net of those changes, this forecast anticipates a reserve of \$127.1 million below the statutory requirement.

The upward revision is primarily a result of a reduced TABOR refund obligation of \$247.9 million. Of this amount, \$156.3 million is due to reduced expectations for cash fund revenue subject to TABOR, as the severance tax forecast was revised down significantly. The refund obligation was also reduced because of an \$18.1 million increase in the Referendum C cap as a result of Senate Bill 25-180, which makes changes to the population component of the TABOR limit growth factor. Expectations for General Fund revenue were revised down by \$51.5 million; however, expectations for General Fund revenue subject to TABOR were revised down by \$73.5 million, while expectations for TABOR-exempt General Fund revenue were increased by \$22.0 million.

The reduction in expectations for the TABOR refund obligation was partially offset by factors including a lower starting balance carried forward from FY 2023-24; increased appropriations and the corresponding increase to the reserve requirement; and reduced transfers into the General Fund. Current year appropriations were increased by \$84.6 million in the FY 2024-25 supplemental package, increasing the reserve requirement by 15 percent of that amount, or \$12.7 million. Transfers into the General Fund were downgraded by \$12.2 million, with the downward revision mostly in reduced expectations for transfers under HB 23-1272, which are tied to severance tax collections.

FY 2025-26

Table 3 incorporates changes to current law that are included in FY 2025-26 budget Scenario A, such as the FY 2024-25 supplemental budget package, but does not incorporate the other JBC budget actions included in FY 2025-26 budget Scenario B. Expectations for the amount available to be spent or saved in FY 2025-26 were decreased by \$165.3 million relative to the statutory reserve requirement.

The forecast expects a \$79.2 million higher beginning balance carried forward from FY 2024-25, offset by a \$298.2 million downgrade to expectations for General Fund revenue, mostly due to a lower forecast for individual income tax. The estimate of the TABOR refund requirement decreased by \$226.5 million, less than the downgrade to the General Fund revenue forecast because of increased expectations for cash fund revenue subject to TABOR.

The forecast incorporates the FY 2024-25 supplemental package as contributing to an \$84.6 million increase in the base appropriations level for FY 2025-26, as well as a \$12.7 million higher reserve requirement. Additionally, the forecast anticipates a \$93.3 million higher General Fund obligation for rebates and expenditures. Because the TABOR refund obligation for FY 2024-25 is not sufficient to fully fund reimbursements to counties for the constitutional

homestead property tax exemptions and the valuation reductions in SB 24-111, the forecast assumes that General Fund expenditures will be required to fully fund the reimbursements.

Finally, the forecast incorporates relatively small changes to net transfers that result in a higher ending balance. Transfers to the General Fund were revised up by \$5.4 million, mostly attributable to HB 23-1272, and transfers from the General Fund were revised down by \$12.4 million, mostly due to reduced expectations for marijuana taxes credited to the General Fund and then transferred out.

Absent the increases in appropriations assumed for both FY 2024-25 and FY 2025-26 due to the FY 2024-25 supplemental budget package, and the attendant increase in the statutory reserve requirement, the expected amount available to be spent or saved in FY 2025-26 would have increased by \$16.5 million relative to the statutory reserve requirement.

Table 3
Changes in the General Fund Budget Outlook Relative to the December 2024 Forecast (Scenario A)

Dollars in Millions, Positive Amounts Reflect an Increase Relative to December

Components of Change	FY 2023-24	FY 2024-25	FY 2025-26	Description of Changes
Funds Available	\$0.0	-\$79.6	-\$213.6	
Beginning Reserve	\$0.0	-\$15.9	\$79.2	Carries forward anticipated year-end balances.
General Fund Revenue	\$0.0	-\$51.5	-\$298.2	See Table 10. Primarily reflects changes to income and sales tax revenue forecasts.
Transfers from Other Funds	\$0.0	-\$12.2	\$5.4	See Table 7. Primarily expectations for transfers under HB 23-1272.
Expenditures	-\$2.6	-\$173.7	-\$61.1	
Operating Appropriations	\$0.0	\$84.6	\$84.6	Reflects FY 2024-25 supplemental package, and an equal increase in FY 2025-26 appropriations under Scenario A assumptions.
TABOR Refund Obligation	-\$2.6	-\$247.9	-\$226.5	See Table 9. Changes to General Fund and cash fund revenue forecasts. For FY 2023-24, incorporates audited ACFR.
Rebates and Expenditures	\$0.0	\$2.0	\$93.3	See Table 6. Forecast assumes a portion of FY 2025-26 homestead and SB 24-111 reimbursements will be paid from General Fund, rather than as refunds of the FY 2024-25 TABOR surplus.
SEF Transfers	\$0.0	\$0.0	\$0.0	
Transportation Transfers	\$0.0	\$0.0	\$0.0	
Capital Const. Transfers	\$0.0	\$0.0	\$0.0	
Other Cash Fund Transfers	\$0.0	-\$12.4	-\$12.4	See Table 7. Adjustment of FY 2024-25 transfer in HB 24-1390. In both years, lower expectations for marijuana taxes collected in the General Fund and transferred out.
Required Reserve	\$0.0	\$12.7	\$12.7	Equal to 15 percent of the change in operating appropriations above.
Accounting Adjustment	-\$18.4	-\$15.0	\$0.0	For FY 2023-24, incorporates audited ACFR. For FY 2024-25, reflects revised accrual adjustment for FY 2023-24 Proposition FF revenue.
Surplus Relative to Required Reserve	-\$15.9	\$66.5	-\$165.3	Nets the above changes to funds available and accounting adjustments, less changes to expenditures and the reserve requirement.

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 11 through 14 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 on pages 18 and 19. Detailed transfers not included in Table 5 are presented in Table 7 on pages 22 and 23.

Table 4
Net Transfers Between the General Fund and Cash Funds
Dollars in Millions

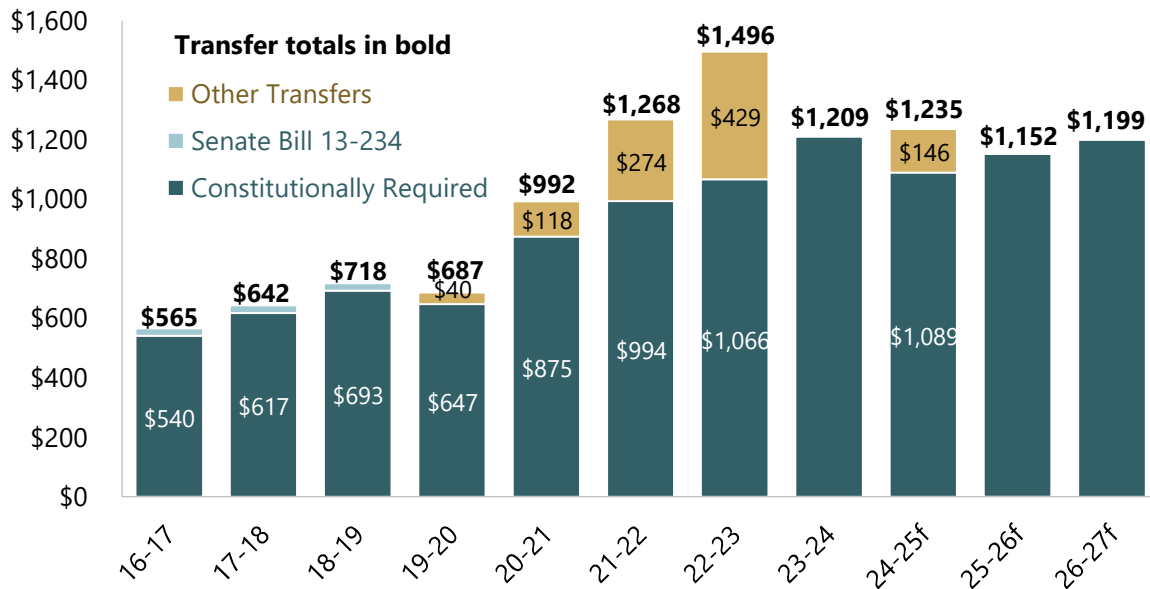
Transfer Category	2023-24	2024-25	2025-26	2026-27
Cash Fund Transfers to the GF (Table 7A)	\$93.3	\$178.3	\$71.3	\$57.9
General Fund Transfers to the SEF (Table 1, Line 12)	\$0.0	-\$146.0	\$0.0	\$0.0
General Fund Transfers to Transportation Funds (Table 5A)	-\$5.0	-\$117.5	-\$117.5	-\$117.5
General Fund Transfers to Capital Funds (Table 5B)	-\$351.4	-\$254.1	-\$20.0	-\$20.0
General Fund Transfers to Other Cash Funds (Table 7B)	-\$543.9	-\$1,881.8	-\$437.6	-\$444.0
Net General Fund Transfers	-\$806.9	-\$2,221.1	-\$503.9	-\$523.6

"GF" = General Fund; "SEF" = State Education Fund.

State Education Fund Transfers

The Colorado Constitution requires the State Education Fund (SEF) to receive one-third of 1 percent of taxable income. In FY 2024-25, the SEF is expected to receive \$1.09 billion as a result of this requirement, a 9.9 percent decrease from the FY 2023-24 amount that included a one-time \$135 million upward adjustment to correct for prior-year under-transfers. The SEF transfer is estimated to grow 5.7 percent in FY 2025-26 and total \$1.15 billion, and to grow 4.1 percent in FY 2026-27 and total \$1.20 billion, as taxable incomes rise. Figure 1 shows revenue to the State Education Fund. For FY 2024-25, the SEF receives a one-time \$146 million General Fund transfer under SB 23B-001, separate from the constitutional transfer requirement.

Figure 1
Revenue to the State Education Fund
Dollars in Millions



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

“Constitutionally Required” shows the one-third of 1 percent of federal taxable income that is required to be transferred to the State Education Fund under Article IX, Section 17 of the Colorado Constitution. The transfer for FY 2023-24 includes \$135 million in corrections for prior-year under-transfers.

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 13 and 14.

Table 5A
General Fund Transfers to Transportation Funds
Dollars in Millions

Bill Number	2023-24	2024-25	2025-26	2026-27
SB 21-260		\$117.5	\$117.5	\$117.5
SB 23-283	\$5.0			
Total Transfers to Transportation Funds	\$5.0	\$117.5	\$117.5	\$117.5

Table 5B
General Fund Transfers to Capital Funds
Dollars in Millions

Bill Number	2023-24	2024-25	2025-26	2026-27
HB 15-1344	\$20.0	\$20.0	\$20.0	\$20.0
SB 23-243	\$294.2			
SB 23-294	\$18.2			
HB 24-1215	\$19.0			
HB 24-1425		\$232.2		
SB 24-222		\$1.9		
Total Transfers to Capital Funds	\$351.4	\$254.1	\$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](#) directs 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. These transfers continue annually at the same amounts through FY 2028-29 and are then reduced to smaller amounts beginning in FY 2029-30.

General Fund transfers for capital projects. In 2024, the General Assembly enacted three bills making transfers for capital construction and IT projects. [House Bill 24-1215](#) transferred \$19.0 million in FY 2023-24, while [House Bill 24-1425](#) and [Senate Bill 24-222](#) together transfer \$234.1 million in FY 2024-25. Ongoing \$20.0 million transfers under House Bill 15-1344 occur annually upon requests made by the Capital Development Committee.

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. Forecast assumptions for each credit are described below.

Tax credits related to decarbonization in [HB 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. The trigger will first apply based on the June 2025 forecasts of revenue for FY 2025-26. Under this forecast, revenue subject to TABOR is expected to increase by 6.2 percent in FY 2025-26, and the full credit amounts are expected to be available for tax year 2026.

Workforce shortage tax credit in [HB 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 will first apply based on the September 2025 forecasts of revenue for FY 2025-26. Under this forecast, revenue subject to TABOR is expected to increase by 6.2 percent in FY 2025-26, and \$15 million credit cap is expected to be apply for tax year 2026.

Earned income tax credit in [HB 24-1134](#) and family affordability tax credit in [HB 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 apply 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. Since the JBC selected the March 2024 OSPB forecast to balance the FY 2024-25 budget, the amounts of the credits for tax year 2025 depend on the December 2024 OSPB forecast for FY 2025-26 revenue subject to TABOR. Based on the December 2024 OSPB forecast, both credits will be allowed in full for tax year 2025.

Revenue growth for FY 2026-27 is expected to be sufficient to allow both credits in full for tax year 2026. Actual credit availability and amounts will depend on a December 2025 forecast from either LCS or OSPB. Under the revenue growth expectations in this March 2025 forecast, both credits would be allowed in full for tax year 2026.

Partial Refundability of the Conservation Easement Tax Credit

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 does refund 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 2023-24, and this forecast expects a TABOR surplus in each of FY 2024-25, FY 2025-26, and FY 2026-27. Therefore, partial refundability of the credit is expected to be available for tax years 2024 through 2027. Under [Senate Bill 24-126](#), the refundable amount will increase to \$200,000 per taxpayer per year beginning in tax year 2027.

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 and June 2024 LCS forecasts, no transfers were made for FY 2022-23 or FY 2023-24.

Based on this forecast, no transfer is expected for FY 2024-25, FY 2025-26, or FY 2026-27, as revenue subject to TABOR is expected to come in above the cutoff amount in all three years.

Table 6
General Fund Rebates and Expenditures
Dollars in Millions

Category	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
Senior and Veterans Property Tax Exemptions	\$161.2	\$171.3	\$177.4	\$190.6
Portion Accounted as TABOR Refund Mechanism	-\$161.2	-\$171.3	-\$108.4	-\$190.6
Percent Change in Property Tax Exemptions	-1.5%	6.2%	3.6%	7.4%
Property Tax Assessed Value Reductions	\$291.8	\$0.0	\$34.8	\$44.3
Portion Accounted as TABOR Refund Mechanism	-\$238.6	NA	\$0.0	-\$44.3
Percent Change in Assessed Value Reductions	N/A	N/A	N/A	27.3%
Cigarette Rebate	\$6.8	\$5.6	\$5.4	\$5.1
Percent Change in Cigarette Rebate	-10.9%	-18.2%	-3.1%	-5.7%
Old Age Pension Fund	\$92.9	\$90.3	\$89.5	\$86.3
Percent Change in Old Age Pension Fund	9.3%	-2.7%	-0.9%	-3.6%
Aged Property Tax and Heat Credit	\$12.1	\$15.1	\$13.3	\$13.6
Percent Change in Aged Property Tax and Heat Credit	1.0%	24.7%	-12.4%	2.6%
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	\$26.2	\$22.0	\$21.3	\$20.6
Percent Change in Interest Payments for School Loans	148.9%	-16.1%	-3.2%	-3.2%
Firefighter Pensions	\$4.1	\$4.1	\$4.1	\$4.1
Percent Change in Firefighter Pensions	-3.5%	-0.9%	0.0%	0.0%
Amendment 35 Distributions	\$0.6	\$0.6	\$0.6	\$0.6
Percent Change in Amendment 35 Distributions	-8.7%	-4.4%	-0.6%	-2.5%
Marijuana Sales Tax Transfer to Local Governments	\$19.5	\$18.8	\$17.8	\$18.1
Percent Change in Marijuana Tax to Local Gov'ts	-11.0%	-3.6%	-5.4%	1.8%
Business Personal Property Exemptions	\$16.4	\$18.4	\$18.5	\$18.1
Percent Change in Business Personal Prop. Exemptions	-1.2%	12.0%	0.5%	-2.0%
Total Rebates and Expenditures	\$241.9	\$184.9	\$284.2	\$176.5
Percent Change in Total Rebates and Expenditures	43.4%	-23.6%	53.7%	-37.9%

Totals may not sum due to rounding. NA = 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

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

Bill Number	Transfers to the General Fund	2023-24	2024-25	2025-26	2026-27
HB 92-1126	Land and Water Management Fund	\$0.08	\$0.0	\$0.0	\$0.0
HB 05-1262	Amendment 35 Tobacco Tax	\$0.6	\$0.6	\$0.6	\$0.6
HB 08-1216	Consumer Outreach and Education Program	\$0.01	\$0.0	\$0.0	\$0.0
SB 13-133 & HB 20-1400	Limited Gaming Fund	\$23.6	\$23.5	\$24.3	\$26.9
HB 20-1427	2020 Tax Holding Fund	\$4.1	\$4.1	\$4.1	\$4.1
SB 21-213	Use of Increased Medicaid Match	\$8.8	\$7.3	\$1.2	\$0.0
HB 23-1041	Prohibit Greyhound Wagering				\$0.1
HB 23-1272	Decarbonization Tax Credits Administration	\$12.9	\$20.5	\$41.2	\$26.3
HB 23-1290	Proposition EE Revenue Retention	\$5.6			
SB 23-116	Affordable Housing Financing Fund	\$0.03			
SB 23-215	State Employee Reserve Fund	\$4.9			
HB 24-1413	Severance Tax Cash Funds		\$69.3		
HB 24-1414	COVID Heroes Collaboration Fund		\$3.4		
HB 24-1415	State Employee Reserve Fund	\$31.2			
HB 24-1424	College Opportunity Fund	\$1.5			
HB 24-1426	Controlled Maintenance Trust Fund		\$48.9		
SB 25-114	Financial Literacy and Exchange Fund		\$0.6		
All Bills	Total Transfers to the General Fund	\$93.3	\$178.3	\$71.3	\$57.9

Because Proposition II was approved by voters, the \$5.6 million set aside from the General Fund to pay refunds if Proposition II had failed was returned to the General Fund under HB 23-1290.

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

Bill Number	Transfers from the General Fund	2023-24	2024-25	2025-26	2026-27
SB 11-047 & HB 13-1001 & SB 23-066 & HB 24-1396	Bioscience Income Tax Transfer to OEDIT	\$14.4	\$15.2	\$15.9	\$16.7
SB 14-215	Marijuana Tax Cash Fund	\$126.1	\$121.5	\$114.9	\$117.0
SB 15-244 & SB 17-267	State Public School Fund	\$22.1	\$21.3	\$20.1	\$20.5
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	\$207.8	\$240.3	\$246.5	\$248.5
SB 22-191	Procurement of Information Technology Resources	\$0.0			
SB 22-195	Conservation District Grant Fund	\$0.1	\$0.1	\$0.1	\$0.1
SB 22-215 & SB 23-283	Infrastructure Investment and Jobs Act Cash Fund	\$84.0			
HB 23-1041	Prohibit Greyhound Wagering		\$0.03	\$0.05	
HB 23-1107	Crime Victim Services	\$3.0			
HB 23-1269	Extended Stay & Boarding Permits				
HB 23-1273	Wildfire Resilient Homes Grant Program	\$0.1			

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.

For FY 2022-23 and FY 2023-24, **HB 23-1269** requires transfers from unexpended funds appropriated for county child welfare programs. Future transfer amounts are already included in General Fund appropriations amounts and not counted again here.

HB 23-1290 required that \$23.65 million be transferred to the Proposition EE Refund Cash Fund on September 1, 2023. Of this amount, \$18.03 million was transferred from the Preschool Programs Cash Fund, and the remaining \$5.62 million was transferred from the General Fund.

Table 7B (Cont.)
General Fund Transfers to Other Cash Funds
Dollars in Millions

Bill Number	Transfers from the General Fund	2023-24	2024-25	2025-26	2026-27
HB 23-1290	Proposition EE Revenue Retention	\$5.6			
HB 23-1305	Continue Health Benefits in Work-Related Death	\$0.2	\$0.2	\$0.2	
SB 23-001	Public-Private Collaborations for Housing	\$5.0			
SB 23-005	Forestry and Wildfire Mitigation Workforce	\$1.0	\$1.0	\$1.0	\$1.0
SB 23-044	Veterinary Education Loan Repayment Program	\$0.5			
SB 23-056	Compensatory Direct Distribution to PERA	\$10.0			
SB 23-166	Wildfire Resiliency Code Board	\$0.3			
SB 23-199	Marijuana Cash Fund	\$4.1			
SB 23-205	Universal High School Scholarship Program	\$25.0			
SB 23-255	Wolf Depredation Compensation Fund	\$0.2	\$0.4	\$0.4	\$0.4
SB 23-257	Auto Theft Prevention Cash Fund	\$5.0			
HB 23B-1001	Housing Development Grant Fund	\$15.1			
HB 24-1043	Death and Disability Payment Cash Fund			\$2.1	\$2.1
HB 24-1152	ADU Fee Reduction and Encouragement Program	\$5.0	\$8.0		
HB 24-1176	Behavioral and Mental Health Cash Fund		\$4.0		
HB 24-1211	Senior Services Contingency Reserve Fund	\$2.0			
HB 24-1213	Judicial Collection Enhancement Fund	\$2.5			
HB 24-1214	Community Crime Victims 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		\$9.0	\$35.8	\$36.9
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
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 24-1465	Family and Medical Leave Insurance Fund	\$0.4			
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	\$0.1	\$0.4	\$0.4	\$0.4
SB 24-218	Lineworker Apprenticeship Grant Program Cash Fund		\$0.8		
SB 24-221	Rural Hospital Cash Fund		\$1.7		
All Bills	Total General Fund Transfers to Other Cash Funds	\$543.9	\$1,881.8	\$437.6	\$444.0

SB 23-056 requires that a \$10.0 million warrant be paid from the General Fund to PERA. This amount is shown in this table as a General Fund obligation that is not included in the appropriations amount in Table 1, line 6.

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.

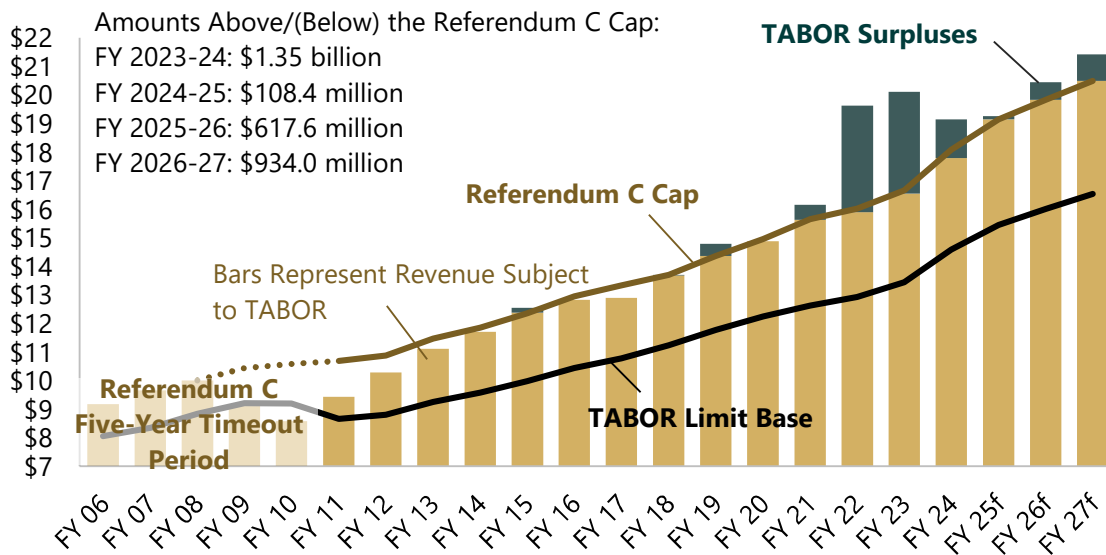
SB 24-214 increased the amount of a transfer to the Energy Fund that occurred in June 2022. The additional amount, \$125,000, was deposited in the Energy Fund in FY 2023-24.

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TABOR Outlook

The state TABOR outlook is presented in Table 9 and illustrated in Figure 2, which also provides a history of the TABOR limit base and the Referendum C cap. In FY 2023-24, state revenue subject to TABOR exceeded the Referendum C cap, creating a state obligation for TABOR refunds to taxpayers in FY 2024-25. State revenue subject to TABOR is projected to exceed the Referendum C cap in each of FY 2024-25, FY 2025-26, and FY 2026-27, creating a state obligation for TABOR refunds to be paid to taxpayers in each of FY 2025-26, FY 2026-27, and FY 2027-28.

Figure 2
TABOR Revenue, TABOR Limit Base, and the Referendum C Cap
 Dollars in Billions



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

*The refund amount for FY 2023-24 differs from the surplus amounts because it includes \$288.9 million in under-refunds from prior TABOR surpluses.

FY 2023-24

The State Controller’s annual comprehensive financial report (ACFR) for FY 2023-24 was completed in February. The ACFR indicates that state revenue subject to TABOR exceeded the Referendum C cap by \$1.35 billion in FY 2023-24. The state refund obligation totals \$1.64 billion in the current FY 2024-25 and includes adjustments attributable to under-refunds of prior TABOR surpluses (\$288.9 million). The FY 2023-24 surplus is being refunded to taxpayers via current law TABOR refund mechanisms, which are explained in greater detail below.

Forecasts for FY 2024-25 Through FY 2026-27

State revenue subject to TABOR is projected to exceed the Referendum C cap throughout the forecast period. The forecast incorporates the methodological changes to the calculation of state population growth used to determine the TABOR revenue limit in [Senate Bill 25-180](#). Revenue in the current FY 2024-25 is expected to exceed the Referendum C cap by

\$108.4 million. The state obligation to reimburse counties for homestead and other property tax exemptions in FY 2025-26 will be partially paid from the prior year TABOR refund obligation (\$108.4 million) and partially paid from General Fund revenue (\$103.8 million); these amounts are also reflected in Table 6 on page 21.

Revenue is projected to exceed the cap by \$617.6 million in FY 2025-26, and by \$934.0 million in FY 2026-27. 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 December forecast, expectations for revenue subject to TABOR were decreased by about \$230 million in FY 2024-25, reflecting reduced expectations for cash fund revenue subject to TABOR as well as General Fund revenue subject to TABOR. Expectations for revenue subject to TABOR were decreased by \$246 million in FY 2025-26 and by \$254 million in FY 2026-27 due to downward revisions to General Fund revenue subject to TABOR offsetting upward revisions to cash fund revenue subject to TABOR. Downward revisions in sales and use tax revenue and individual income tax revenue are partially offset by upward revisions to corporate income tax revenue.

Based on a September 2024 projection from the Office of the State Auditor, **Adams State University** is expected to be disqualified as a TABOR enterprise during FY 2024-25. When a higher education institution is disqualified as an enterprise, its fee revenue becomes subject to TABOR for the fiscal year, and an upward adjustment is made to the TABOR limit base and the Referendum C cap. The disqualification of Adams State is not incorporated in this forecast. If Adams State is disqualified, then both state revenue subject to TABOR and the TABOR limit will be higher than estimated, with a relatively small net impact on the amount of the FY 2024-25 TABOR surplus.

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, which is payable unless voters approve a later ballot measure permitting 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. However, since the TABOR surplus in FY 2024-25 is insufficient to cover the entire amount of reimbursements to local governments for property tax exemptions for seniors and veterans, the first of the TABOR refund mechanisms, as discussed below. Therefore, any reduction in FY 2024-25 General Fund revenue relative to forecast

expectations will impact the FY 2025-26 General Fund budget. Since the currently projected surplus is less than 0.6 percent of revenue subject to TABOR, collections even very slightly below the forecast could cause revenue to fall below the Referendum C cap.

In FY 2025-26 and FY 2026-27, projected TABOR surpluses are larger, but as a percentage of revenue subject to TABOR, remain well within normal forecast error. 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.

TABOR Refund Mechanisms

TABOR refund mechanisms and expected refund amounts are shown in Figure 3. Current state law includes two ongoing refund mechanisms for FY 2023-24 and beyond. For FY 2023-24 through FY 2033-34, there are two additional temporary refund mechanisms, established in [**Senate Bill 24-228**](#), and for FY 2024-25 and FY 2025-26, there is one additional temporary refund mechanism, established in [**Senate Bill 24-111**](#). 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 2024 through 2027.

Senate Bill 24-111 establishes 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 3 includes this mechanism with the "Property Tax Refunds" label. The mechanism is estimated to refund \$35 million in property tax year 2025 and \$44 million in property tax year 2026.

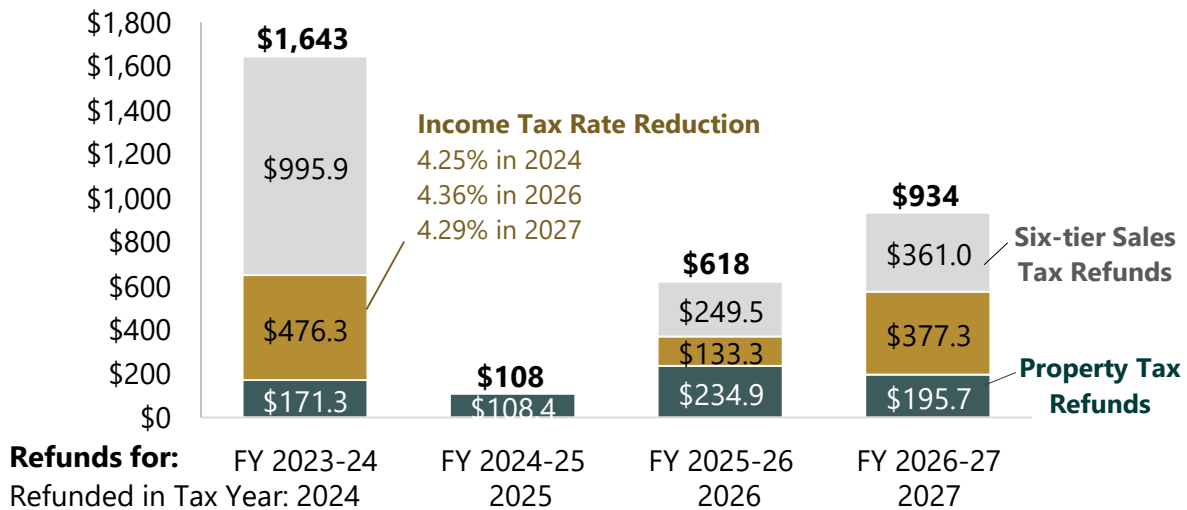
As discussed above, the TABOR surplus collected in FY 2024-25 is expected to be insufficient to fully fund reimbursements for property tax exemptions, falling short of those expenditures by \$103.8 million. This means that a portion of FY 2025-26 homestead exemption reimbursements, and the entirety of SB 25-111 valuation reduction reimbursements, will be paid from General Fund revenue rather than the FY 2024-25 TABOR refund obligation.

The **temporary income tax rate reduction** is expected to apply for tax years 2024, 2026, and 2027 as the second TABOR refund mechanism after property tax refunds. To refund a portion of the FY 2023-24 surplus, the income tax rate for tax year 2024 is temporarily reduced from 4.40 percent to 4.25 percent. 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.

This forecast anticipates that the income tax rate reduction mechanism will not be triggered in tax year 2025. The tax rate will be reduced from 4.40 percent to 4.36 percent and 4.29 percent in tax years 2026 and 2027, respectively, based on the expected amounts of the TABOR surplus remaining after property tax refunds in FY 2024-25, FY 2025-26, and FY 2026-27.

The **six-tier sales tax refund mechanism** is expected to apply for tax years 2024, 2026, and 2027 with refund amounts based on taxpayer incomes. 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 8 on page 29 presents estimated six-tier and identical sales tax refund amounts for tax years 2024, 2025, 2026, and 2027.

Figure 3
Expected TABOR Refunds and Refund Mechanisms
 Dollars in Millions



Source: Legislative Council Staff March 2025 forecast.

"Property tax refunds" includes the homestead exemption for seniors, veterans, and Gold Star Spouses, and property tax reimbursements to local governments under SB 22-238, SB 23B-001, and SB 24-111. The FY 2024-25 TABOR surplus only partially funds these reimbursements, which total \$212.2 million.

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 8
Projected TABOR Refunds via the Six-Tier Sales Tax Refund Mechanisms

Tax Year 2024 Refunds from FY 2023-24 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$53,000	\$177	\$354
\$53,001 to \$105,000	\$240	\$480
\$105,001 to \$166,000	\$277	\$554
\$166,001 to \$233,000	\$323	\$646
\$233,001 to \$302,000	\$350	\$700
\$302,001 and up	\$565	\$1,130

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

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$54,000	\$0	\$0
\$54,001 to \$110,000	\$0	\$0
\$110,001 to \$176,000	\$0	\$0
\$176,001 to \$248,000	\$0	\$0
\$248,001 to \$327,000	\$0	\$0
\$327,001 and up	\$0	\$0

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

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$55,000	\$43	\$86
\$55,001 to \$113,000	\$58	\$116
\$113,001 to \$180,000	\$66	\$132
\$180,001 to \$255,000	\$79	\$158
\$255,001 to \$336,000	\$85	\$170
\$336,001 and up	\$137	\$274

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

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$56,000	\$62	\$124
\$56,001 to \$115,000	\$82	\$164
\$115,001 to \$184,000	\$95	\$190
\$184,001 to \$261,000	\$113	\$226
\$261,001 to \$344,000	\$121	\$242
\$344,001 and up	\$195	\$390

AGI = Adjusted gross income.

Note: Amounts do not include estimates for reimbursements to local governments for property tax exemptions

Table 9A
State Revenue Subject to TABOR
Dollars in Millions

Line	TABOR Revenue	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
1	General Fund Revenue	\$16,630.5	\$16,486.6	\$17,375.4	\$18,266.1
2	Cash fund Revenue	\$2,797.2	\$2,761.3	\$3,068.9	\$3,148.9
3	Total TABOR Revenue	\$19,427.7	\$19,247.9	\$20,444.3	\$21,415.0

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

Table 9B
TABOR Revenue Limit
Dollars in Millions

Line	Revenue Limit	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
4	Allowable TABOR Growth Rate	8.5%	5.9%	3.6%	3.3%
5	Inflation (from Prior Calendar Year)	8.0%	5.2%	2.3%	2.3%
6	Population Growth (from Prior Calendar Year)	0.5%	0.6%	1.4%	1.0%
7	TABOR Limit Base	\$14,588.1	\$15,448.7	\$16,003.1	\$16,531.2
8	Voter Approved Revenue Change (Referendum C)	\$3,485.1	\$3,690.7	\$3,823.6	\$3,949.8
9	Total TABOR Limit/Referendum C Cap	\$18,073.2	\$19,139.5	\$19,826.7	\$20,481.0
10	TABOR Revenue Above or Below Referendum C Cap	\$1,354.5	\$108.4	\$617.6	\$934.0

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 9C
Revenue Retained and Refunded Under TABOR
Dollars in Millions

Line	Retained/Refunded Revenue	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
11	Revenue Retained under Referendum C	\$3,485.1	\$3,690.7	\$3,823.6	\$3,949.8
12	Fiscal Year Spending (revenue available to be spent or saved)	\$18,073.2	\$19,139.5	\$19,826.7	\$20,481.0
13	Outstanding Underrefund Amount	\$288.9			
14	Revenue Refunded to Taxpayers	\$1,643.4	\$108.4	\$617.6	\$934.0

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

Line 13, "Outstanding Underrefund Amount," represents under-refunds from prior years.

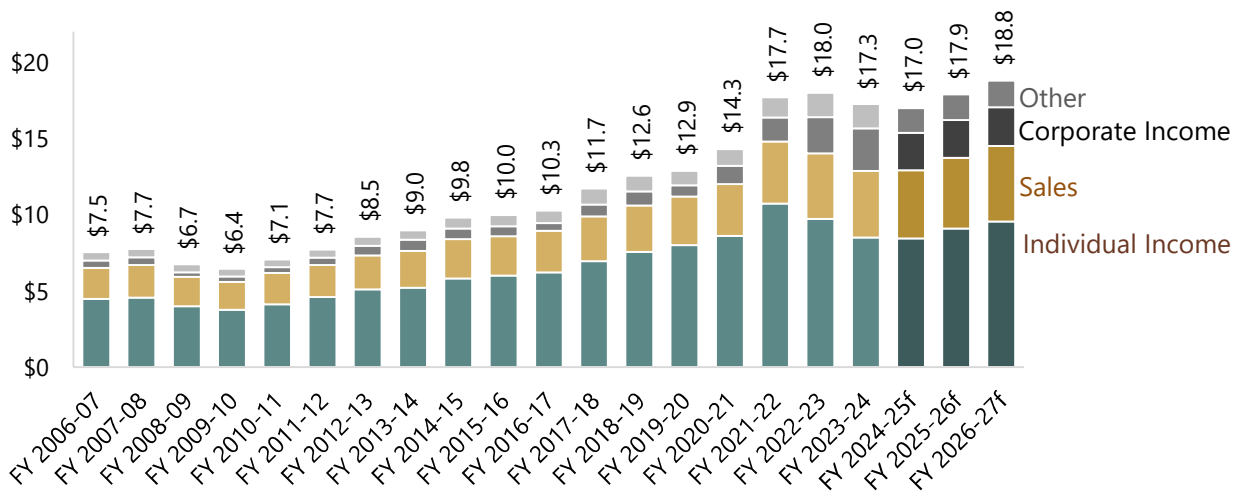
Table 9D
TABOR Reserve Requirement
Dollars in Millions

Line	Reserve Requirement	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
15	TABOR Reserve Requirement	\$542.2	\$574.2	\$594.8	\$614.4

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 10 on pages 37 through 39 summarizes General Fund revenue collections for FY 2023-24 and projections for FY 2024-25 through FY 2026-27; these are also illustrated in Figure 4, below.

Figure 4
General Fund Revenue Sources
Billions of Dollars



Amounts shown for FY 2024-25 through FY 2026-27 are forecasts.

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 forecast independently.

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

Individual income tax is the largest component of General Fund revenue and is expected to fall slightly in the current year following the enactment of large income tax credits during the 2024 legislative session. However, individual income tax revenue is expected to bolster collections with positive growth through the rest of the forecast period. Corporate income taxes are also expected to fall in the current fiscal year, following record highs. Sales tax revenue growth is expected to be sluggish in FY 2024-25 and FY 2025-26 as consumer sentiment wanes. General Fund revenue is expected to reach \$18.78 billion by the end of the forecast period in FY 2026-27.

Risks to the General Fund revenue forecast are elevated as economic conditions are highly uncertain. The potential expiration, or expansion, of many of the provisions of the 2017 Tax Cuts and Jobs Act at the end of 2025 carries bidirectional risk relative to the current income tax forecasts. Stronger-than-expected wage gains could boost sales and income tax collections above the amounts projected in this forecast. Downside risks include households pulling back

on spending due to high uncertainty and persistently high interest rates weighing on business investment, 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; 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 2023-24, before accounting for the SEF and affordable housing transfers.

In FY 2023-24, individual income tax collections declined by 8.3 percent to total \$10.04 billion before the SEF and affordable housing transfers. State tax policy changes, including the Proposition 121 income tax rate cut as well as new and expanded state income tax credits, were the main contributors to the decline, alongside cooling in both labor markets and inflation contributing to slowing growth in wage withholding.

In FY 2024-25, individual income tax revenue is expected to decline 0.7 percent to total \$9.97 billion, before the SEF and affordable housing transfers. Expectations for revenue were decreased by \$45.7 million relative to the December 2024 forecast. The downgrade reflects expectations for slower economic growth expected to impact cash with returns and refunds. The slight decline in revenue reflects primarily an increase in income tax refunds due to new income tax credits enacted in the 2024 legislative session, offsetting growth in wage withholding and estimated payments of tax by earners of non-wage income.

Fourth quarter estimated payments received in January 2025 were \$98 million, or 44 percent, higher compared to January 2024, reflecting higher income growth for earners of income from non-wage sources. Higher estimated payments in the fourth quarter may indicate that these taxpayers expect to have a higher tax obligation for the tax year, or may trade off with lower final payments, which are due when the taxpayers file their tax returns this spring. Lower estimated payments in January 2024 traded off with higher cash with returns and lower refunds in April 2024.

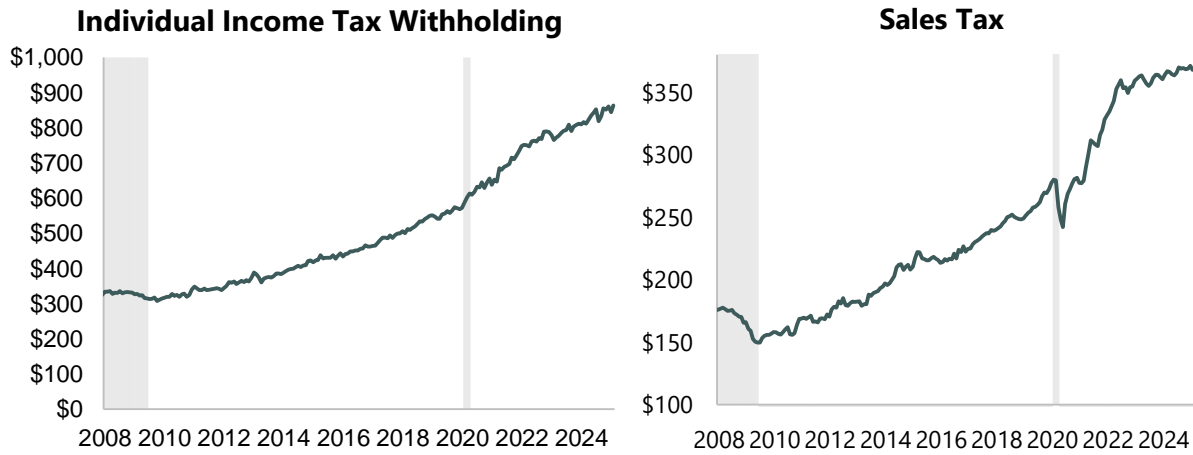
The forecast is based on limited income tax filing data for 2024 final payments. Processing of individual income tax returns submitted electronically, which accounts for most state income tax return filings, began on February 20, the same date as in 2024, but later than in most recent years. The forecast incorporates preliminary data for final payments and refunds made across eight days in February, but final payments and refunds in March and April are generally much larger and much more volatile. Accordingly, the forecast incorporates significant bidirectional risk, even for the current fiscal year.

Forecasts for **FY 2025-26 and FY 2026-27** were revised down. Individual income tax collections are expected to grow 7.1 percent in FY 2025-26 to \$10.68 billion, and by 4.8 percent in FY 2026-27 to \$11.20 billion. This represents a downward revision relative to the December 2024 forecast of \$308.7 million in FY 2025-26 and \$386.2 million in FY 2026-27. These revisions are largely driven by lowered expectations for economic performance amidst greater uncertainty and persistent inflation.

As shown in the left panel of Figure 5, wage withholding 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 a rate consistent with a moderate expansion. Wage withholding is expected to continue moderate but slowing growth in 2025, reflecting reduced expectations for growth in employment and wages.

The forecast continues to include downward adjustments to individual income tax revenue due to the expiration of many of the provisions of the 2017 Tax Cuts and Jobs Act at the end of 2025 that is scheduled under current law. Congress is expected to act in 2025 to extend tax cuts in some form, but the details are unknown. Both upside and downside risks to the revenue outlook remain elevated due to uncertainty regarding the detail, timing, and magnitude of federal tax policy changes.

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



Source: Office of the State Controller with Legislative Council Staff seasonal adjustments. Data are shown as a three-month moving average on a cash basis. February 2025 collections are preliminary data from the Department of Revenue.

This forecast includes significant adjustments for future **impacts of legislation** on individual income tax revenue enacted by the General Assembly during the 2024 legislative session. The availability and amount of some income tax credits are dependent on state revenue conditions. This forecast assumes that all credits are triggered for their full amounts. To date, there are no income tax policy changes enacted through the 2025 legislative session, and no adjustments for pending legislation are included in the forecast. The forecast does include 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 beginning in tax year 2025.

To fund the **Healthy School Meals for All Program** created in Proposition FF, 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. Starting in July 2024, revenue attributable to this addition 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. This revenue is exempt from TABOR.

Final reporting for tax year 2023 indicates that 187,231 returns included the Proposition FF revenue addition, totaling \$109.2 million in revenue. Reflecting lower-than-expected revenue received, the Proposition FF revenue accrued to FY 2023-24 was adjusted downward in December 2024, from \$127.0 million to \$112.0 million, with accrual expectations for FY 2024-25 increased accordingly. As a result, revenue expectations were increased for FY 2024-25, and expectations for FY 2025-26 and FY 2026-27 were relatively unchanged.

Starting with tax year 2026, the forecast incorporates the constitutionally required adjustment in addback amounts, discussed below, as well as significant downward adjustments due to the anticipated expiration of the 2017 Tax Cuts and Jobs Act, which will lower standard deduction amounts, thereby reducing the amount that taxpayers will be required to add back to calculate

their state income tax liability. Proposition FF revenue is expected to come in as follows, on an accrual basis:

- \$116.5 million for FY 2024-25;
- \$94.7 million for FY 2025-26; and
- \$82.4 million for FY 2026-27.

Revenue accrued for FY 2023-24 exceeded the \$100.7 million estimate provided to voters in the 2022 Blue Book for Proposition FF. Unless voters approve a ballot measure allowing the state to retain and spend this amount, the state will be required to refund the excess to taxpayers and to increase the addback thresholds to reduce future revenue in proportion to the excess as required under TABOR (3)(c). 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 if a retention measure is not approved.

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.

Colorado corporate income tax revenue has greatly exceeded expectations in recent years, posting record high growth rates in each year since FY 2019-20. In FY 2023-24, revenue increased by 18.2 percent, up to \$2.80 billion. After coming off historical highs, revenue is expected to decline by 12.2 percent in FY 2024-25 and slowly pick up through the remainder of the forecast period.

Colorado corporate income tax revenue has increased due to several factors, including inflation and tax legislation. In addition to changing several significant tax provisions and reducing the federal income tax rate from 35 percent to 21 percent, the federal Tax Cuts and Jobs Act of 2017 placed a temporary \$10,000 annual cap on the federal income tax deduction for state and local taxes ("SALT" deduction) for individual income taxpayers. However, **SB 22-124** allows Colorado owners of partnerships and S-corporations to file taxes at the entity level instead of the individual level, which allow taxpayers a larger SALT deduction. Data from the Colorado Department of Revenue show that many businesses have been reclassified from sole proprietorships and pass-through entities (whose taxes are counted as individual income tax revenue) to C corporations and partnerships (whose taxes are counted as corporate income tax revenue), causing a shift from individual to corporate income tax revenue.

Similar to individual income taxes, available data includes only about a week in late February for which the Department of Revenue was accepting corporate income tax returns for tax year 2024. Accordingly, the forecast is prepared with limited information for final 2024 taxes, which could contain surprises that inform expectations for 2025 and 2026. Corporate taxpayers closely

monitor changes to federal tax policy, and may shift income across years in response to Congressional actions. Given limited data, evolving federal policy, and the volatile history of this revenue stream, there is significant upside and downside risk to the corporate income tax forecast.

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 is expected to grow by a modest 2.7 percent in FY 2024-25, a downward revision from the December 2024 forecast due to downgraded expectations for consumer activity. A portion of the expected growth is attributable to House Bill 24-1434, which reduces the amount of sales tax revenue to be allocated to the Housing Development Grant Fund by \$35 million per year. Despite an upward adjustment for the bill, sales tax revenue growth is expected to remain dampened. The overall retail sales forecast has been downgraded as uncertainty in trade policy lends to lower consumer sentiment and worse expectations for the labor market and personal income.

While the FY 2025-26 sales tax revenue forecast has been similarly downgraded since December 2024, growth is expected to accelerate modestly to 3.9 percent, as the implementation of new tariffs are expected to increase inflation and therefore generate higher nominal retail sales. The volatility and uncertainty in trade policy creates more risk than usual for the sales and use tax revenue forecast, which is generally highly correlated with other economic indicators such as the labor market, personal income, and consumer activity.

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. As manufacturing activity has remained slow in a lagged response to high interest rates, recording year-over-year declines for 15 of the past 20 months.

Investment in industries most directly impacted by high interest rates—particularly oil and gas, construction, and manufacturing—is expected to remain weak through FY 2024-25 and FY 2025-26. Interest rates are expected to remain higher for longer than previously forecasted, and the nonresidential construction forecast has been significantly downgraded from December, contributing to a corresponding downgrade to the use tax revenue forecast for FY 2024-25 and FY 2025-26. Use tax collections are expected to decline by 6.2 percent in the current fiscal year before posting positive yet feeble growth of 3.4 percent in FY 2025-26. This revenue stream tends to be volatile, which adds additional uncertainty to the forecast.

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.

Revenue from Proposition EE is expected to increase by 15.6 percent to \$240.3 million in the current fiscal year as the tax increases go into effect. The revenue forecast was upgraded compared to December, primarily due to higher than expected nicotine tax collection. Table 11 shows expected revenue collections, while equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 7B on pages 22 and 23.

Cigarette revenue is the largest portion of Proposition EE, making up 58 percent of total Proposition EE revenue in FY 2023-24. Cigarette use tends to decline over time, but consumption fell more steeply than normal in FY 2023-24, down 16.3 percent from FY 2022-23, consistent with a nationwide trend. Prop EE cigarette revenue is expected to increase by 7.4 percent in the current fiscal year due to the tax rate increase.

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 from China and the future of federal trade policy is uncertain, particularly regarding de minimis exemptions. Additionally, increased federal enforcement against flavored e-cigarettes could reduce sales. On the other hand, increased consumption could push tax revenue higher.

Tobacco makes up the rest of the Proposition EE revenue, bringing in \$11.2 million in FY 2023-24. Tobacco revenue is expected to increase to \$19.1 million in the current fiscal year following the summer tax rate increase, and to increase modestly through the forecast period, as prices continue to rise.

Table 10A
Total General Fund Revenue Estimates
Dollars in Millions

Category	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
Sales, Use, and Excise Taxes	\$5,096.7	\$5,234.2	\$5,439.0	\$5,768.0
Percent Change in Sales, Use, and Excise Taxes	-0.3%	2.7%	3.9%	6.0%
Income Tax to the General Fund	\$11,304.7	\$10,897.2	\$11,567.7	\$12,107.6
Percent Change in Income Tax to the General Fund	-6.5%	-3.6%	6.2%	4.7%
Other General Fund Revenue	\$850.1	\$859.7	\$879.7	\$905.9
Percent Change in Other General Fund Revenue	7.2%	1.1%	2.3%	3.0%
Gross General Fund Revenue	\$17,251.4	\$16,991.1	\$17,886.4	\$18,781.4
Percent Change in Gross General Fund Revenue	-4.1%	-1.5%	5.3%	5.0%

Table 10B
Sales, Use, and Excise Taxes
Dollars in Millions

Category	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
Sales Tax	\$4,362.6	\$4,478.2	\$4,651.2	\$4,944.2
Percent Change in Sales Tax	1.4%	2.7%	3.9%	6.3%
Use Tax	\$233.2	\$218.8	\$226.3	\$254.6
Percent Change in Use Tax	-7.2%	-6.2%	3.4%	12.5%
Retail Marijuana Sales Tax	\$195.0	\$187.9	\$177.7	\$180.9
Percent Change in Retail Marijuana Sales Tax	-11.3%	-3.6%	-5.4%	1.8%
Cigarette Tax	\$20.5	\$19.8	\$19.2	\$18.1
Percent Change in Cigarette Tax	-14.4%	-3.1%	-3.1%	-5.7%
Tobacco Products Tax	\$21.6	\$24.2	\$25.0	\$26.2
Percent Change in Tobacco Products Tax	-8.9%	11.9%	3.4%	4.8%
Liquor Tax	\$56.0	\$56.0	\$57.2	\$58.5
Percent Change in Liquor Tax	-0.6%	0.0%	2.2%	2.2%
Proposition EE Tobacco Taxes	\$207.8	\$240.3	\$246.5	\$248.5
Percent Change in Proposition EE Tobacco Taxes	-11.6%	15.6%	2.6%	0.8%
Firearms and Ammunition Tax	\$0.0	\$9.0	\$35.8	\$36.9
Percent Change in Firearms and Ammunition Tax	N/A	N/A	297.9%	3.2%
Total Sales, Use, and Excise Taxes	\$5,096.7	\$5,234.2	\$5,439.0	\$5,768.0
Percent Change in Sales, Use, and Excise Taxes	-0.3%	2.7%	3.9%	6.0%

Table 10C
Income Taxes
Dollars in Millions

Category	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
Net Individual Income Tax	\$10,044.2	\$9,974.5	\$10,684.0	\$11,200.3
Percent Change in Net Individual Income Tax	-8.3%	-0.7%	7.1%	4.8%
Net Corporate Income Tax	\$2,796.6	\$2,455.6	\$2,475.4	\$2,547.9
Percent Change in Net Corporate Income Tax	18.2%	-12.2%	0.8%	2.9%
Total Income Taxes	\$12,840.8	\$12,430.1	\$13,159.4	\$13,748.2
Percent Change in Total Income Taxes	-3.6%	-3.2%	5.9%	4.5%
Less: Portion Diverted to the SEF	-\$1,209.0	-\$1,089.4	-\$1,151.5	-\$1,198.6
Percent Change in SEF Diversion	13.4%	-9.9%	5.7%	4.1%
Less: Portion Diverted for Affordable Housing	-\$327.0	-\$327.0	-\$345.5	-\$359.6
Percent Change in Affordable Housing Diversion	104.4%	0.0%	5.7%	4.1%
Less: Portion Diverted for Healthy School Meals	\$0.0	-\$116.5	-\$94.7	-\$82.4
Percent Change in School Meals Diversion	N/A	N/A	-18.7%	-13.0%
Income Tax to the General Fund	\$11,304.7	\$10,897.2	\$11,567.7	\$12,107.6
Percent Change in Income Tax to the General Fund	-6.5%	-3.6%	6.2%	4.7%

Table 10D
Other General Fund Revenue
Dollars in Millions

Category	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
Insurance Premium Tax to General Fund	\$541.9	\$625.1	\$685.0	\$716.7
Percent Change in Insurance Premium Tax	4.9%	15.3%	9.6%	4.6%
Pari-Mutuel Wagering Tax	\$0.3	\$0.3	\$0.2	\$0.2
Percent Change in Pari-Mutuel Wagering Tax	4.9%	-25.8%	-4.9%	-2.7%
General Fund Investment Income	\$251.6	\$169.2	\$138.4	\$134.9
Percent Change in Investment Income	33.5%	-32.7%	-18.2%	-2.5%
Court Receipts to General Fund	\$3.2	\$3.3	\$3.3	\$3.4
Percent Change in Court Receipts	1.4%	5.0%	0.4%	2.3%
Other General Fund Income	\$53.1	\$61.8	\$52.7	\$50.6
Percent Change in Other General Fund Income	-37.4%	16.5%	-14.8%	-3.9%
Total Other General Fund Revenue	\$850.1	\$859.7	\$879.7	\$905.9
Percent Change in Other General Fund Revenue	7.2%	1.1%	2.3%	3.0%

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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 11 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 11
Cash Fund Revenue Subject to TABOR
Dollars in Millions

Line	Revenue Source	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	CAAGR
1	Transportation-Related	\$1,425.1	\$1,493.9	\$1,540.7	\$1,595.1	
2	Transportation-Related Percent Change	12.5%	4.8%	3.1%	3.5%	3.8%
3	Severance Tax	\$218.4	\$52.1	\$265.4	\$246.9	
4	Severance Tax Percent Change	-41.7%	-76.1%	409.4%	-7.0%	4.2%
5	Gaming Revenue	\$92.9	\$95.2	\$96.6	\$98.4	
6	Gaming Revenue Percent Change	-23.4%	2.4%	1.5%	1.9%	1.9%
7	Insurance-Related	\$26.9	\$27.2	\$27.5	\$27.7	
8	Insurance-Related Percent Change	1.4%	1.1%	1.0%	0.7%	0.9%
9	Regulatory Agencies	\$96.1	\$103.7	\$104.9	\$100.0	
10	Regulatory Agencies Percent Change	7.5%	7.9%	1.2%	-4.7%	1.3%
11	2.9% Sales Tax on Marijuana	\$5.4	\$4.3	\$4.2	\$3.9	
12	2.9% Marijuana Tax Percent Change	-24.6%	-19.6%	-3.9%	-7.6%	-10.6%
13	Housing Development Grant Fund (HDGF)	\$76.9	\$37.3	\$39.9	\$45.0	
14	HDGF Percent Change	7.2%	-51.4%	6.9%	12.8%	-16.3%
15	Other Cash Funds	\$855.5	\$947.6	\$989.8	\$1,031.9	
16	Other Cash Funds Percent Change	7.0%	10.8%	4.5%	4.3%	6.4%
17	Total Cash Fund Revenue Subject to the TABOR Limit	\$2,797.2	\$2,761.3	\$3,068.9	\$3,148.9	
18	Total Cash Fund Revenue Percent Change	1.5%	-1.3%	11.1%	2.6%	4.0%

Totals may not sum due to rounding.

CAAGR is the compound average annual growth rate for FY 2023-24 to FY 2026-27.

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

Line 11, "2.9% Sales Tax on Marijuana" includes revenue from the 2.9 percent sales tax collected from the sale of medical and retail marijuana. This revenue is subject to TABOR.

FY 2023-24. Cash fund revenue subject to TABOR totaled \$2.80 billion in FY 2023-24, representing an increase of 1.5 percent from the prior fiscal year. The increase in cash fund revenue subject to TABOR primarily came from transportation-related cash funds and other miscellaneous cash funds, the two largest sources of cash fund revenue subject to TABOR. Together these categories made up about 82 percent of the total. Total cash funds growth was slowed by declining collections from severance tax and gaming revenue.

FY 2024-25. In the current budget year, cash fund revenue subject to TABOR is expected to total \$2.76 billion, a 1.3 percent decrease from the prior fiscal year. The decrease is mostly attributable to falling severance tax revenue and to HB 24-1434, which lowered the amount of sales tax revenue credited to the Housing Development Grant Fund. Falling revenue in these areas is expected to more-than-offset increases in other miscellaneous cash funds revenue, which continues to come in above expectations, and in transportation-related revenue.

Compared to the December forecast, revenue expectations were revised down by \$156.3 million. The revision is mainly from severance tax revenue, for which expectations were revised down by \$150.2 million. Transportation-related revenue and other miscellaneous cash funds revenue were revised downward by \$2.3 million and \$3.7 million, respectively.

FY 2025-26 and FY 2026-27. Revenue is expected to pick up in FY 2025-26 and FY 2026-27. In FY 2025-26, total cash fund revenue is expected to increase by 11.1 percent from the prior fiscal year as severance tax revenue recovers. Revenue is expected to increase by another 2.6 percent in FY 2026-27. Total cash fund revenue subject to TABOR is expected to exceed \$3.1 billion by FY 2026-27. Cash fund revenue expectations were revised upward by \$45.2 million for FY 2025-26, and \$57.7 million for FY 2026-27.

Transportation-Related Revenue

Transportation-related revenue subject to TABOR is expected to increase by a moderate 4.8 percent in FY 2024-25 following a 12.5 percent increase in FY 2023-24.

Transportation-related revenue is expected to continue to increase through the forecast period, albeit at a slower pace, growing 3.1 percent in FY 2025-26 and 3.5 percent in FY 2026-27. The forecast for transportation-related revenue is presented in Table 12.

Transportation-related revenue was revised downward by \$2.3 million in FY 2024-25 compared to the December 2024 forecast. The downward revision is primarily driven by sluggish motor fuel revenue. Revenue expectations were similarly revised downward by \$4.9 million and \$7.1 million in FY 2025-26 and FY 2026-27, respectively.

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 0.5 percent in FY 2023-24 and are expected to decrease another 1.0 percent in FY 2024-25 while remaining relatively flat in FY 2025-26 and FY 2026-27. Improving vehicle fuel efficiency, including the increasing use of electric vehicles, paired with permanent shifts to remote or hybrid work for some are likely contributors to dampened motor fuel collections. While it is not yet clear whether these factors will lead to permanent declines in motor fuel revenue, growth in motor fuel revenue is not expected to reach historical levels in the short- or long-term.

Road usage fees, which were implemented in April 2023, 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 average about 24 percent each year in FY 2024-25 through FY 2026-27.

Downward revisions to revenue from motor fuel and road usage fees were paired with slightly decreased projections for collections from **vehicle registrations, including the road safety surcharge**. Age fees were increased in FY 2023-24 but have held constant in FY 2024-25, likely contributing to weak growth in revenue, paired with a decline in new vehicle sales.

In contrast, the forecast for revenue from **aviation fuel** was upgraded compared to December 2024 despite several months of year-over-year declines in collections. A new jet fuel provider for United Airlines has resulted in the delay of about \$10 million in jet fuel tax filings, partly contributing to the recent declines. The filing issue is expected to be resolved before the end of FY 2024-25. Despite the upgraded forecast, aviation fuel revenue collections are still expected to decline by 1.9 percent in the current year as a result of reduced fuel prices.

Finally, **retail delivery fees**, which were created by Senate Bill 21-260 and went into effect on July 1, 2022, slightly underperformed December 2024 forecast expectations. The forecast has correspondingly been downgraded by \$0.9 million in FY 2024-25 and \$1.3 million in FY 2025-26, consistent with a downgraded forecast for consumer activity. However, 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 12A
Transportation Revenue by Source

Dollars in Millions

Line	Revenue Source	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	CAAGR
1	Highway Users Tax Fund (HUTF)	\$1,218.0	\$1,276.7	\$1,320.1	\$1,365.9	2.9%
2	Non-HUTF	\$207.1	\$217.2	\$220.6	\$229.2	2.6%
3	Total Transportation Funds	\$1,425.1	\$1,493.9	\$1,540.7	\$1,595.1	2.9%
4	Total Transportation Funds Percent Change	12.5%	4.8%	3.1%	3.5%	

Totals may not sum due to rounding.

CAAGR is the compound average annual growth rate for FY 2023-24 to FY 2026-27.

Table 12B
Highway Users Tax Fund Revenue
Dollars in Millions

Line	Revenue Source	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	CAAGR
5	Motor and Special Fuel Taxes	\$648.9	\$642.7	\$644.6	\$645.9	-0.1%
6	Motor and Special Fuel Taxes Percent Change	-0.5%	-1.0%	0.3%	0.2%	
7	Road Usage Fees	\$92.9	\$117.5	\$148.1	\$178.3	17.7%
8	Road Usage Fees Percent Change	631.2%	26.4%	26.0%	20.4%	
9	Total Registrations	\$389.6	\$425.5	\$432.9	\$442.2	3.2%
10	Total Registrations Percent Change	18.6%	9.2%	1.7%	2.2%	
11	<i>Total Registrations - Registrations</i>	<i>\$242.1</i>	<i>\$246.4</i>	<i>\$251.2</i>	<i>\$257.4</i>	1.5%
12	<i>Total Registrations - Road Safety Surcharge</i>	<i>\$104.0</i>	<i>\$137.1</i>	<i>\$138.3</i>	<i>\$139.8</i>	7.7%
13	<i>Total Registrations - Late Registration Fees</i>	<i>\$43.5</i>	<i>\$42.0</i>	<i>\$43.4</i>	<i>\$45.0</i>	0.8%
14	Retail Delivery Fees	\$21.2	\$25.0	\$27.2	\$30.0	9.0%
15	Retail Delivery Fees Percent Change	14.3%	18.1%	8.5%	10.3%	
16	Other HUTF Receipts	\$65.3	\$65.9	\$67.3	\$69.4	1.5%
17	Other HUTF Receipts Percent Change	21.2%	1.0%	2.1%	3.1%	
18	Total HUTF	\$1,218.0	\$1,276.7	\$1,320.1	\$1,365.9	2.9%
19	Total HUTF Percent Change	14.3%	4.8%	3.4%	3.5%	

Totals may not sum due to rounding.

CAAGR is the compound average annual growth rate for FY 2023-24 to FY 2026-27.

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 12C
Non-HUTF Transportation Revenue Subject to TABOR
Dollars in Millions

Line	Revenue Source	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	CAAGR
20	State Highway Fund (SHF)	\$27.8	\$31.8	\$28.9	\$30.0	1.9%
21	SHF Percent Change	0.9%	14.5%	-9.3%	3.8%	
22	Other Transportation Funds	\$179.3	\$185.4	\$191.7	\$199.3	2.7%
23	Other Percent Change	3.4%	3.4%	3.4%	3.9%	
24	<i>Other - Aviation Fund</i>	<i>\$53.5</i>	<i>\$52.5</i>	<i>\$53.5</i>	<i>\$55.4</i>	0.9%
25	<i>Other - Multimodal Transp. Options Fund</i>	<i>\$15.1</i>	<i>\$17.8</i>	<i>\$19.3</i>	<i>\$21.3</i>	9.0%
26	<i>Other - Law Enforcement-Related</i>	<i>\$6.6</i>	<i>\$6.9</i>	<i>\$6.7</i>	<i>\$6.4</i>	-0.8%
27	<i>Other - Registration-Related</i>	<i>\$104.1</i>	<i>\$108.1</i>	<i>\$112.3</i>	<i>\$116.1</i>	2.8%
28	Total Non-HUTF	\$207.1	\$217.2	\$220.6	\$229.2	2.6%
29	Total Non-HUTF Percent Change	3.1%	4.9%	1.6%	3.9%	

Totals may not sum due to rounding.

CAAGR is the compound average annual growth rate for FY 2023-24 to FY 2026-27.

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. The estimated distributions from the HUTF are shown in Table 13 below.

Table 13
Highway Users Tax Fund Distributions
Dollars in Millions

Line	HUTF Distribution Forecast	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
1	Department of Public Safety	\$195.2	\$208.3	\$208.3	\$208.3
2	Department of Revenue	\$4.5	\$2.0	\$2.0	\$2.0
3	Department of Natural Resources	\$0.3	\$0.3	\$0.3	\$0.3
4	State Highway Fund	\$621.8	\$650.5	\$676.4	\$703.5
5	Counties	\$231.5	\$242.9	\$252.8	\$263.4
6	Municipalities	\$166.2	\$174.2	\$181.9	\$189.9
7	Total HUTF Distributions	\$1,219.5	\$1,278.1	\$1,321.6	\$1,367.3
8	Total Nonexempt Revenue	\$1,218.0	\$1,276.7	\$1,320.1	\$1,365.9
9	Assumed Exempt Revenue	\$1.5	\$1.5	\$1.6	\$1.4
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 2024-25 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 42 percent in FY 2023-24 to \$218.4 million, largely due to a steep decline in oil and gas collections that were partially offset by increased coal, molybdenum and metals taxes, and interest earnings. In FY 2024-25, severance tax revenue subject to TABOR is expected to decrease by another 76 percent, a sharp downward revision of about \$150 million from the December forecast. Since November 2024, there have been about \$180 million in oil and gas severance tax refunds according to data from the Department of Revenue, \$110 million of which were recorded in February. Historically high refunds have offset revenue from withholding, estimated payments, and cash receipts over this time period. 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. 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 14.

Severance tax collections from **oil and natural gas** fell by 48.7 percent in FY 2023-24 as oil and gas markets corrected following a post-recession wave. The decrease coincided with an expected increase in ad valorem tax credit utilization that reflects the jump in oil and gas property taxes for the 2023 property tax year. For FY 2024-25, weaker than expected market conditions and collections coincided with historically high tax refunds. The outlook now anticipates oil and gas severance tax revenue will fall by 89.6 percent in FY 2024-25. In FY 2025-26, fewer ad valorem credits and much improved natural gas prices will contribute to oil and gas revenue growing to an estimated \$230.3 million. Severance tax revenue is expected to decline 8.8 percent in FY 2026-27 as producers take higher allowable ad valorem credits, and markets remain stable.

Table 14
Severance Tax Revenue Forecast by Source

Dollars in Millions

Revenue Source	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	CAAGR
Oil and Gas Taxes	\$178.1	\$18.6	\$230.3	\$210.1	5.7%
Oil and Gas Percent Change	-48.7%	-89.6%	1138.6%	-8.8%	
Coal Taxes	\$6.6	\$7.9	\$7.7	\$7.6	5.0%
Coal Percent Change	48.0%	19.8%	-3.0%	-0.4%	
Molybdenum and Metallica Taxes	\$1.7	\$2.2	\$2.0	\$2.0	6.4%
Molybdenum and Metallica Percent Change	173.8%	30.4%	-8.2%	0.6%	
Total Severance Tax Revenue	\$186.4	\$28.7	\$239.9	\$219.8	5.6%
Total Severance Tax Revenue Percent Change	-47.1%	-84.6%	736.8%	-8.4%	
Interest Earnings	\$32.0	\$23.4	\$25.5	\$27.2	-4.3%
Interest Earnings Percent Change	42.3%	-26.8%	8.8%	6.5%	
Total Severance Tax Fund Revenue	\$218.4	\$52.1	\$265.4	\$246.9	4.3%
Total Severance Tax Fund Revenue Percent Change	-41.7%	-76.1%	409.4%	-7.0%	

CAAGR: Compound average annual growth rate for FY 2023-24 to FY 2026-27.

Coal severance tax revenue increased by 48 percent in FY 2023-24 to \$6.6 million. Beginning in 2022 and continuing over the next few years, policy changes are phasing out tax credits for underground mines and a tonnage exemption, boosting collections above what would be expected otherwise. As the phase-out ends, shifting market dynamics are expected to result in declining collections through the forecast period. Based on stronger than expected collections through January, the outlook for FY 2024-25 has been revised up about \$1.6 million. However, ongoing reductions in demand from the electricity sector are still expected to contribute to declines through the forecast period, consistent with national expectations and the longer-term trend.

Metal and molybdenum tax collections rose 173.8 percent to \$1.7 million in FY 2023-24, a rebound after a large decline in the previous fiscal year. The market for metals and molybdenum is expected to contribute to further gains in FY 2024-25, and remain fairly stable from FY 2025-26 to FY 2026-27. Through the forecast period, collections are expected to remain below the long-term average.

Finally, **interest earnings** are forecast to decline 26.8 percent in FY 2024-25 and grow in FY 2025-26 and FY 2026-27 as fund balances recover.

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. This resulted in a reduction in limited gaming revenue subject to TABOR of \$31.6 million in FY 2023-24. House Bill 24-1469 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, posting 3.2 percent growth in FY 2023-24, the lowest growth rate since the COVID-19 recession. Growth is expected to decelerate further to 2.3 percent in FY 2024-25 and 1.5 percent in FY 2025-26 as consumers perceive a weakened economy and household budgets correspondingly are constrained by persistently high prices. FY 2024-25 estimates were slightly upgraded from the December 2024 forecast based on recent actual data coming in higher than expected. In contrast, FY 2025-26 growth estimates were slightly downgraded based on a weakened economic forecast for consumer activity and labor market conditions. Collections from gaming are expected to reaccelerate to a 3.6 percent growth rate in FY 2026-27, reaching \$190.6 million as the labor market begins to re-tighten and consumer confidence revives. 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 11 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 a significant portion 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.

In FY 2023-24, other cash funds revenue subject to TABOR totaled \$855.5 million, a 7.0 percent increase from the prior year. Out of the almost 400 cash funds, the top 20 funds made up 61.2 percent of total other cash funds revenue. The funds with the largest TABOR revenues in FY 2023-24 were the Medicaid Nursing Facility Cash Fund (\$54.4 million), the Public School Fund (also known as the "permanent fund," \$41.0 million), and the Adult Dental Fund (\$37.4 million). Revenue to the Medicaid Nursing Facility Fund comes from nursing facility fees to draw down matching federal funds, while the Public School Fund consists of proceeds from state land

leases. 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.

Other cash funds revenue is projected to increase by 10.8 percent to \$947.6 million in FY 2024-25, then slow to grow 4.5 percent in FY 2025-26. By FY 2026-27, other cash funds revenue is projected to come in just over \$1 billion.

Compared to the December forecast, other cash fund revenue expectations were relatively unchanged, revised downward by \$3.7 million. Through January 2025, the latest month for which data are available, revenue increased 8.5 percent from the same period last year. The Adult Dental Fund is up through the current year as reimbursement rates have increased for Medicaid dental providers. In addition, revenue from the Medicaid Nursing Facility Fund is higher compared to FY 2023-24 because eight nursing homes went through a change of ownership and provider fees were paused until the transactions were complete. The Department of Health Care Policy and Financing has begun collecting all outstanding fees from the current owners of the nursing homes. In FY 2024-25 and FY 2025-26 the forecasts were revised upward by \$19.1 million and \$36.8 million, respectively.

The forecast anticipates that the pace of growth in other cash funds revenue will slow in FY 2025-26 as fund balances are spent down or swept and cash fund interest earnings fall. This revenue stream has consistently over-performed forecast expectations. While downside risks are present, risks to the outlook for other miscellaneous cash fund revenue are weighted to the upside.

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 fall in FY 2024-25 and FY 2025-26, and begin to increase slightly in FY 2026-27 as prices and consumption rebound. The presence of intoxicating hemp 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 15.

Table 15A
Tax and Interest Revenue from the Marijuana Industry
Dollars in Millions

TABOR Status	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Exempt	\$247.0	\$234.6	\$219.7	\$222.4
Nonexempt	\$5.1	\$4.3	\$4.2	\$3.9
Total	\$252.1	\$238.9	\$223.9	\$226.3
Percent Change in Total Revenue	-12.1%	-5.2%	-6.3%	1.1%

Table 15B
Exempt Revenue from the Marijuana Industry
Dollars in Millions

Revenue Source	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Special Sales Tax	\$195.0	\$187.9	\$177.7	\$180.9
Percent Change in Special Sales Tax	-11.3%	-3.6%	-5.4%	1.8%
Excise Tax	\$47.9	\$43.1	\$39.3	\$38.9
Percent Change in Excise Tax	-17.1%	-9.9%	-9.0%	-1.0%
Interest	\$4.1	\$3.5	\$2.7	\$2.6
Percent Change in Interest	36.4%	-15.0%	-22.9%	-3.7%
Total Exempt Revenue	\$247.0	\$234.6	\$219.7	\$222.4
Percent Change in Total Exempt	-12.0%	-5.0%	-6.3%	1.2%

Table 15C
Nonexempt Revenue from the Marijuana Industry
Dollars in Millions

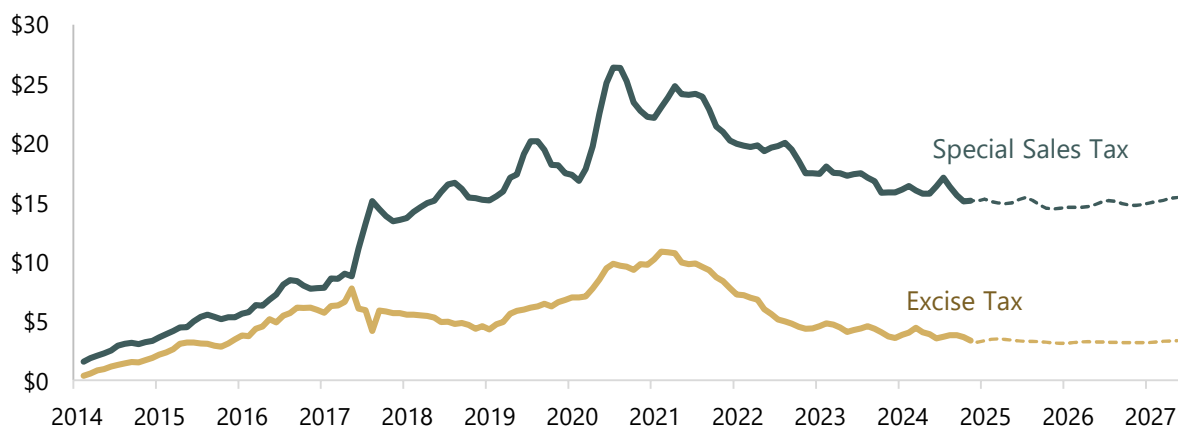
Revenue Source	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Sales Tax on Medical Marijuana	\$3.9	\$3.0	\$2.7	\$2.3
Percent Change in Medical Marijuana	-30.6%	-22.9%	-10.7%	-13.3%
Sales Tax on Non-Marijuana Products	\$1.2	\$1.3	\$1.4	\$1.5
Percent Change in Non-Marijuana Sales	10.0%	7.3%	5.4%	5.8%
Interest Income	\$0.2	\$0.1	\$0.1	\$0.1
Percent Change in Interest	16.2%	-15.0%	-15.0%	-15.0%
Total Nonexempt Revenue	\$5.1	\$4.3	\$4.2	\$3.9
Percent Change in Nonexempt Revenue	-14.6%	-15.2%	-3.9%	-7.6%

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, and local governments. 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 slowly in the current fiscal year and the next, and begin showing year-over-year increases in fiscal year 2027 as consumption and prices start to rebound. Special sales tax revenue is expected to be 3.6 percent lower in FY 2024-25 compared to the prior year, and to fall by another 5.4 percent in the following fiscal year. Revenue is expected to stabilize by the end of the forecast period. 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 14 percent compared to the year prior.

Figure 6
Adult-Use Marijuana Revenue Forecast
 Millions of Dollars, 3-Month Moving Average



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

Wholesale prices increased in 2023, but stalled in 2024, painting a mixed picture for future excise tax revenue. Excise tax revenue collections are expected to fall slightly in the next few months before rising steadily through the forecast period. Revenue is expected to be about 10 percent lower in FY 2024-25 than the prior year and then decrease by another 9 percent in FY 2025-26.

Exempt interest credited to the MTCF reached \$4.1 million in FY 2023-24, a 36 percent increase from the year prior, as interest rates increased. This amount is expected to fall to \$3.4 million in the current fiscal year. 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. This revenue stream had not been included as part of the marijuana forecast prior to the December 2024 forecast.

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 \$3.9 million in FY 2023-24, a 31 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 \$1.2 million in 2.9 percent general sales tax in FY 2023-24. Collections are expected to stay fairly low throughout the rest of the forecast period.

Table 16
Distributions of Marijuana Revenue
Dollars in Millions

Marijuana Revenue Distribution	Actual FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Marijuana Tax Cash Fund	\$135.3	\$129.4	\$121.8	\$123.4
BEST Fund	\$47.9	\$43.1	\$39.3	\$38.9
General Fund	\$27.3	\$26.3	\$24.9	\$25.3
State Public School Fund	\$22.1	\$21.3	\$20.1	\$20.5
Local Distributions	\$19.5	\$18.8	\$17.8	\$18.1
Total Distributions	\$252.1	\$238.9	\$223.9	\$226.3
Percent Change in Total Distributions	-9.0%	-5.2%	-6.3%	1.1%

Based on the above forecasts, revenue distributed to the **Marijuana Tax Cash Fund** is expected to be \$129.4 million in FY 2024-25, \$121.8 million in FY 2025-26, and \$123.4 million in FY 2026-27. This is a downward revision relative to the December 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 2023-24, FML revenue decreased by 44.2 percent along with a correction in natural gas prices following a steep spike that peaked at \$8.81 per million BTU in August 2022. As shown in Table 17, FML revenue is forecast to increase about 10 percent to \$106.6 million in FY 2024-25 with higher-than-expected natural gas prices to begin 2025 as prices rose to \$4.28 per million BTU in February. Natural gas prices are forecast to remain near the \$4.00 range and above

through the forecast period, increasing expected non-bonus lease revenue payments. Along with climbing natural gas prices, revenues may benefit from a jump in new lease activity. FML revenue is expected to grow through the forecast period.

Table 17
Federal Mineral Lease Revenue Distribution

Dollars in Millions

Item	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
Total FML Revenue	\$96.9	\$106.6	\$127.9	\$138.1
Bonus Payments (portion of total revenue)	\$0.4	\$2.1	\$1.3	\$1.4
Local Government Permanent Fund	\$0.2	\$1.1	\$0.6	\$0.7
Higher Education FML Revenue Fund	\$0.2	\$1.1	\$0.6	\$0.7
Other FML Payments (non-bonus revenue)	\$96.5	\$104.4	\$126.6	\$136.7
State Public School Fund	\$46.6	\$50.4	\$61.2	\$66.0
Colorado Water Conservation Board	\$9.6	\$10.4	\$12.7	\$13.7
DOLA Grants	\$19.3	\$20.9	\$25.3	\$27.3
DOLA Direct Distribution	\$19.3	\$20.9	\$25.3	\$27.3
School Districts	\$1.6	\$1.8	\$2.2	\$2.3
Higher Education FML Revenue Fund	\$0.2	\$1.1	\$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. As sports betting tax revenue totaled \$30.4 million in FY 2023-24, the passage of Proposition JJ allows an additional \$1.4 million of revenue in FY 2023-24 to be transferred to the Water Plan Implementation Cash Fund. Due to Proposition JJ, water projects are expected to receive an additional \$4.9 million in FY 2024-25, another \$7.7 million in FY 2025-26, and another \$10.1 million in FY 2026-27.

TABOR-exempt sports betting revenue, which consists of taxes and interest, grew by 19.5 percent in FY 2023-24, marking four years of double-digit growth since the legalization of sports betting. Growth expected to remain high yet slower than previous years, estimated at 11.5 percent in FY 2024-25, a \$0.7 million downgrade from the December 2024 forecast as recent actuals came in slightly lower than expected. Growth is expected to slow to 7.6 percent in FY 2025-26 and 6.4 percent in FY 2026-27 as fewer new users participate in sports betting.

Sports betting fee revenue subject to TABOR—which includes gaming licenses, operations fees, credit card fees, interest, and other charges for service—grew 4.7 percent to \$2.4 million in FY 2023-24, but is expected to decline by 11.2 percent in FY 2024-25, mostly due to decreasing revenue from operations fees and other charges for service, paired from dampened growth subject to declining interest rates. Revenue is expected to rebound from its FY 2024-25 low in future years, growing 7.6 percent in FY 2025-26 and another 1.4 percent in FY 2026-27. This revenue is included in the Other Cash Funds forecast in Table 11.

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 are exempt from the excise tax. Implementation of the new tax will begin 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 is expected to reach \$9.0 million in FY 2024-25, \$35.8 million in FY 2025-26, and \$36.9 million in FY 2026-27, with comparable amounts in future years. About two-thirds of the projected revenue is expected to be from firearms and parts sales, while about one-third is expected to be from ammunition sales.

Family and Medical Leave Insurance

Proposition 118, approved by voters at the November 2020 election, created a paid family and medical leave insurance (FAMLI) program for Colorado employees that provides up to 12 weeks of paid leave for eligible employees to care for themselves or a family member. Starting January 1, 2023, employers and employees were required to begin paying a payroll premium for FAMLI benefits, which eligible employees were able to use beginning January 1, 2024. Revenue to the fund is exempt from TABOR.

In **FY 2023-24**, the first full fiscal year of premium collections, the enterprise collected \$1.35 billion in FY 2023-24 in payroll premiums and earned an additional \$34.7 million in interest. The program paid out \$344.7 million in benefits in FY 2023-24, representing the first six months of benefits payments. The FAML cash fund ended FY 2023-24 with a balance of \$1.28 billion.

Over the first seven months of **FY 2024-25**, the enterprise collected \$783.1 million in premium payments and \$21.4 million in interest. Over the same time period, the program paid out approximately \$440.4 million in benefits. LCS will collaborate with CDLE to produce future forecasts of FAML premiums, benefits, and fund balances.

Unemployment Insurance Trust Fund

Forecasts for Unemployment Insurance (UI) Trust Fund revenue, benefit payments, and year-end balances are shown in Table 18. Revenue to the UI Trust Fund is not subject to TABOR and is therefore excluded from Table 11. 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 11.

Table 18A
Unemployment Insurance Trust Fund Balance

Dollars in Millions

Component	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
Beginning Balance	\$286.6	\$726.1	\$1,175.7	\$1,498.1
Total Revenue	\$1,076.1	\$1,278.8	\$1,192.7	\$1,091.6
Less: Benefits Paid	-\$636.6	-\$829.2	-\$870.3	-\$833.6
Ending Balance	\$726.1	\$1,175.7	\$1,498.1	\$1,756.1

Table 18B
Unemployment Insurance Trust Fund Revenue

Dollars in Millions

Source	Actual FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
UI Premium & Premium Surcharge	\$869.3	\$985.9	\$896.8	\$886.9
Solvency Surcharge	\$122.2	\$207.2	\$201.0	\$93.2
Interest	\$8.1	\$19.1	\$28.4	\$44.9
Other	\$76.5	\$66.5	\$66.5	\$66.5
Total Revenue	\$1,076.1	\$1,278.8	\$1,192.7	\$1,091.6
Percent Change in Total Revenue	16.7%	18.8%	-6.7%	-8.5%

Totals may not sum due to rounding.

Other income includes private loans applied to federal loans outstanding, and estimated diversions from the Employment Support Fund; the Employment, Training and Technology Fund; and the Benefit Recovery Fund pursuant to SB 23-232 and HB 24-1409

Revenue to the fund increased in FY 2023-24, ending the year up 16.7 percent, to \$1.08 billion, compared with \$1,066.3 million projected in the June 2024 forecast. Increases in the chargeable wage base pursuant to **Senate Bill 20-207**, estimated diversions to the fund from the Employment Support Fund (ESF) pursuant to **Senate Bill 23-232** and **House Bill 24-1409**, revenue from the solvency surcharge, as well as increasing interest earnings as the fund balance grows, offset a lower employer premium rate schedule due to improving fund balances. Beginning in FY 2023-24, Senate Bill 23-232 and House Bill 24-1409 limited the amount of money allowed to remain in the ESF and other unemployment administration funds at the end of each fiscal year.

Benefits paid from the fund in FY 2023-24 totaled \$727.5 million, an increase of 44.8 percent from the prior year. Benefit payments were higher than expected in 2024 due to a surge in back payments, rising average weekly wages, and growth in the number of claims. Benefit payments are expected to increase through FY 2025-26 as unemployment continues to rise. The forecast also anticipates an increase in benefits paid pursuant to **Senate Bill 22-234**, which repealed the requirement that a person wait one week before becoming eligible for unemployment compensation, once the balance of the UI Trust Fund reaches at least \$1 billion.

The fund balance on June 30 of a given year determines the solvency surcharge and premium rate schedule for the following calendar year. Beginning in 2024, the employers were required to pay the solvency surcharge, but premium rates were reduced as the UITF balance turned positive, in accordance with the premium rate schedule. The solvency surcharge is expected to be applied in 2025 and 2026.

The UI Trust Fund began FY 2024-25 with a balance of \$726.1 million. The fund balance is expected to increase throughout the forecast period, prompting a lower premium rate schedule in calendar year 2026 and turning off the solvency surcharge off in calendar year 2027. The modernization of the Colorado unemployment insurance premiums systems disrupted the collection of employment and wage data beginning in the third quarter of 2023. This, along with recent legislative changes creating diversions to the UI Trust Fund, drives more uncertainty than usual in the UI forecast.

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Economic Outlook

In 2024, U.S. economic output maintained a moderate-to-strong pace of growth along with a low unemployment rate, continued job growth, and rising incomes. This forecast anticipates the U.S. and Colorado economies will continue to expand through the forecast period. However, recent weakening in several economic indicators, rapidly shifting federal policy, tighter expectations for monetary policy, and heightened ongoing risks have resulted in downward revisions to the economic forecasts for the state and nation in 2025 and 2026. In addition to 2025 and 2026, this forecast also debuts an economic outlook for 2027.

This forecast is shaped by the rapidly changing federal policy environment. This includes the expected implementation of higher tariffs on imported goods from Canada, Mexico, and China. In the near-term, both proposed and realized tariff policies have resulted in more business volatility as companies scramble to anticipate changes and navigate prices for essential business inputs. Trade policy also creates uncertainty for consumers. Over the forecast period, increased tariffs are expected to reduce trade volumes, put upward pressure on prices, and dampen business investment in structures and equipment. For Colorado specifically, tariffs will impact the state's reliance on Canadian crude oil imports and put upward pressure on retail gasoline prices.

Over the next year, labor markets are expected to soften. Colorado was one of 21 states that had a statistically significant increase in the state unemployment rate over the past year. Although the unemployment rate is expected to remain near a level consistent with an economic expansion, the rate is projected to climb nearly 2 percentage points from post-pandemic lows. Notably, the unemployment rate is projected to remain near this higher level through 2026 before moderating in 2027, impacted by the lagged effects of higher interest rates, increased tariffs, and reduced federal spending on the labor market. Coinciding with higher unemployment, Colorado's labor force participation rate has moderated, and businesses have added fewer employees, currently at an average rate below pre-pandemic levels. Colorado's labor market will continue to be impacted by lower population growth through the forecast period, experiencing fewer native entrants into the working age population as well as slower net migration.

Inflation, as measured by year-over-year price changes, has climbed since September 2024 for both the state and nation. However, inflation has been measured at much 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 still-recovering home prices, a sharp drop in multifamily construction, and tepid growth in single family construction. Residential construction is expected to remain muted in Colorado through the forecast period, at levels about 40 percent below the 2021 post-pandemic peak.

Risks to the economic forecast have tipped toward the downside, but upside risks remain. 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, clarity on federal tax policy could boost spending and investment, while clearer trade policy could alleviate market volatility and cultivate domestic industrial activity in a protective trade environment.

Tables 19 and 20 on pages 87 and 88 present the March 2025 Legislative Council Staff forecasts for the U.S. and Colorado economies, respectively. The tables in the Appendix, beginning on page 99, present historical data for the U.S. and Colorado economies.

Gross Domestic Product

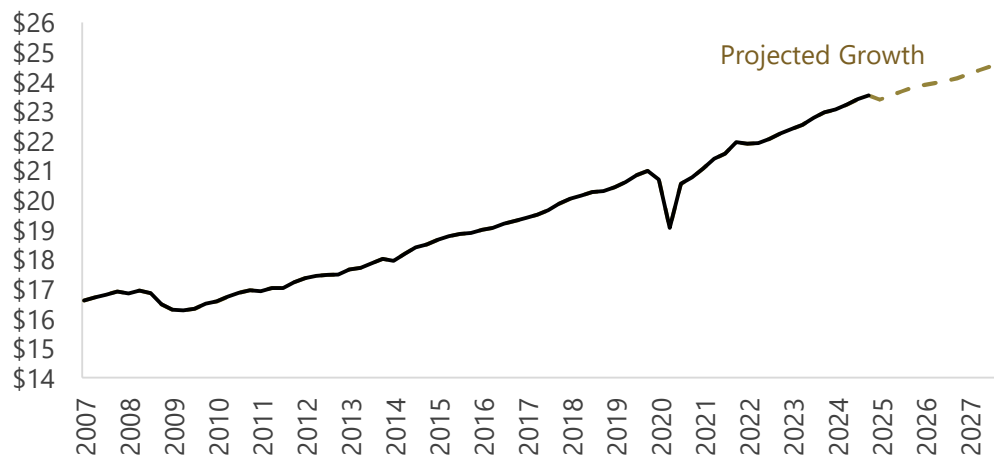
The U.S. real inflation-adjusted gross domestic product (GDP), the broadest measure of economic output, increased at an annualized rate of 2.8 percent in 2024, slightly slower than the 2023 rate of 2.9 percent, but still beating most economists’ expectations. Growth in the U.S. economy was broad-based in 2024, with strong consumer spending and businesses investment. U.S. imports, which subtract from GDP, were up from the prior year.

Though U.S economic output was relatively strong in 2024, the economy slowed in the last quarter of the year. In the fourth quarter, U.S GDP increased at an annualized rate of 2.3 percent, down from 3.1 percent in the prior quarter. Economic growth was mainly supported by robust consumer spending, possibly because of preemptive spending in anticipation of expected tariffs and strong holiday sales. Business investment was down as spending on nonresidential structures and equipment declined from the previous quarter; however, residential investment rebounded after falling in the prior two quarters. U.S trade was neutral despite an expected increase in imports. Finally, government spending slowed in the final quarter of the year.

This forecast anticipates a decline in real GDP during the first quarter of 2025, followed by slow economic growth over the remainder of 2025 and into 2026. The labor market’s lagged response to still-high interest rates, expected tariffs, and reduced federal government spending are expected to dampen growth in 2025. Risks to the GDP forecast are weighted to the downside, though upside risks are also present.

Real U.S. GDP growth is projected to slow to 1.3 percent in 2025 and 1.7 percent in 2026 as contributions from consumer activity, business investment, and government spending all decelerate.

Figure 7
U.S. Real Gross Domestic Product
2017 Dollars in Trillions



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

Consumer spending remains solid but slowed in the last quarter of 2024. In 2024, consumer spending grew at a healthy annual rate of 2.8 percent, after increasing by 2.5 percent in 2023. Though overall spending on both goods and services in 2024 were strong, services—particularly those in health care—continued to be the main drivers of growth. Among durable goods, recreational goods and other durable goods, which include items such as power tools and lawnmowers, contributed the most to growth. Among nondurable goods, food and beverages; clothing and footwear; and other nondurable goods drove the bulk of growth, while gasoline and other energy goods stagnated with lower energy prices.

Consumer spending was particularly strong in the last quarter of 2024, increasing by a healthy 4.2 percent from the prior quarter. Spending on durable goods, specifically in the recreational goods and vehicles category and the motor vehicles and parts category, were the main contributors for consumer spending in the fourth quarter. Sales of these goods may have experienced a temporary bump as anticipated tariffs are expected to increase the cost of imported materials and finished products.

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

Business investment improved in 2024 but slowed in the second half. Despite weakening in the second half of the year, businesses investment managed to increase by a healthy 4.0 percent in 2024. Contributions came from both nonresidential and residential investments. Residential investment, which struggled through 2022 and 2023 because of higher interest rates, increased by 4.2 percent in 2024. Though down from the prior year, nonresidential investment increased by 3.6 percent in 2024. Spending on intellectual property, such as software development, research and development, and entertainment, continues to be a major contributor for nonresidential investment growth.

Government spending contributed to GDP in 2024. Governments have consistently made modest positive contributions to GDP since the end of 2022, with state and local governments contributing more than the federal government in 2023. In 2024, total government expenditures increased by 3.4 percent, down from 3.9 percent in 2023. Public sector contributions, specifically federal government outlays, will face headwinds in 2025 and 2026 as expected spending cuts will reduce federal funding for many areas and programs in the country.

U.S. imports were up in 2024 but overall trade was neutral in the final quarter. In 2024, the U.S. trade deficit was \$908.8 billion, up 14.0 percent from 2023. U.S imports steadily outpaced exports through most of 2024 due to a persistently strong U.S. dollar, which makes American goods more expensive to other countries. In the third quarter of 2024, U.S imports were especially robust, increasing 10.7 percent from the prior quarter. Many businesses rushed to bring in imported goods such as consumer electronics before a pending strike at U.S. ports, which was resolved in early October. U.S. imports were expected to come in strong in the final quarter of the year but were down 1.2 from the prior quarter, while growth in exports was relatively flat during the same period.

Heading into 2025, American importers have frontloaded goods purchases in anticipation of a new round of tariffs. The surge in imports subtracts from GDP is expected to contribute strongly to a single-quarter decline in real GDP during the first quarter of 2025.

Colorado's economy outpaced the national average in the third quarter, but growth in 2024 slowed overall compared with the nation. In the third quarter of 2024, the latest data available, Colorado's real GDP grew at an annual rate of 3.4 percent, faster than the U.S. rate of 3.1 percent. The professional, scientific, and technical services industry, which contains businesses with software and legal occupations, contributed the most in terms of the market value of goods and services produced in the Colorado economy. However, Colorado's GDP increased more slowly than the U.S. year-over-year, and state-level growth is expected to be lower than U.S. growth once 2024 data is finalized. Looking ahead, Colorado's economy is expected to trend closer to the national average through the forecast period.

In 2023, the Denver Aurora-Lakewood Metropolitan Statistical Area (MSA) economy grew at annual rate of 3.5 percent after growing by 4.7 percent in 2022. Similar to the state, the professional, scientific, and technical services industry was the main contributor to the economy.

Global Economy and International Trade

The baseline projection for global GDP growth remains little changed from the previous forecast, suggesting a stable global economic expansion. The worldwide disinflation process is continuing, though some countries are seeing inflation fall faster than others. Overall, the United States and other advanced economies are generally expected to reach target levels of inflation earlier than emerging markets and developing economies. However, while the expected impact of current trade policy on the global economy is limited, the risk of a trade war that could negatively impact the global economy is increasing.

Stable growth in the U.S. contrasts with slow progress in the Euro area, Japan, China, and India. In 2024, strong U.S. GDP growth offset weaker economic activity in other large global markets. Sluggishness in German manufacturing continues to limit overall growth in the Euro area, and temporary supply disruptions in Japan led to a temporary contraction. In addition, growth in China and India was slower than expected in 2024. Sluggish industrial activity in India limited GDP growth, while persistent weakness in China's property sector dampened overall economic output for the country. About one quarter of China's GDP is reliant on its real estate market, and home prices there are down 5 percent year-over-year as of January 2025.

Global oil markets and trade continue to remain largely unaffected by global conflict.

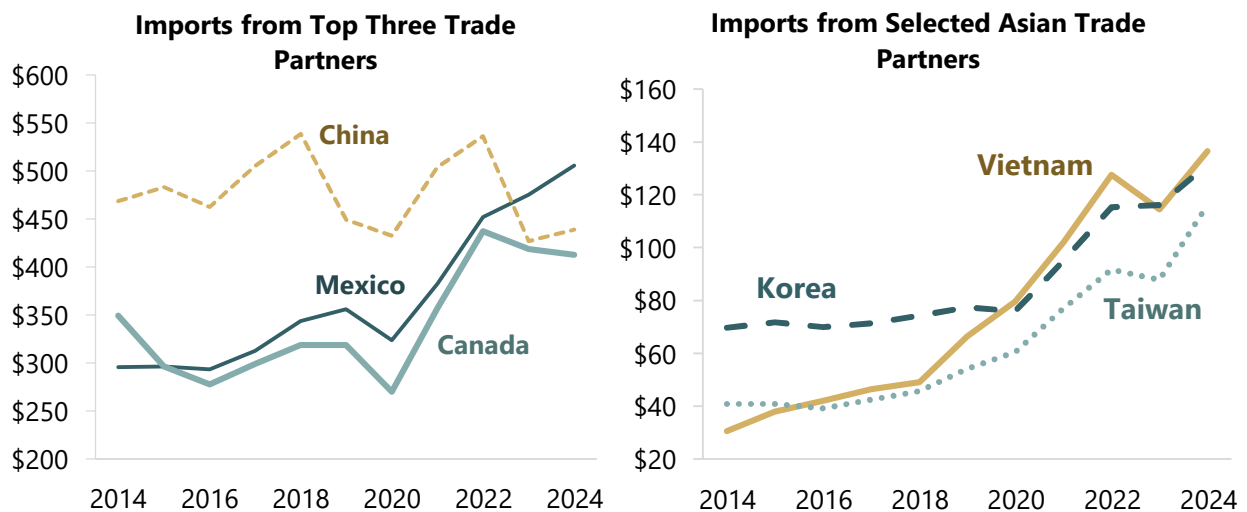
Russia's war in Ukraine and the Israel-Hamas conflict are expected to continue, but have yet to significantly impact global oil supply or trade, keeping the risk of resurgent inflation stemming from these global conflicts to a minimum. While the conflicts have not significantly altered the International Monetary Fund's (IMF) global growth projections for 2025 and 2026, the IMF recognizes increased uncertainty to the forecast due to newly elected governments in 2024, contributing to heightened fiscal and trade policy uncertainty. However, the IMF expects effects to unwind after about a year and risk from government turnover to dissipate as changes to current policy become more known and ingrained into the current economy.

Total U.S. trade volume increased in 2024, while Colorado’s import volume declined. In 2024, U.S. total trade volume increased by 4.5 percent year-over-year, with the total value of exports increasing by 2.3 percent. Significant trade of industrial machinery led the way, ending the year as the nation’s second-most exported good and first-most imported good. In contrast, U.S. oil trade volumes declined over the past year following double-digit increases in 2023, with exports declining 1.4 percent and imports declining 4.6 percent. Oil is the most exported U.S. good and fourth-most imported. In contrast to the nation, where imports rose 6.1 percent year-over-year in 2024, Colorado imports decreased by 5.6 percent. Colorado realized significant declines in its top four imports: oil, electric machinery, industrial machinery, and surgical instruments.

Canada, China, and Mexico remain the state’s and nation’s top three trading partners. In 2024, imports from Canada, China, and Mexico made up 41.5 percent and 49.2 percent of total United States and Colorado imports, respectively. Imports from Canada, China, and Mexico all decreased in Colorado for 2024, while imports from China and Mexico increased nationwide. Roughly 40 percent of exports from Colorado and the nation are to these three countries, though exports to Canada and China decreased in 2024 for both Colorado and the nation.

Trade policy is uncertain and rapidly evolving. During the first quarter of 2025, the United States imposed an additional 20 percent tariff on imports from China, with total tariffs on imports from China now resting just under 40 percent. In response, China imposed a 15 percent retaliatory tariff on Chinese imports of certain U.S. agricultural products. Since import tariffs imposed on goods from China were originally set in October 2017, imports from China have largely stagnated despite some year-over-year fluctuations (Figure 8, left). In contrast, imports from other top trade partners have increased significantly, including from other Asian trade partners (Figure 8, right).

Figure 8
United States Imports
Billions of Dollars



Source: WiserTrade. Data through the fourth quarter of 2024.

The United States signaled its plans to impose additional tariffs on other countries that currently impose tariffs on imports from the United States, tentatively scheduled to go into effect in early April. A 25 percent tariff on U.S. imports from Canada and Mexico went into effect in early March, but was partially suspended within 48 hours. That tariff is still scheduled to be fully enforced in early April alongside tariffs on imports from other countries. The increase in country-specific tariffs may result in similar shifts to trade with other countries as occurred when increased tariffs were originally imposed on imports from China in 2017. However, in cases where goods cannot easily be sourced from elsewhere, consumers will likely see increased prices on commodities imported from countries where tariffs are imposed.

The United States additionally expanded and raised tariffs on steel and aluminum effective March 12, 2025, increasing the tariff from 10 percent to 25 percent and applying it to imports from all countries. The tariff is intended to increase industrial production in the United States but may cause short-term inflationary pressures and labor market tensions in impacted industries such as manufacturing, construction, and transportation.

Despite the temporary pause in some United States tariffs on imports from Canada, Canadian provinces retaliated by restricting the sale of United States liquor. The United States' trade policies with other countries and other countries' responses to U.S. trade decisions have led to increased uncertainty for the near term as policy decisions continue to change rapidly, posing a downside risk to business investment and consumer sentiment. While the currently enacted tariffs pose increased but limited short-term risk for resurgent inflation in the United States, expected and unexpected escalations of tariffs either imposed by the U.S. or imposed on U.S. imports by other countries may have broader negative impacts to the global economy.

Labor Markets

The U.S. and Colorado labor market indicators remain consistent with an economy in a moderate, yet cooling expansion, but clouds are assembling on the horizon. In particular, elevated uncertainty about the paths of inflation, monetary policy, and fiscal policy poses risk to the labor market outlook.

Employers are adding new employees at a monthly average rate that has fallen below pre-pandemic levels. Though U.S. and Colorado unemployment rates remain low, they have been steadily increasing. Some of the rise in unemployment rates reflects new or returning entrants to the labor force. Near-term employment growth is expected to continue to slow for both the U.S. and Colorado, as the Federal Reserve is likely to pause interest rate cuts until inflation abates further. Long-term employment growth is challenged by demographic shifts. The impacts of labor market cooling are expected to continue to be uneven, with unemployment rates and job growth varying significantly across workers and industries. Finally, quality issues affecting Colorado's state-level labor market data makes the labor market picture hazier than usual.

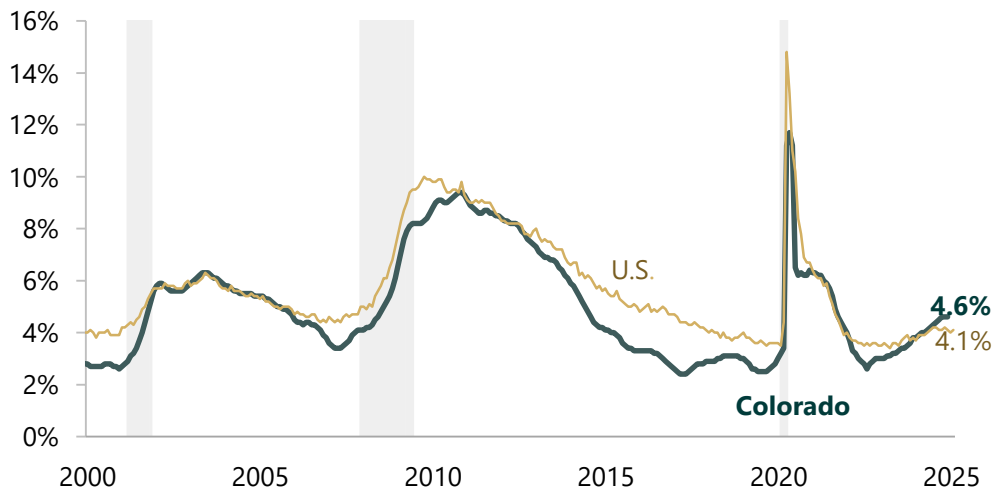
- U.S. nonfarm employment is expected to grow by 0.7 percent in 2025, before slowing to 0.4 percent in 2026 and 0.3 percent in 2027. The U.S. unemployment rate is expected to average 4.3 percent in 2025, 4.4 percent in 2026, and 4.2 percent in 2027.
- In Colorado, employment is expected to grow by 1.0 percent in 2025, decelerating from 1.7 percent in 2024. Employment is expected to decelerate further, to 0.7 percent growth in

2026 and 0.8 percent in 2027. The Colorado unemployment rate averaged 4.3 percent in 2024, and is expected to increase to averages of 4.7 percent in 2025, 4.6 percent in 2026, and 4.4 percent in 2027.

U.S. and Colorado unemployment rates continue to climb. Unemployment rates in Colorado and the U.S. remain relatively low, but are rising consistent with a tight monetary policy environment. Colorado’s unemployment rate remained at 4.6 percent in December 2024, surpassing the U.S. rate of 4.1 percent in the same month (Figure 9). Some of the increase reflects new or returning entrants to the labor force, as growth in the labor force accounted for about a third of the increase in the number of unemployed in December 2024. With an increase of 1.0 percentage points in the unemployment rate since December 2023, Colorado was one of 21 states that posted a statistically significant increase in their average unemployment rate in 2024. The remaining states saw unemployment rates essentially unchanged.

Colorado’s unemployment rate was the 8th highest among the states in December 2024, equal to that of Louisiana and New Jersey. Colorado consistently ranked among the bottom half of states in terms of unemployment rates in 2024, reversing a longstanding trend. South Dakota had the lowest unemployment rate (1.9 percent), while the highest rate belonged to Nevada (5.8 percent).

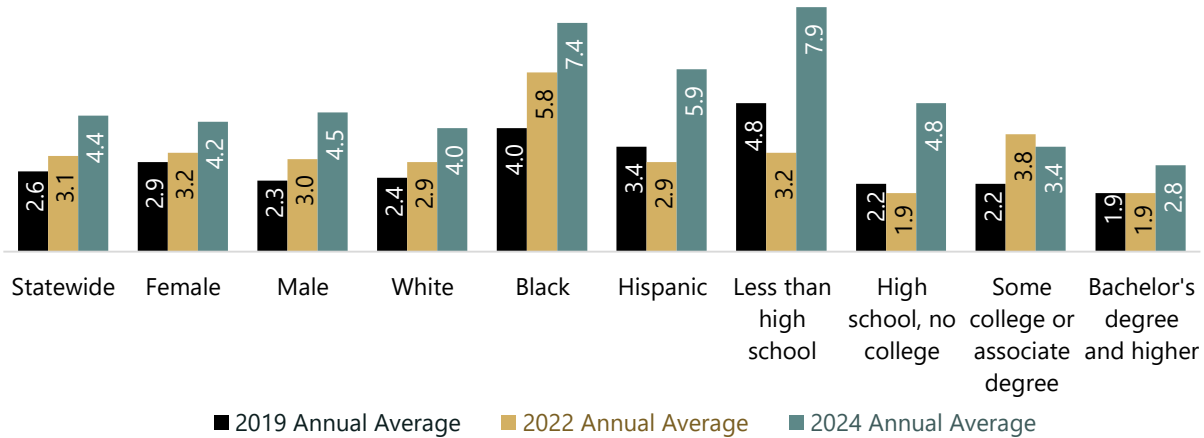
Figure 9
Unemployment Rates



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. U.S. data are through February 2025. Colorado data are through December 2024.

Impacts of labor market cooling vary by demographic group. The impact of a slowing labor market is uneven across demographic groups, with disparities by race, ethnicity, and educational attainment wider in 2024 than they were before the pandemic, as people of color and those without a high school diploma continue to experience higher unemployment rates (Figure 10). Small sample sizes may reduce the statistical significance of these patterns in some cases.

Figure 10
Colorado Unemployment Rates by Demographic Group
 Percent



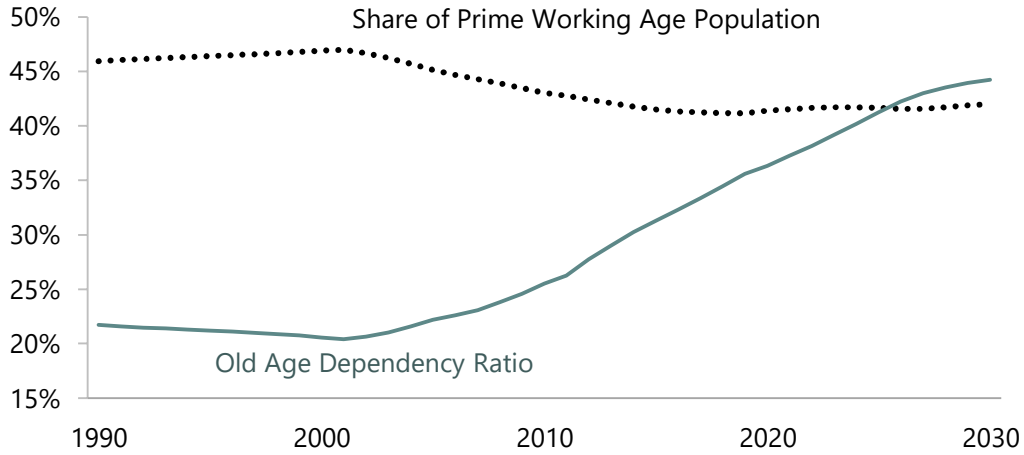
Source: U.S. Bureau of Labor Statistics, Current Population Survey, retrieved from the Colorado Department of Labor and Employment. Data are not seasonally adjusted. Unemployment rates by educational attainment include individuals 25 and over; all other unemployment rates include individuals 16 and over. Unemployment rates shown in the chart are calculated differently than the official estimates of unemployment and should not be compared directly.

Women boost Colorado labor force participation rate. Colorado’s labor force participation rate is holding steady at 67.9 percent in December, down from the post-pandemic high of 68.6 percent, but still well above the national rate of 62.5 percent in the same month. Among the 50 states, Colorado consistently ranks in the top five with the highest labor force participation rates, along with North Dakota (69.0 percent), Nebraska (68.5), Utah (68.2), and Minnesota (67.8). The lowest rates belong to West Virginia (54.8 percent) and Mississippi (55.3 percent). Compared to the U.S., Colorado’s labor force participation is bolstered by higher rates for women (62.7 percent in Colorado versus 57.5 percent in the U.S. on average over the past year).

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. While the State Demography Office projects that 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 36 percent, with especially fast growth among the 75 and older population (Figure 11). 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.

Growth in Colorado’s labor force and employment will also 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, which reached a multi-year low in 2021.

Figure 11
Colorado Population Characteristics

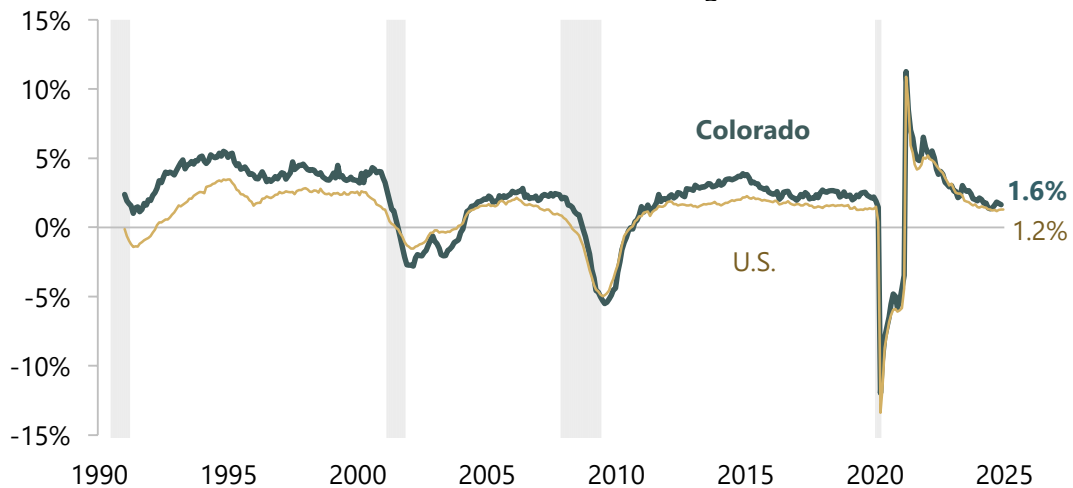


Source: Colorado State Demography Office, 2023 projections.

The prime working age population is the population ages 25 to 54. The old age dependency ratio is the population ages 65 and older divided by the prime working age population.

Nonfarm payroll job gains slow. Nonfarm employment in Colorado was up 1.6 percent year-over-year in December 2024, compared with 1.3 percent nationwide during the same period. Colorado averaged 4,000 monthly job gains in 2024. The immediate post-pandemic recovery saw historically high monthly job growth, with average gains of 13,700 jobs per month between January 2021 and April 2022. Average monthly job gains in 2024 have fallen below pre-pandemic monthly gains which averaged about 5,000 jobs in 2018 and 2019. (Figure 12).

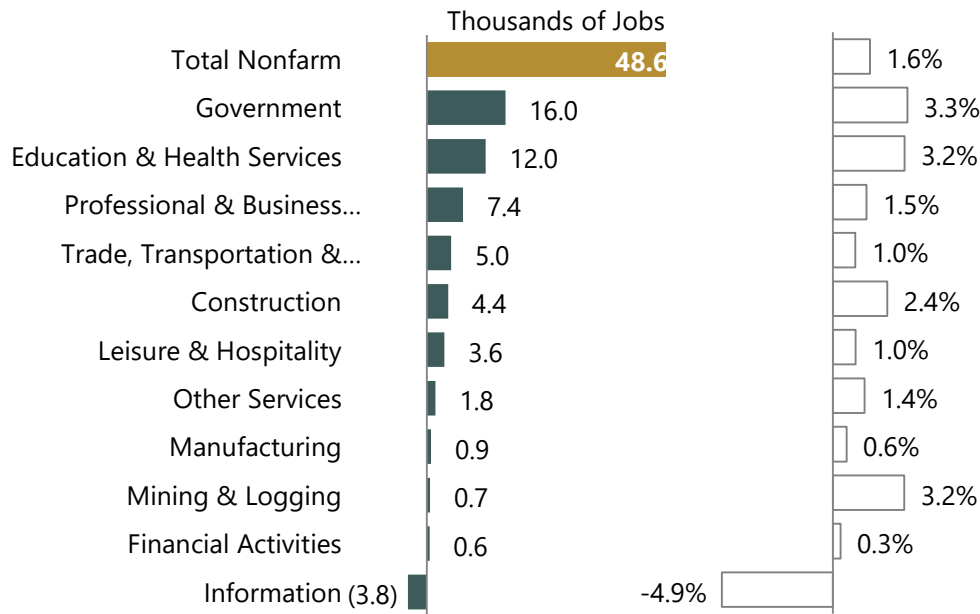
Figure 12
Nonfarm Employment Growth
Year-over-Year Percent Change



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. U.S. data are through February 2025. Colorado data are through December 2024.

Colorado job gains led by government. As shown in Figure 13, employment gains continue to be led by Colorado’s four largest supersectors as measured by employment, including government, up by 16,000 jobs since December 2023 (3.3 percent), education and health services, up 12,000 jobs (3.2 percent), professional and business services, up 7,400 jobs (1.5 percent), and trade, transportation and utilities, up 5,000 jobs (1.0 percent). About half of the job gains in the government sector were due to growth in state government, with a further 44 percent of gains in local government. The information supersector has faced continuous employment challenges in the past year, and is down 3,800 jobs over the past 12 months (4.9 percent). Job growth is sluggish in the financial activities sector, which includes real estate services, up 600 jobs (0.3 percent), mining and logging, and manufacturing. Employment trends in these industries reflect ongoing impacts from higher interest rates, sluggish industrial production, and shifts in natural resource extraction activities.

Figure 13
Colorado Job Gains and Losses by Industry
 Year-over-Year Change, December 2024



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

Federal policy may slow Colorado job growth and lift unemployment rates. A shift in federal government policy toward reducing the federal workforce is expected to impact job growth and unemployment rates in Colorado, although impacts are not yet evident in current data. About 57,000 federal workers are employed in Colorado, accounting for 1.9 percent of total nonfarm employment. The federal government workforce includes civilian employees in a variety of federal agency regional offices in the state, 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 in the state. 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.

State employment data remain hazy. Larger than usual revisions, reduced household and establishment survey response rates since the pandemic, and a system modernization that disrupted the collection of employment census data in Colorado at the end of 2023 combine to make the state employment picture cloudier than usual.

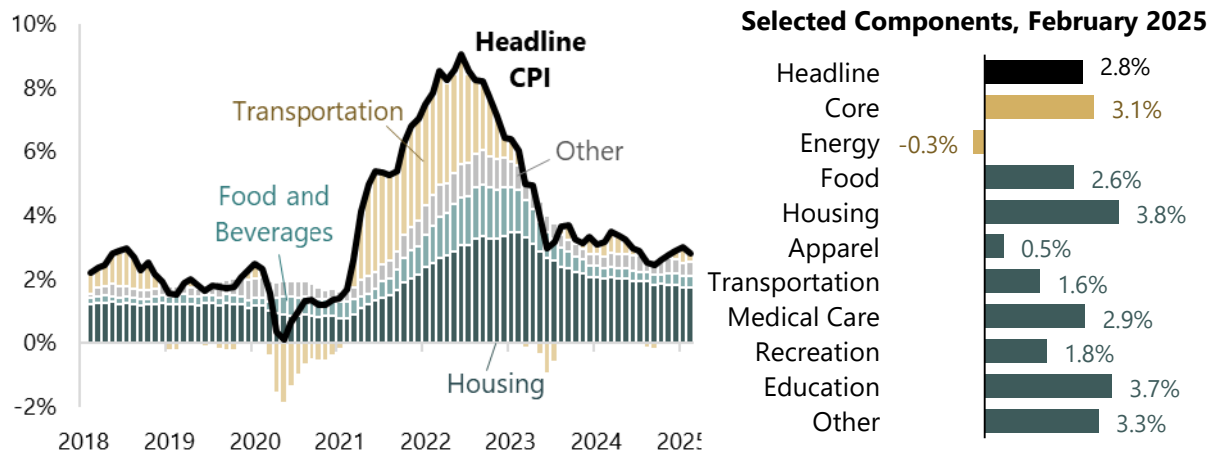
Disruption of the employment census data in particular may contribute to a break in the data series in 2024 and shifts in the data that may not reflect actual conditions. Revisions to annual average and monthly data on unemployment statistics from 1976 through 2024 were announced on March 5, 2025. Colorado’s unemployment rates for 2023 and 2024 were revised upward, from 3.2 percent to 3.3 percent in 2023 and from 3.9 percent to 4.6 percent in 2024. With revisions, Colorado had the third highest increase in its unemployment rate in 2024, 1.0 percent, behind Rhode Island (1.3 percent) and South Carolina (1.1 percent). The newly published revision may overstate Colorado’s unemployment rate for 2024, while the initial publication that was revised was likely too low.

Currently, the expectation is nonfarm employment and household unemployment data continue to be published by the U.S. Bureau of Labor Statistics for Colorado, but the direction and magnitude of employment revisions influenced by the census data are unclear.

Inflation

U.S. inflation remains elevated due to housing and transportation prices. Inflation remains above the Federal Reserve’s long-term 2 percent rate target, but ticked down slightly in the most recent month. As measured by the U.S. urban average consumer price index (CPI-U), inflation fell as low as 2.4 percent in September 2024, but has increased since, sitting at 2.8 percent in February. Increasing inflation over the past few months was primarily driven by transportation costs, including auto insurance, which is up 11.1 percent compared to a year ago. Housing inflation is still the biggest contributor to overall inflation, but continues to fall slowly.

Figure 14
Contributions to U.S. Consumer Price Index (CPI-U) Inflation
 Percent Change in Prices, Year-over-Year

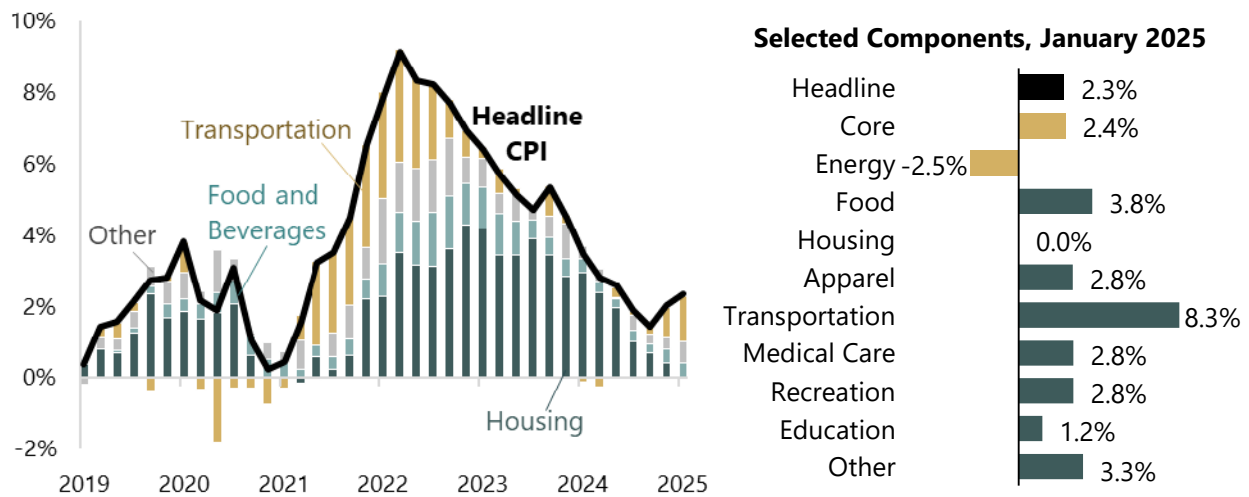


Source: U.S. Bureau of Labor Statistics.

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 is increasing due to transportation costs. Inflation in the Denver-Aurora-Lakewood area (“the Denver area”) fell to 1.4 percent in September, but has jumped back up to 2.3 percent in January. Figure 15 shows the recent path of headline inflation and inflation among select components, as measured by the Denver area consumer price index. Housing inflation has fallen substantially, with no change in prices year-over-year, while vehicle and gas prices contributed to the recent uptick in headline inflation. Transportation prices are up 8.3 percent compared to a year ago, and are expected to continue to rise in 2025. The exact source of the upswing in transportation prices is unknown, as local inflation data are not available at a granular enough level to discern this.

Figure 15
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.

Tariffs put upward pressure on near-term prices and cloud the inflation outlook. New tariffs are expected to put upward pressure on inflation in the near term. So far in 2025, the following tariffs have been implemented: 25 percent on Mexican and non-energy Canadian goods that do not meet the rules of origin outlined in the United States–Mexico–Canada Agreement (an estimated 50 percent of Mexican goods and 62 percent of Canadian goods), 10 percent on Canadian energy resources, 20 percent on Chinese goods, and 25 percent on steel and aluminum. However, there is considerable uncertainty around how tariffs will impact inflation in 2025, as the precise details of how additional tariffs will be implemented, such as final tariff rates, total countries and goods affected, duration, and retaliatory tariffs, are unknown.

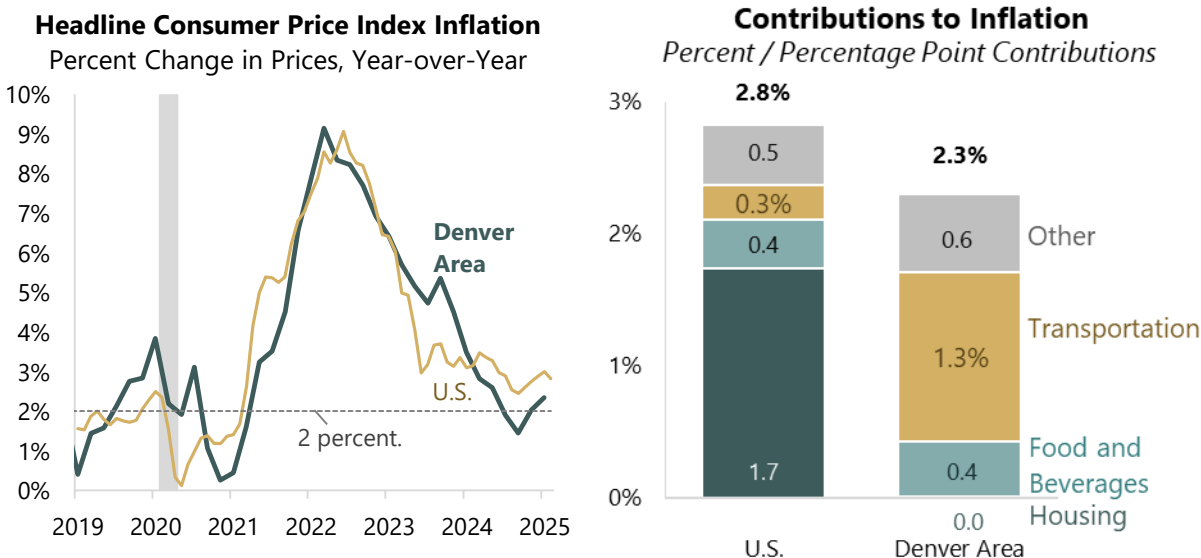
An analysis by the Federal Reserve Bank of Atlanta estimates that increasing tariffs by 10 percent on China, 25 percent on Canada and Mexico, and 10 percent on the rest of the world would increase U.S. CPI by between 0.8 and 1.6 percentage points, depending on the extent to which

price increases are passed on to consumers.¹ Tariffs on final goods typically result in a one-time increase in inflation soon after going into effect, while tariffs on intermediate goods have a more persistent impact.² Based only on the tariffs that have been implemented to date, the LCS forecast assumes that tariffs will increase inflation by 0.5 percentage points in 2025 and 0.2 percentage points in 2026, assuming that no additional tariffs are put in place and that current tariffs apply throughout the forecast period. On the other hand, tariffs and the uncertainty around them are expected to slow economic activity, which is expected to partially offset some of the upward pressure on prices. Recent upticks in inflation data as well as new tariffs have resulted in an upward revision to the inflation forecast for both the U.S. and the Denver area.

- U.S. inflation is expected to be 3.1 percent in 2025 decelerating to 2.8 percent in 2026, and 2.5 percent in 2027.
- Denver-area inflation is expected to be 2.3 percent in 2025, increase to 2.6 percent in 2026, and then tick down to 2.4 percent in 2027.

Housing and transportation inflation is significantly different in the Denver area compared to the U.S. Headline inflation in the Denver area is lower than that of the nation, driven entirely by lower housing inflation. Lower housing inflation in the Denver area has been partially offset by higher transportation costs. Figure 16 (right) presents contributors to the current rates of inflation for the nation compared to the Denver area.

Figure 16
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 for February and Denver area inflation for January, reflecting the most recent data available. Totals may not sum due to rounding.

¹ <https://www.atlantafed.org/-/media/documents/research/publications/policy-hub/2025/02/28/01--tariffs-and-consumer-prices.pdf>

² <https://www.federalreserve.gov/econres/notes/feds-notes/how-do-trade-disruptions-affect-inflation-20250228.html>

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. Because the housing component of the CPI includes rents (or owner equivalent rents) paid by all households rather than rental prices actively on the market, the housing component tends not to change quickly, as most renters' payments are not subject to change on a monthly basis.

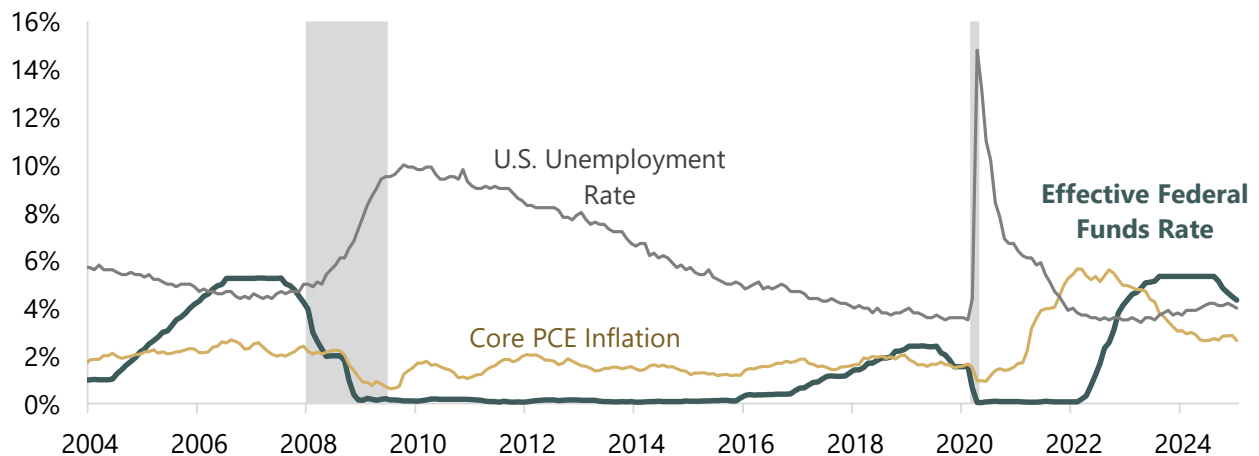
Housing prices in the U.S. are 3.8 percent higher than they were a year ago, compared to 0.0 percent in the Denver area. The exact reason for such low housing inflation in the Denver area is not known. However, the Denver area did see a larger run-up in prices during the housing boom in 2023 and has higher housing prices overall, which may be resulting in a price correction now. Data also indicate that apartment rents in the Denver area have moderated over the past year. Transportation prices, on the other hand, were much higher in the Denver area compared to the U.S., which partially offset the difference in housing inflation. In particular, gas prices increased more over the last year Denver as a result of a dip in energy prices in Denver in early 2024 that later recovered.

Monetary Policy

Interest rates are expected to stay higher for longer. The Federal Open Market Committee (FOMC) held interest rates steady at its most recent meeting, and indicated that there would likely be just two cuts in 2025.

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 continues to inch closer to the Federal Reserve's 2 percent average inflation target, falling to 2.6 percent in the most recent January reading (Figure 17). At the same time, the U.S. unemployment rate has ticked up compared to a year ago but remains at a healthy level, sitting at 4.1 percent in February.

Figure 17
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 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.

The FOMC reduced the federal funds rate by 25 basis points each in November and December, but held rates constant in January as inflation expectations increased. The FOMC has indicated it plans to continue to move the federal funds rate closer to a neutral rate, but aims to do so slowly, as the economy continues to expand at a solid pace. This forecast expects that the federal funds rate will be reduced by 50 basis points in 2025, and will continue to be reduced slowly in 2026 and 2027.

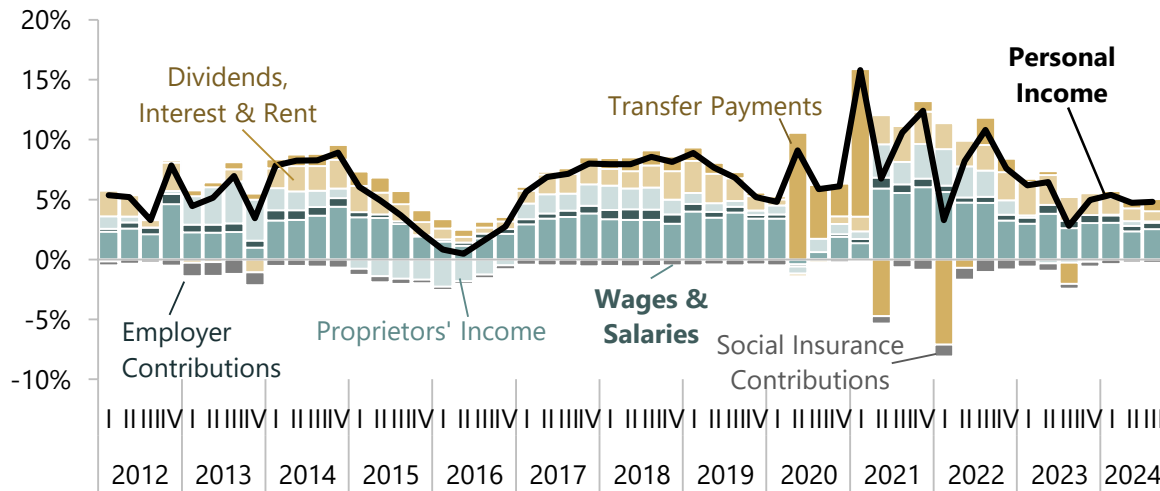
Despite federal funds rate cuts, the Fed has continued to reduce its balance sheet by allowing a portion of its portfolio of U.S. treasury bonds and mortgage-backed securities to mature without replacement, a process known as quantitative tightening. Expectations for the future of quantitative tightening are unclear, as the FOMC has noted that multiple FOMC members would be open to ending balance sheet reductions earlier than previously expected as a result of uncertainty around the federal government's statutory debt limit. Ending quantitative tightening earlier than expected could apply downward pressure on long term interest rates, resulting in an upside risk for inflation and long-term borrowing.

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 individual income tax revenue, the state's principal revenue stream, and foreshadows consumer spending and contributions to sales tax receipts.

Personal income has continued to grow at a moderate pace in both Colorado and the nation. Due to data quality concerns with Colorado's employment census data, state level personal income data were prepared without industry-level wage data, which may make the series less reliable. A history of year-over-year growth in nominal personal income in Colorado is shown in Figure 18.

Figure 18
Colorado Nominal Personal Income and Its Contributions
 Year-over-Year Percent Change



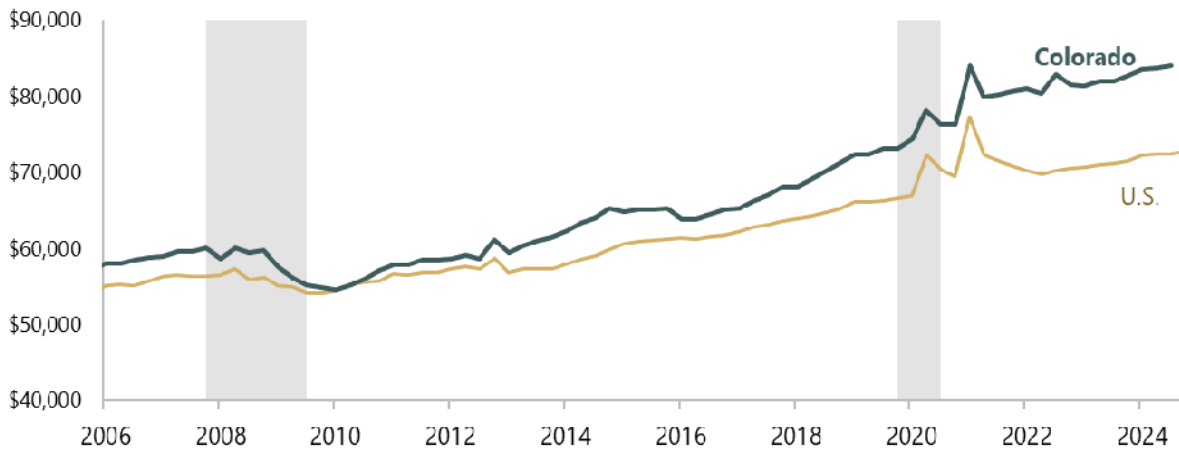
Source: U.S. Bureau of Economic Analysis with Legislative Council Staff calculations. Data are seasonally adjusted through the third quarter of 2024.

Total Colorado personal income was 4.8 percent higher in the third quarter of 2024 compared to a year prior. Wages and salaries are the largest source of personal income, and were up 5.0 percent compared to one-year prior, a bit slower than the average rate of growth before the pandemic. The second-largest component of personal income, dividends, interest, and rent, grew by 3.7 percent over the past year. Expectations for personal income growth have been revised down through the forecast period since the December 2024 forecast. Personal income growth in Colorado is now expected to have slowed below the national rate for the second consecutive year in 2024, partly due to receding inflationary pressure in the state. The trend is expected to continue in 2025 before income growth in Colorado ticks back up in line with national growth. Through the forecast period, more moderate labor market expectations will weigh on the state's personal income growth.

- U.S. personal income growth is expected to slow in 2025, increasing at a 4.4 percent pace. Personal income is projected to increase 4.4 percent in 2026, then slow to 4.2 percent in 2027.
- Similarly, personal income growth in Colorado is expected to slow to a modest 4.2 percent in 2025 as wage pressures from a tight labor market recede and employment growth slows. Personal income is projected to increase 4.3 percent in 2026, then grow 4.5 percent in 2027.

While nominal personal income continues to grow, households have also had to contend with above-trend inflation over the past few years. 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 2.5 percent and 1.7 percent, respectively (Figure 19). Growth has been more robust in Colorado than the nation since the pandemic, with real per-capita incomes being 16 percent higher in Colorado than the national average in the third quarter. Real per-capita personal income is expected to continue increasing modestly for both the U.S. and Colorado in 2025, although upside risk to inflation could result in headwinds.

Figure 19
Real Per-Capita Personal Income
 Constant 2024 Dollars



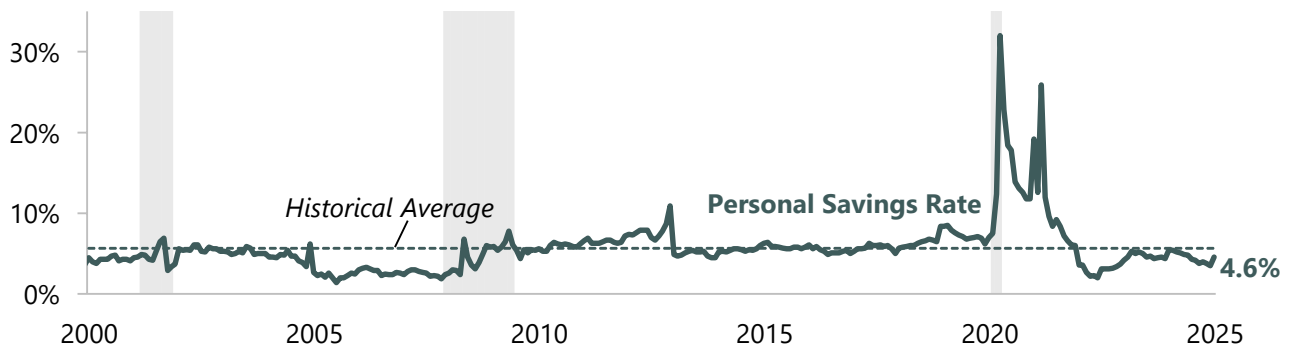
Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, and LCS calculations. Data are adjusted for inflation using the national PCE price index.

Household Finances

On the whole, indicators of household finances appear healthy. The level of debt and delinquencies remained stable for most of 2024 and indicate that borrowing is at a healthy level. A significant increase in the personal saving rate in January suggests that households may be approaching their spending with increasing caution.

The U.S. personal saving rate jumped up in January. The personal saving rate jumped up from 3.5 percent in December to 4.6 percent in January. The increase comes from both an increase in personal income and a decrease in consumption. If the uptick in personal savings continues, households may be in a better position to handle unexpected expenses or higher prices in the future, particularly after four years of below-average saving. A pullback on consumer spending, despite an increase in incomes, indicates the households may be feeling more cautious about their spending moving forward.

Figure 20
U.S. Personal Saving Rate
 Percent

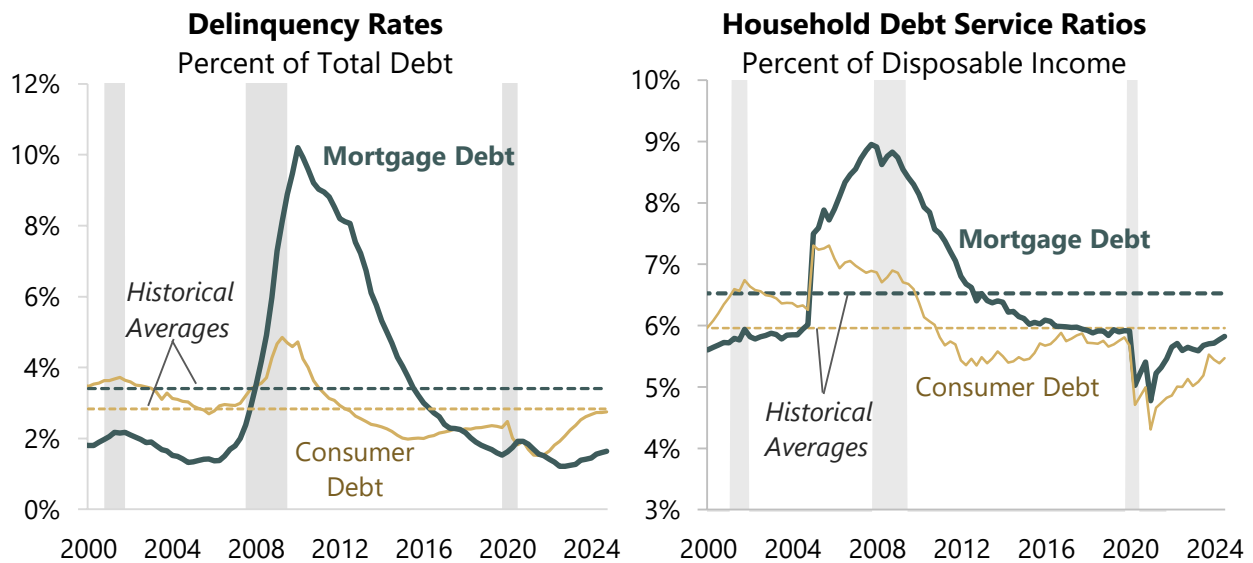


Source: U.S. Bureau of Economic Analysis. Data are shown as seasonally adjusted annual rates. Data are through January 2025.

The personal saving rate is calculated as the ratio of personal saving as a percentage of disposable personal income.

The level of household debt is consistent with a healthy economy. Delinquency rates (Figure 21, left) show the percentage of outstanding loan debt that is past due by thirty days or more. Delinquencies on mortgages are low by historical standards, and below where they were before the pandemic. As of the fourth quarter of 2024, the delinquency rate on consumer loans, which includes credit card debt, auto loans, and other consumer loans, has remained steady at around 2.8 percent, compared to 2.3 percent before the pandemic. Moderate delinquency rates indicated that the current level of debt is manageable for most households.

**Figure 21
Household Debt**



Source: Federal Reserve Board of Governors. Data are through 2024Q4 (left) and 2024Q2 (right). Delinquency rates are the percentage of total debt that is delinquent by 30 days or more. Debt service ratios are calculated as the ratio of household mortgage and consumer credit debt payments to disposable personal income. Historical averages are calculated from 2000 to the most recent quarter of data.

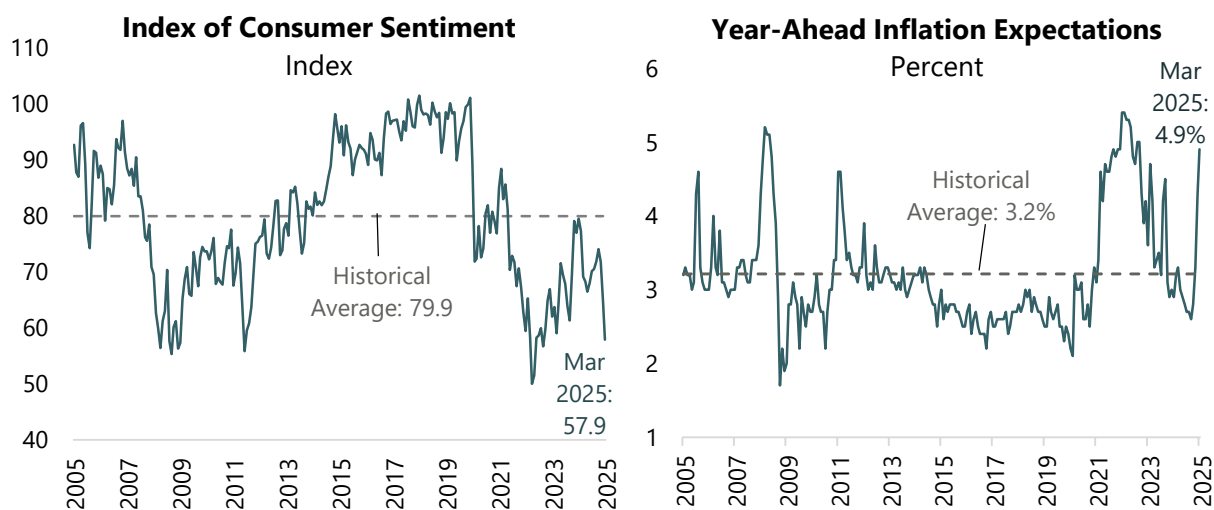
Debt service ratios (Figure 21, right) measure the percentage of households' disposable income that is obligated toward mortgage payments and consumer debt. Higher ratios imply that households will have a lower percentage of their incomes available to spend on additional goods and services, and may be more likely to reduce spending or default on debt due to financial stress. Both mortgage and consumer debt ratios are increasing, but remain below where they were before the pandemic and below their historical averages. Overall, this signals that households have more financial obligations than during the early days of the pandemic, but that borrowing remains similar to pre-pandemic levels.

Consumer Activity

Consumer confidence falls, inflation expectations rise. Consumer sentiment, as reported by the University of Michigan Survey of Consumers, declined for the third month in a row in March 2025. Consumers across political parties, age, and wealth brackets cited tariff policy as the main contributor to darker sentiment (Figure 22, left). Consumer inflation expectations for the year ahead correspondingly rose by 0.6 percentage points in March, after increasing 1 percentage

point in February and 0.5 percentage points in January (Figure 22, right). In aggregate, consumer inflation expectations have risen by 2.1 percentage points to 4.9 percent during the first quarter of 2025, the highest 3-month increase in the history of the Survey of Consumers. The index of consumer sentiment has generally trended below the historical average since the COVID-19 recession, comparable to levels seen during and following the Great Recession. While consumer sentiment dipped 7 points in February and another 6.8 points in March 2025, it remains above its June 2022 through when post-pandemic inflation was at its peak.

Figure 22
University of Michigan Survey of Consumers



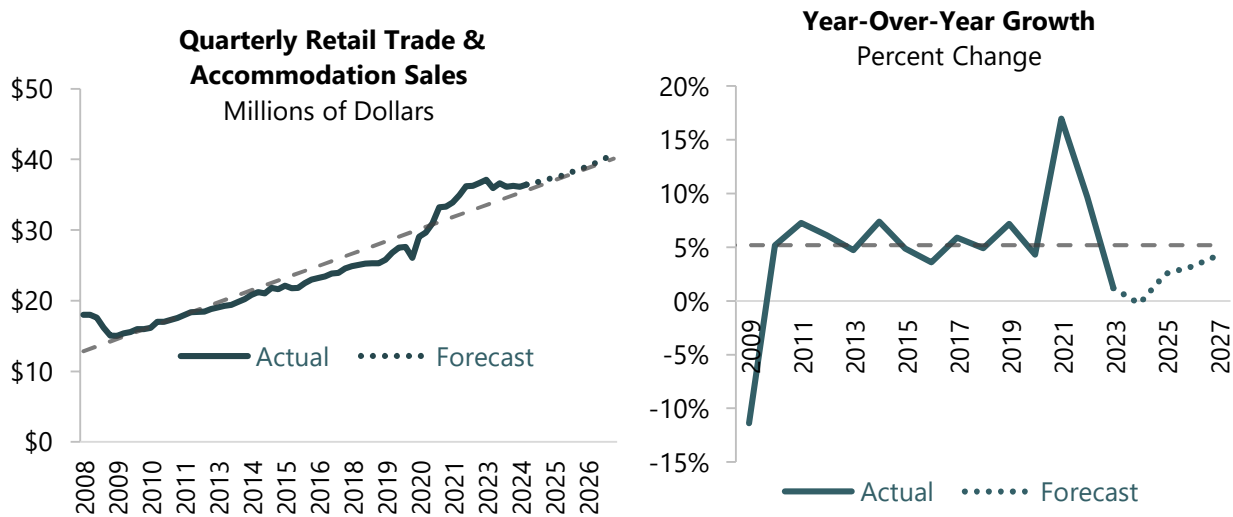
Source: University of Michigan Survey of Consumers. Data through March 2025. <http://www.sca.isr.umich.edu/>.

Despite low sentiment, consumer spending remained strong in 2024. Real (inflation-adjusted) personal consumption expenditures nationwide ended the year up 2.8 percent compared to 2023. Accelerated spending on transportation services helped to offset slower spending on recreation, food services, accommodations, and financial services. Spending on goods similarly remained resilient, with motor vehicles and gasoline being the only goods that declined in 2024 compared to the year prior. High interest rates on car loans are likely contributing to fewer motor vehicle sales as well as to the increase on purchases of transportation services like public transportation and taxi services.

Colorado retail sales lag the nation. In 2024, nominal retail sales in the retail trade sector grew 2.6 percent nationally compared to 2023. Through November 2024—the most recent data point available for Colorado—state retail sales for the same sectors were up just 0.1 percent year-to-date. The difference is partly due to inflation, which is higher in the U.S. than in Colorado. While the only retail trade subsectors that posted nationwide declines in 2024 were health and personal care stores and general merchandise stores, sales at all of the following subsectors in Colorado declined year-to-date through November 2024: automotive, building materials, clothing and accessory stores, food and beverage stores, furniture and electronic stores, and health and personal care stores.

Colorado’s retail trade sales forecast is downgraded. Based on a downgraded state personal income forecast, softening labor market, and weaker-than-anticipated retail trade and accommodation sales since the December 2024 forecast, Colorado’s retail sales for 2024 are now expected to have contracted 0.3 percent in 2024, compared with the prior expectation of 0.2 percent growth. The outlook has also been revised downwards slightly for 2025 to 2026. Total forecasted growth in Colorado retail sales in the retail trade and accommodation sectors was downgraded from 2.9 percent to 2.5 percent in 2025, and from 3.3 percent to 3.2 percent in 2026. Growth in Colorado consumer spending is expected to return closer to historical averages by the end of the forecast period in 2027, as shown in Figure 23 below.

Figure 23
Colorado Retail Trade and Accommodation Forecast



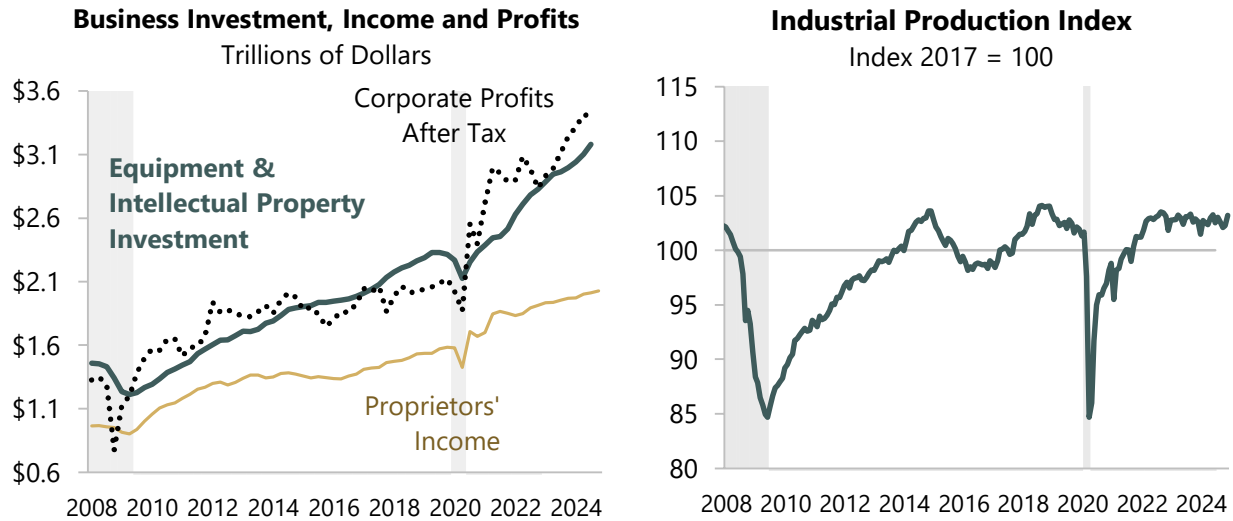
Source: LCS March 2025 Forecast. Actuals from Colorado Department of Revenue through the third quarter of 2024.

Business Activity

U.S. business activity continues to be mixed. Banks and other service-related businesses continue to post record high corporate profits, while manufacturers continue to struggle with high borrowing costs and a sluggish global economy. Mounting fears over tariffs, inflation, and significant cuts in federal government spending may stall U.S. business activity in 2025 and through the forecast period, while the likely extension of federal tax cuts could provide a boost.

Corporate profits continue to climb as margins increase. In the third quarter of 2024, the most recent data, U.S. corporate profits totaled just over \$3.4 trillion, up 9.6 percent from the same period in the prior year (Figure 24, left), and an all-time high. Corporate gains have steadily increased every quarter since the beginning of 2023, largely in response to rising prices paired with decreasing costs for inputs like energy. In the third quarter of 2024, the average U.S. corporate margin, the portion of a company’s sales revenue that it keeps as profit after subtracting all of its costs, was 10.7 percentage points, up 10.9 percent from the same quarter last year.

Figure 24
Selected U.S. Indicators of Business Activity



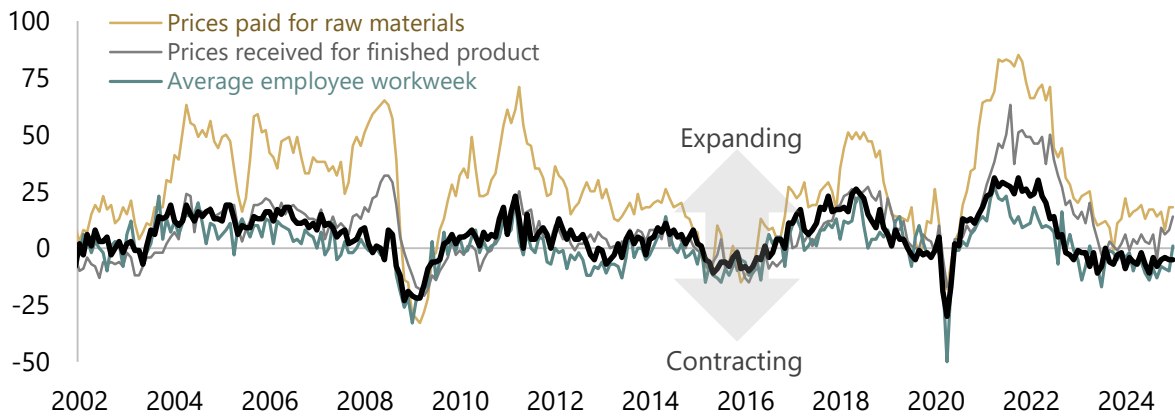
Sources: U.S. Bureau of Economic Analysis data (left), not adjusted for inflation, through the fourth quarter of 2024. Federal Reserve Board of Governors data (right) through December 2024.

Strong corporate profits have buoyed business investment. Since the second half of 2020, business investment in equipment and intellectual property increased. The growing economy, delayed investments, and higher prices have boosted business investment despite higher borrowing costs. After posting a record high in the third quarter, equipment and intellectual investment in the fourth quarter of 2024 declined only slightly from the prior quarter, but is still up 6 percent from the same quarter one year ago.

Despite record corporate profits elsewhere, manufacturing continues to struggle. 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 24, 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 December 2024, the industrial price index was relatively flat year-over-year, up 0.5 percent.

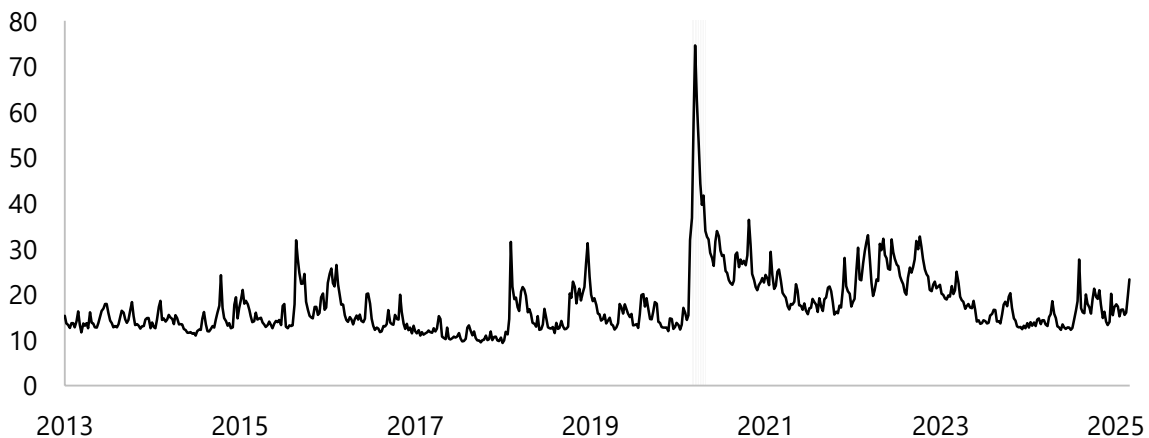
Following the post-pandemic surge, the manufacturing sector has struggled. The Federal Reserve Bank of Kansas City produces a monthly manufacturing index for the Tenth District region, which includes Colorado and several surrounding states (Figure 25). The composite index has been mildly negative since 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 25
Tenth District Manufacturing Index
 Diffusion Index



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

Figure 26
CBOE Volatility Index (VIX)



Source: Chicago Board Options Exchange.

Financial market volatility is rising. Mounting fears over tariffs, inflation, and significant cuts in federal government spending have created several headwinds for business activity. 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.

Since the beginning of this year, the VIX has averaged about 18 each week, indicating market stability with some low-grade volatility expected. However, the index has been steadily increasing since mid-February as monetary and trade policy uncertainty have created concerns

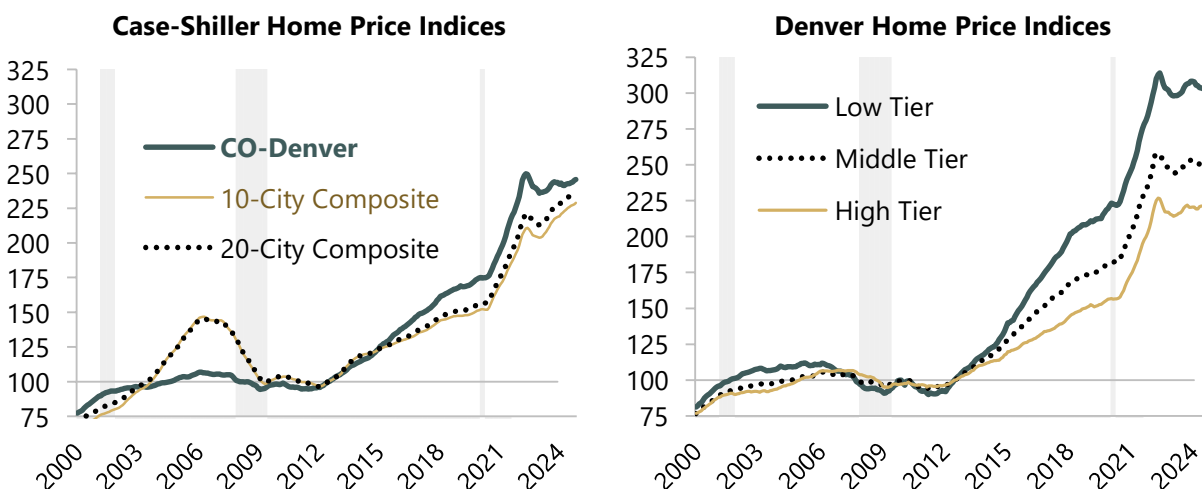
for investors. Figure 26 shows the average weekly VIX readings from January 2013 through the first week of March 2025. On March 10, the VIX approached 30, its highest reading of the year to that point.

Real Estate and Construction Activity

National home prices continue to climb, Colorado prices still recovering. Home prices across the nation fell from their mid-2022 peak through the first half of 2023 following the Federal Reserve’s rapid monetary policy tightening and post-pandemic surge in demand (Figure 27, left). Despite a 4 percent peak to trough drop in the Case-Shiller 20-city composite index, prices are now about 7 percent above the previous peak and continue to trend upward. The national home price index was up 4.4 percent year-over-year in November 2024 as the nation continued to struggle with low supply. However, prices in Denver fell faster than the nation as interest rates rose, dropping by 5.9 percent from June 2022 to January 2023, and remained 1.7 percent below peak levels in November 2024.

Despite a slower recovery, Colorado’s home prices remain well above other areas of the nation. In January, the Colorado Association of Realtors reported the median sales-price of a single-family home in the state was \$571,000, nearly 40 percent above the \$410,000 median sales price reported nationwide in the fourth quarter by the National Association of Realtors. Affordability remains a challenge for the state and sales volumes remain below post-pandemic highs. Inventory levels continue to trend up and the projected duration of inventory has approached levels last recorded in 2014 and 2015. Compared with the December 2024 forecast, the Federal Reserve is no longer expected to lower interest rates early in the year, and cuts are not expected until later in 2025. While mortgage rates fluctuate in response to market conditions, the change in monetary policy will keep mortgage rates higher than previously anticipated. In February, the 30-year fixed rate mortgage averaged 6.9 percent. The rate has eased from a high of 7.6 percent in October 2023, however, high interest rates and high prices will continue to weigh on the market.

Figure 27
Selected Home Price Indicators
 Index 100 = July 2012



Source: S&P Dow Jones Indices LLC. Data are seasonally adjusted and are through November 2024.

Market conditions lead to slower homebuilding. Single family and multifamily homebuilding in the U.S. have trended differently since interest rates began climbing in mid-2022. In 2024, single family starts were up 6.5 percent while multifamily starts were down 25.0 percent. The sharp decline in multifamily promises to weigh on new housing supply overall in the next year. Additionally, homebuilder sentiment remains weak following the post-pandemic surge in housing. At the start of 2025, homebuilders continued to offer price reductions and sales incentives to boost purchases. Homebuilders also expressed mixed sentiments concerning the policy environment, with some optimism for regulatory reform dampened by concern over interest rates and the potential impact of tariffs on building costs.

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 7 percent as large numbers of new units continue to be added to the market, putting downward pressure on rents and upward pressure on vacancy. Although part of the decline in multifamily starts has been mitigated by improving single family starts nationally, single family starts in Colorado remained flat in 2024. The forecast anticipates single family starts to jump about 11 percent in 2025, but part of the anticipated surge is projected to occur early in 2025 as homebuilders move forward with plans to take advantage of input price certainty prior to potential tariffs, and to mitigate potential policy impacts on the immigrant workforce. Single family starts are now projected to decline 5.4 percent in 2026 as demand shifts to 2025.

- The number of residential construction permits issued in Colorado is expected to increase in 2025 by 4.2 percent. In 2026, permits are expected to decline 3.5 percent, then increase 4.3 percent in 2027. Construction is expected to remain below peak levels through the forecast period.

Nonresidential construction slows in the U.S., expected to improve in Colorado. After rebounding strongly in 2023, the nation's nonresidential construction activity slowed throughout 2024. Real (inflation-adjusted) nonresidential private investment in structures contracted on an annualized basis in the third and fourth quarters, and declined back to its fourth quarter 2023 level after peaking in the second quarter.

As tracked by the Census Bureau, the nominal value, not adjusted for inflation, of U.S. nonresidential construction including both public and private spending rose 19.5 percent in 2023, but slowed to 6.9 percent in 2024. In December 2024, year-over-year spending was up just 3 percent. In 2024, nonresidential construction was supported by growth in a broad array of both private and public projects, including health care, educational, the power sector, and highways and streets. Manufacturing construction continues to be a bright spot for the nation, posting a 20.7 percent increase in 2024. The commercial sector continues to struggle, and contracted 10.8 percent for the year.

In contrast to the nation, the value of Colorado's nonresidential construction contracted 30.5 percent in 2024. Nonresidential construction declined across both private and public projects. However, year-over-year growth rates were heavily skewed by a 2023 surge in manufacturing construction that offset contractions in many other building types, and which reverted to a more normal growth level in 2024. Several other sectors have struggled over the past two years, including commercial buildings, lodging, and warehouses.

Over the forecast period, construction is expected to remain tepid in 2025 as developers and builders navigate the impact of tariffs on prices and business investment. Project financing should improve with interest rate easing in the forecast horizon, but interest rates are expected to remain higher for longer. Construction will be boosted somewhat by recent school bond issuances, as well as continued investment in the power sector. Xcel Energy continues to move forward with plans to build out transmission infrastructure, investments in new capacity, and storage as it transitions away from coal-fired energy. Other utilities in the state are also investing to meet rising demand for electricity. However, private-sector construction and investment will remain muted until there is more market certainty.

- The value of nonresidential construction starts in Colorado is expected to decrease by 15.7 percent in 2025 and remain relatively flat in 2026, before rebounding to grow 30 percent in 2027.

Energy Markets

Oil prices expected to soften on weak global demand and increased supply. The price of West Texas Intermediate crude started 2025 up 2.1 percent year-over-year in January, reaching an average of \$75.74 for the month. The average price in January was about 34 percent below the mid-2022 peak following the pandemic (Figure 28, left). For the year, oil prices are expected to average \$65.36, 14.6 percent below the average in 2024.

In January, prices increased due to expanded sanctions on Russian oil shipments. However, the U.S. Energy Information Administration anticipates these sanctions will mostly shift trade flows without significantly disrupting oil market balances. Global production over the next year is still expected to outpace demand. In addition to increased production expected from the U.S., Canada, and Brazil, the expectation is that OPEC+ countries will still allow voluntary cuts among member states to expire in April as the group manages declining market share among its members. Global demand expectations remain weak, led by slower demand in China, and concerns about consumer confidence in the U.S. Analysts have noted the rapidly expanding electric vehicle market and use of liquefied natural gas in trucking and shipping are slowing China's oil consumption. Globally, economic growth is expected to remain steady without significant acceleration that would boost oil demand.

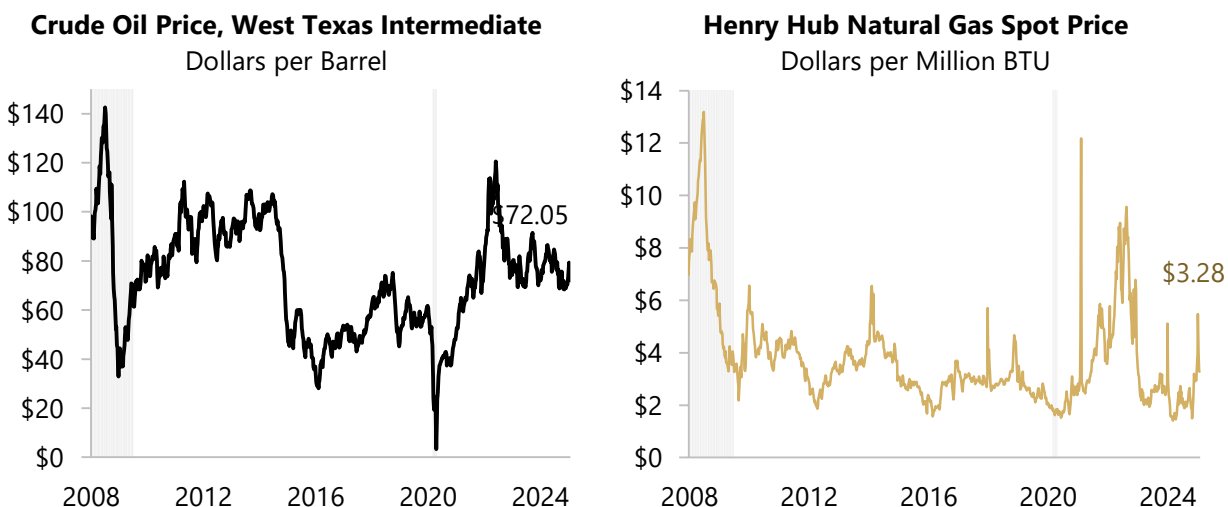
- The price of West Texas Intermediate crude oil is expected to decrease through the forecast period, with the price per barrel averaging \$65.23 in 2025, \$62.50 in 2026, and \$63.12 in 2027.

Natural gas prices surge to start 2025. Natural gas prices fell to mid-pandemic levels over the past couple of years after rising as high as \$8.13 per million BTU in May 2022 as supply outpaced demand. Since the December 2024 forecast, the outlook for natural gas prices has been revised up significantly through the forecast period. The Henry Hub spot price averaged \$4.04 in January 2025, 36 percent above the December level, and 23.5 percent over January 2024. Prices tailed a surge in demand that accompanied colder than expected temperatures in January. The EIA expects demand through the winter will remain higher than average, and support higher-than-average price levels in the first quarter.

Surging demand resulted in rapid withdrawals of natural gas inventories to start the year. Coupled with lower expected production in 2025 than last year, natural gas price expectations have been revised up through the forecast period. In 2025, the spot price is now expected to average \$3.89, up from \$2.19 in the December 2024 forecast.

- In 2025, the Henry Hub spot price is expected to average \$3.89 per million BTU, rising to \$4.20 in 2026, and \$4.33 in 2027.

Figure 28
Select Energy Price Indicators



Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted and are through the week of February 14, 2025.

Colorado’s oil and gas production expected to increase in 2025 before trending downward. Following the pandemic recession, U.S. crude oil production rebounded, while Colorado’s production experienced a larger pull-back and a slower recovery (Figure 29, left). Production in the state improved in 2023 and 2024, and through November 2024 was up 6.1 percent year-to-date over 2022 levels. In contrast, U.S. production was up 10.4 percent over the same period. Colorado’s production is expected to have ended 2024 3.4 percent higher than 2023, up from a projection of 0.2 percent in the December forecast. Combined with a modestly improved price outlook for the year, 2025 production is projected to increase 2.9 percent, up from an expected decrease of 1.6 percent projected in December.

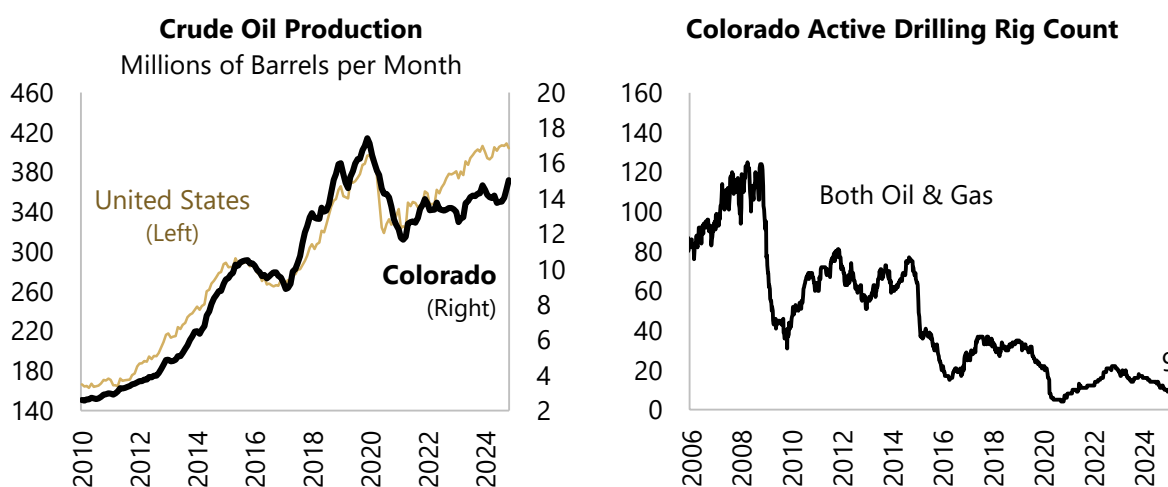
U.S. crude oil production is forecast by the EIA to increase 2.9 percent in 2025, before slowing to 1.0 percent in 2026. The state’s production by comparison is expected to remain near 2025 levels through the forecast period, with modest decreases expected in 2026 and 2027 as prices weaken. In 2026, Colorado’s production is projected to decline by 0.9 percent, and then decrease another 0.7 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’s natural gas production is also expected to remain fairly flat through the forecast period. Based on current data, Colorado’s natural gas production is expected to have increased about 1.7 percent in 2024, marking the end of three consecutive years of contraction. In 2025, an improved price outlook is projected to support production growth for the second consecutive year, increasing 4.6 percent. In 2026 and 2027, natural gas production in Colorado is expected to decrease modestly, declining by 0.7 percent and 0.8 percent, respectively.

Figure 29
Select Energy Production Indicators



Sources: U.S. Energy Information data (left) shown as a three-month moving average, not seasonally adjusted, through November 2024. Baker Hughes data (right) not seasonally adjusted, through November 2024.

Colorado’s retail gasoline prices expected to remain around \$3.20 in 2025. Colorado’s retail gasoline prices began the year averaging \$2.98 per gallon in January 2025. While higher than one year ago, prices have declined significantly since mid-2023 when they hovered around \$4.00. In 2023, Colorado’s prices were temporarily pushed up due to a refinery outage, but have since trended below the national average. From 2025 to 2027, U.S. retail gasoline prices are expected to trend downward with projected oil prices. In 2025, U.S. prices are expected to average \$3.30 per gallon. Colorado’s prices are expected to trend closer to the national average in 2025, and remain flat for the year around \$3.20. Tariffs on crude oil from Canada present a risk to the price outlook for Colorado as noted above. If tariffs raise crude oil prices for refineries producing gasoline for Colorado, the higher cost will be passed along in prices.

Agriculture

Conditions in the U.S. agriculture industry continue to soften from higher input costs and expensive financing, despite still-elevated commodity prices and favorable growing conditions. The U.S. Department of Agriculture (USDA) forecasted that net farm income, a broad measure of profits, would end 2024 down again after a 16 percent decrease in 2023. However, Colorado

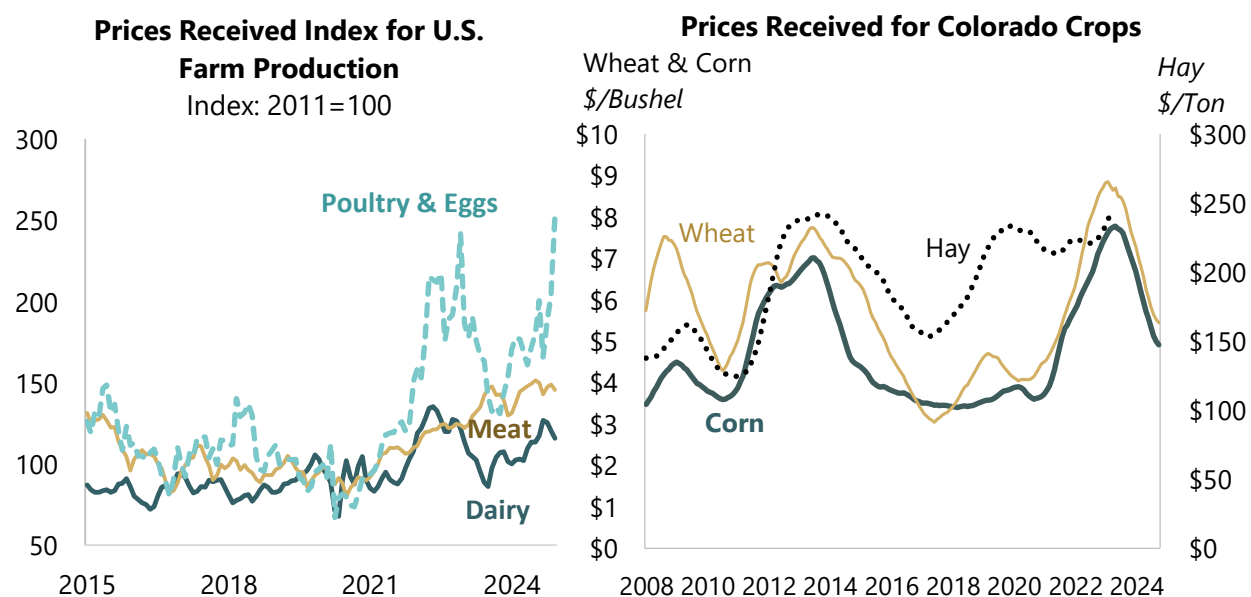
producers are relatively well-positioned, as prices for Colorado’s key outputs are strong, and drought conditions in the state remain favorable.

Farm income remains depressed alongside elevated production costs. After multiple years of strong growth, U.S. farm income declined by 21.9 percent in 2023 and another 7.8 percent in 2024. Producers are experiencing the brunt of weak crop prices, largely attributable to a surplus harvest paired with lower export activity. Despite limited profit opportunities in the crop sector, real estate prices remained steady for agricultural lands. The USDA forecasts growth will resume in 2025 as declining interest rates bring down production expenses. Colorado ranks 22nd in net farm income and accounts for 1.5 percent of total net farm income in the United States.

Colorado egg production declines, prices go up. In December 2024, Colorado produced 42 million eggs, a 66 percent year-over-year decline and a 5 percent decline from November 2024. Avian flu is the most significant contributor to the decline, wiping out millions of egg-laying hens in Colorado. As demand for poultry and eggs across the nation now outweighs supply, U.S. prices received by producers for poultry and eggs ended 2024 up 65 percent from the prior year. Colorado’s producers were also required by House Bill 20-1343 to use a cage-free housing system for all egg-laying chickens by the end of 2024, adding to production costs as Colorado farmers had to create more space for their hens. The increase in production costs for egg farmers due to the cage-free law has likely also contributed to increased egg prices in the state.

In contrast, prices received for other animal meat and dairy have grown at relatively slower rates, ending 2024 up 12.2 percent and 14.2 percent respectively. In particular, cattle prices received increased at a slower but still rapid rate of 10.5 percent in 2024.

Figure 30
U.S. and Colorado Commodity Prices

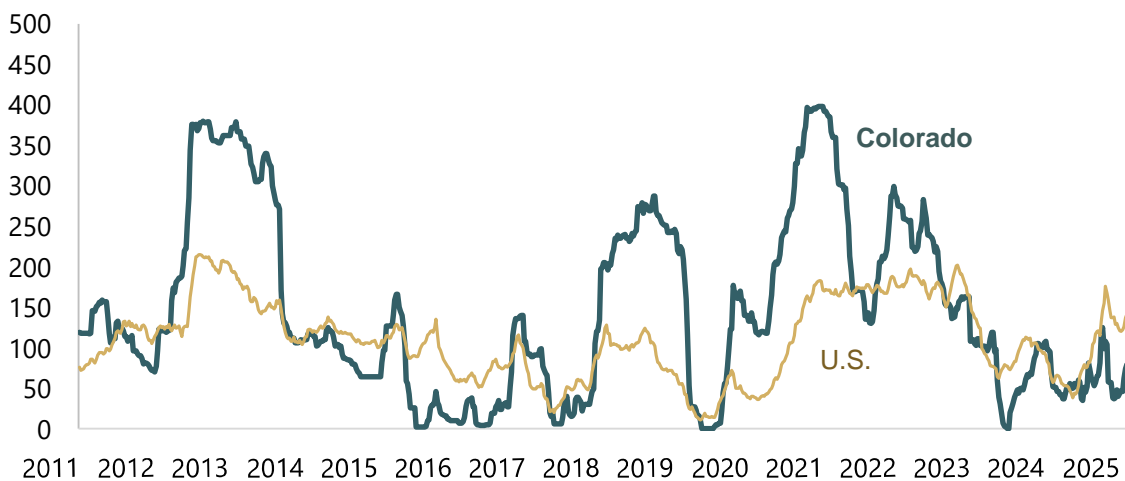


Source: USDA National Agricultural Statistics Services (left); data through December 2024. National Agricultural Statistics Service (right); data shown as twelve-month moving averages through December 2024.

Precipitation levels in 2024 lead to healthy moisture conditions. In December 2024, Colorado drought levels reached their lowest point since 2017, providing relatively positive growing conditions for farmers. Drought levels have crept back upward in Colorado through the first two months of 2025 but continue to remain below historical averages. As of February, an estimated 10 percent of the Colorado’s population is in drought areas ranging from moderate to extreme. Drought conditions are nonexistent on the eastern plains, but increase in severity in the northern and southwest mountain regions of Colorado.

Precipitation remained generally above median levels statewide through 2024. As of February 2025, accumulation declined slightly compared to last year, ranging from 76 percent of the median in the San Miguel-Dolores-Animas-San Juan river basin to 103 percent of median levels in the Laramie and North Platte river basin. The USDA forecasts relatively healthy water supply levels for Colorado through 2025, with worse forecasts for the San Miguel-Dolores-Animas-San Juan, Gunnison, and Upper Rio Grande river basins.

Figure 31
Drought Severity and Coverage Index
 Index 0-500



Source: U.S. Drought Monitor; data through February 25, 2025.

Risks to the Forecast

Bidirectional economic risks have risen since the December forecast. This section discusses risks that could cause economic and revenue performance to deviate from the expectations presented in this document.

Downside risks are led by the volatility of rapidly shifting federal and international policy. Consumers and businesses are struggling to navigate the impact of current and potential federal policy shifts on prices, investment, markets, and monetary policy. Strained international relationships and retaliatory trade policy present further downside risks. Along with trade policy, the Trump administration has made rapid changes regarding federal employment, contracts, and spending, indicating willingness to unwind various industry supports previously in place. Consumers remain sensitive to price levels and sentiment has recently worsened amid anticipation of upward price pressures. Markets and businesses continue to work out their

exposure to goods impacted by increased tariffs and changing federal spending, and market volatility has spiked. Perceived economic risks by consumers and businesses could cause them to constrain spending and investment more than anticipated, especially in the near term, leading to downward adjustments in the economic outlook. Relatedly, the degree that federal policy exerts upward pressure on prices could move the Federal Reserve to keep tighter monetary policy conditions for longer than currently anticipated, further impacting housing, investment, and labor markets.

Upside risks are led by faster policy decisions related to federal tax policy and resolution of international conflicts. Simulative federal tax policy through extension of provisions in the Tax Cuts and Jobs Act and other tax cutting measures could come sooner than anticipated. While this forecast assumes current law, in the near-term consumers and businesses will benefit from clarity on future tax policy and may begin to alter behavior in anticipation of policy changes, with upside risk to spending, hiring, and investment. If the course of trade policy becomes clear, better-defined import price expectations could alleviate market volatility, while domestic industrial activity could advance in a protective trade environment. For monetary policy, if perceived inflationary pressures fail to materialize, the Federal Reserve could continue its path to lower interest rates and looser monetary policy sooner than anticipated, boosting employment in industries most directly impacted by interest rates. This includes industries such as manufacturing and construction.

Table 19
National Economic Indicators

Calendar Years	2020	2021	2022	2023	2024	Legislative Council Staff Forecast		
						2025	2026	2027
Real GDP (Billions, 2017 dollars)	\$20,267.6	\$21,494.8	\$22,034.8	\$22,671.1	\$23,303.5	\$23,606.4	\$24,001.2	\$24,451.8
Percent Change in Real GDP	-2.2%	6.1%	2.5%	2.9%	2.8%	1.3%	1.7%	1.9%
Nonfarm Employment (Millions)	142.2	146.3	152.5	155.9	158.0	159.1	159.7	160.2
Percent Change in Nonfarm Employment	-5.8%	2.9%	4.3%	2.2%	1.3%	0.7%	0.4%	0.3%
Unemployment Rate	8.1%	5.4%	3.6%	3.6%	4.0%	4.3%	4.4%	4.2%
Personal Income (Billions)	\$19,620.1	\$21,419.5	\$22,088.9	\$23,402.5	\$24,665.5	\$25,750.8	\$26,780.8	\$27,825.3
Percent Change in Personal Income	6.8%	9.2%	3.1%	5.9%	5.4%	4.4%	4.0%	3.9%
Wage and Salary Income (<i>Billions</i>)	\$9,465.7	\$10,315.6	\$11,123.1	\$11,725.2	\$12,390.1	\$12,947.7	\$13,478.5	\$14,003.9
Percent Change in Wages and Salary Income	1.5%	9.0%	7.8%	5.4%	5.7%	4.5%	4.1%	3.9%
Inflation	1.2%	4.7%	8.0%	4.1%	3.0%	3.1%	2.8%	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 and 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 20
Colorado Economic Indicators

Calendar Years	2020	2021	2022	2023	2024	Legislative Council Staff Forecast		
						2025	2026	2027
Population (Thousands, as of July 1)	5,787.1	5,814.0	5,850.9	5,901.3	5,957.5	6,017.1	6,083.3	6,156.3
Percent Change in Population	0.5%	0.5%	0.6%	0.9%	1.0%	1.0%	1.1%	1.2%
Nonfarm Employment (Thousands)	2,652.6	2,751.0	2,869.9	2,942.6	2,993.1	3,023.0	3,044.1	3,068.5
Percent Change in Nonfarm Employment	-4.9%	3.7%	4.3%	2.5%	1.7%	1.0%	0.7%	0.8%
Unemployment Rate	6.8%	5.5%	3.1%	3.3%	4.3%	4.7%	4.6%	4.4%
Personal Income (Millions)	\$374,262	\$416,727	\$447,854	\$470,606	\$493,195	\$513,732	\$535,822	\$559,934
Percent Change in Personal Income	6.5%	11.3%	7.5%	5.1%	4.8%	4.2%	4.3%	4.5%
Wage and Salary Income (Millions)	\$187,826	\$205,637	\$224,794	\$238,723	\$250,802	\$261,718	\$273,496	\$286,076
Percent Change in Wage and Salary Income	2.7%	9.5%	9.3%	6.2%	5.1%	4.4%	4.5%	4.6%
Retail Trade Sales (Millions)	\$112,431	\$131,528	\$144,145	\$145,707	\$145,322	\$149,001	\$153,734	\$162,712
Percent Change in Retail Trade Sales	6.5%	17.0%	9.6%	1.1%	-0.3%	2.5%	3.2%	5.8%
Housing Permits (Thousands)	40.5	56.5	48.3	39.4	32.2	33.6	32.4	33.8
Percent Change in Housing Permits	4.8%	39.7%	-14.5%	-18.5%	-18.3%	4.2%	-3.5%	4.3%
Nonresidential Construction (Thousands)	\$5,607.5	\$5,681.0	\$6,634.6	\$6,705.5	\$4,662.9	\$3,929.9	\$4,070.2	\$5,290.5
Percent Change in Nonresidential Construction	8.6%	1.3%	16.8%	1.1%	-22.2%	-15.7%	3.6%	30.0%
Denver-Aurora-Lakewood Inflation	2.0%	3.5%	8.0%	5.2%	2.3%	2.3%	2.6%	2.4%

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- and multifamily housing units permitted for building.

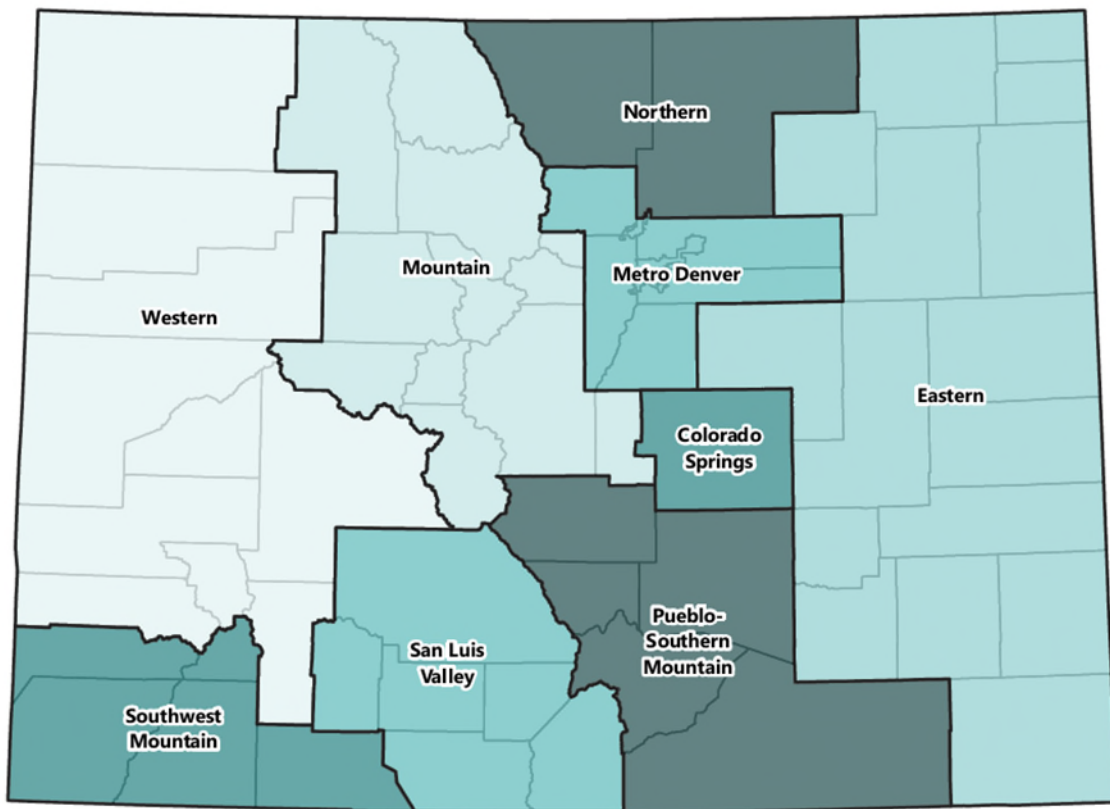
Employment and inflation data from U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index.

Income data from U.S. Bureau of Economic Analysis. Personal income and 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

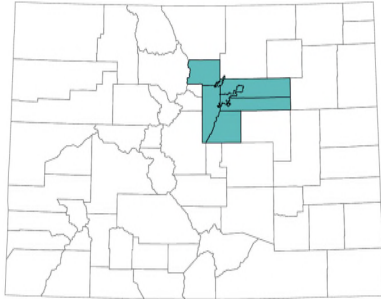


Table 21
Metro Denver Region Economic Indicators

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

	2019	2020	2021	2022	2023	2024
Employment Growth in Denver-Aurora-Lakewood MSA	2.3%	-4.9%	3.9%	5.0%	2.2%	0.1%
Employment Growth in Boulder MSA	2.5%	-5.4%	3.5%	4.2%	1.9%	2.0%
Unemployment Rate	2.5%	7.0%	5.4%	3.0%	3.1%	4.1%
Average Weekly Wage Level	\$1,328	\$1,431	\$1,524	\$1,604	\$1,654	\$1,715
Growth in Average Weekly Wages	5.2%	7.8%	6.5%	5.2%	3.1%	4.3%
Single Family Housing Permit Growth in Denver MSA	-6.1%	1.5%	16.3%	-22.3%	-10.2%	0.3%
Single Family Housing Permit Growth in Boulder MSA	-9.5%	-6.2%	-34.4%	42.7%	22.8%	-31.5%
Nonresidential Construction Value Growth	-37.2%	-9.5%	2.8%	35.8%	-14.9%	-27.7%
Nonresidential Construction Square Footage (thousands)	15,763	14,701	19,470	25,023	12,800	8,717
Nonresidential Construction Square Footage Growth	-8.3%	-6.7%	32.4%	28.5%	-48.8%	-31.9%
Number of Nonresidential Projects	682	689	788	903	1,020	1,068
Nonresidential Projects Growth	-11.5%	1.0%	14.4%	14.6%	13.0%	4.7%
Average Single Family Sale Price	\$549,000	\$597,000	\$712,000	\$790,000	\$787,000	\$802,000
Average Single Family Sale Price Growth	2.7%	8.7%	19.4%	10.8%	-0.4%	2.0%
Single Family Inventory Growth	11.2%	-38.2%	-46.4%	102.3%	13.6%	41.3%
Single Family Home Sales Growth	5.3%	7.8%	1.9%	-21.1%	-16.3%	8.2%
Retail Sales Growth	8.9%	0.1%	17.4%	11.4%	-0.1%	1.7%

Employment data from U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2024.

Unemployment rate from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2024.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q3.

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

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

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

Retail sales data from Colorado Department of Revenue. Data through December 2024.

Northern Region



Table 22
Northern Region Economic Indicators
Weld, and Larimer Counties

	2019	2020	2021	2022	2023	2024
Employment Growth in Fort Collins MSA	2.3%	-4.7%	3.7%	4.2%	3.2%	2.4%
Employment Growth in Greeley MSA	3.6%	-7.2%	-0.2%	4.6%	4.2%	1.7%
Unemployment Rate	2.4%	6.2%	5.2%	3.0%	3.0%	3.9%
Average Weekly Wage Level	\$1,040	\$1,106	\$1,149	\$1,219	\$1,284	\$1,295
Growth in Average Weekly Wages	4.3%	6.4%	3.8%	6.2%	5.3%	1.7%
State Cattle and Calf Inventory Growth	8.0%	1.9%	4.0%	-1.0%	-7.5%	-0.3%
Natural Gas Production Growth	22.0%	8.3%	-2.8%	-2.3%	0.8%	5.2%
Oil Production Growth	10.7%	-11.9%	-10.3%	-0.1%	0.8%	2.3%
Total Housing Permit Growth in Fort Collins MSA	-18.2%	-0.3%	13.3%	-19.5%	7.7%	-29.3%
Single Family Housing Permit Growth in Fort Collins MSA	-4.9%	34.7%	-0.1%	-36.1%	-7.5%	6.5%
Total Housing Permit Growth in Greeley MSA	-2.2%	9.1%	15.5%	17.8%	-14.1%	-30.4%
Single Family Housing Permit Growth in Greeley MSA	-8.4%	28.1%	3.8%	-9.8%	-6.9%	-8.9%
Nonresidential Construction Value Growth	-71.6%	85.4%	-26.9%	61.0%	34.3%	-46.8%
Nonresidential Construction Square Footage (thousands)	2,424	2,619	2,581	6,763	3,269	1,773
Nonresidential Construction Square Footage Growth	-16.2%	8.1%	-1.5%	162.1%	-51.7%	-45.8%
Number of Nonresidential Projects	267	242	229	277	226	252
Nonresidential Projects Growth	-17.1%	-9.4%	-5.4%	21.0%	-18.4%	11.5%
Average Single Family Sale Price	\$426,000	\$457,000	\$532,000	\$598,000	\$606,000	\$623,000
Average Single Family Sale Price Growth	3.2%	7.4%	16.5%	12.3%	1.4%	2.7%
Single Family Inventory Growth	14.5%	-21.7%	-44.3%	53.4%	14.5%	21.0%
Single Family Home Sales Growth	2.7%	9.8%	2.3%	-20.4%	-19.0%	3.6%
Retail Sales Growth in Larimer County	9.6%	7.6%	13.0%	12.3%	4.1%	-1.9%
Retail Sales Growth in Weld County	8.9%	-2.3%	13.6%	16.2%	3.7%	1.3%

Employment data from U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2024.

Unemployment rate from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2024.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q3.

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

Energy data from the Energy and Carbon Management Commission. Data through December 2024.

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

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

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

Retail sales data from Colorado Department of Revenue. Data through December 2024.

Colorado Springs Region



Table 23
Colorado Springs Economic Indicators
El Paso County

	2019	2020	2021	2022	2023	2024
Employment Growth in Colorado Springs MSA	2.6%	-2.7%	4.1%	4.3%	3.3%	1.9%
Unemployment Rate	3.2%	6.8%	5.7%	3.3%	3.3%	4.3%
Average Weekly Wage Level	\$1,012	\$1,088	\$1,140	\$1,192	\$1,244	\$1,276
Growth in Average Weekly Wages	4.3%	7.5%	4.8%	4.6%	4.4%	3.9%
Total Housing Permit Growth	-3.8%	25.7%	34.7%	-5.5%	-40.0%	-24.6%
Single Family Housing Permit Growth	-4.1%	24.4%	0.7%	-28.4%	-26.2%	7.1%
Nonresidential Construction Value Growth	0.5%	47.1%	0.8%	-30.4%	13.7%	-29.2%
Nonresidential Construction Square Footage (thousands)	2,992	6,719	3,480	2,310	1,603	1,521
Nonresidential Construction Square Footage Growth	5.3%	124.5%	-48.2%	-33.6%	-30.6%	-5.1%
Number of Nonresidential Projects	374	435	320	375	213	429
Nonresidential Projects Growth	-31.1%	16.3%	-26.4%	17.2%	-43.2%	101.4%
Average Single Family Sale Price	\$366,000	\$417,000	\$492,000	\$542,000	\$541,000	\$559,000
Average Single Family Sale Price Growth	5.9%	13.8%	18.0%	10.1%	-0.2%	3.4%
Single Family Inventory Growth	-9.8%	-34.7%	-30.0%	117.7%	8.0%	25.6%
Single Family Home Sales Growth	1.9%	6.2%	4.0%	-17.5%	-24.3%	-1.9%
Retail Sales Growth	6.5%	8.6%	18.3%	8.5%	0.1%	1.3%

Employment data from U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2024.

Unemployment rate from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2024.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q3.

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

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

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

Retail sales data from Colorado Department of Revenue. Data through December 2024.

Pueblo – Southern Mountains Region

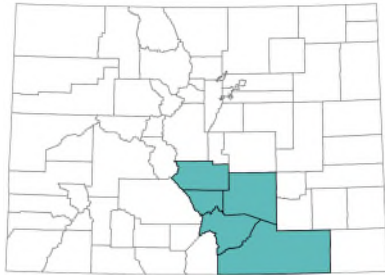


Table 24
Pueblo Region Economic Indicators
 Custer, Fremont, Huerfano, Las Animas and Pueblo Counties

	2019	2020	2021	2022	2023	2024
Employment Growth in Pueblo Region	0.9%	-2.8%	0.7%	1.4%	-0.4%	-1.2%
Employment Growth in Pueblo MSA	1.1%	-2.8%	0.7%	2.7%	0.7%	0.2%
Unemployment Rate	4.0%	7.6%	7.8%	4.5%	4.5%	5.6%
Average Weekly Wage Level	\$845	\$904	\$939	\$988	\$1,026	\$1,040
Growth in Average Weekly Wages	3.7%	7.0%	3.8%	5.3%	3.8%	1.9%
Total Housing Permit Growth in Pueblo MSA	3.8%	18.4%	24.0%	-22.9%	-43.8%	-13.5%
Single Family Housing Permit Growth in Pueblo MSA	3.0%	19.4%	24.0%	-22.9%	-43.8%	-13.5%
Nonresidential Construction Value Growth	45.2%	26.2%	175.3%	-63.2%	157.0%	-60.1%
Nonresidential Construction Square Footage (thousands)	318	438	1,658	520	1,426	753
Nonresidential Construction Square Footage Growth	-19.7%	37.7%	278.3%	-68.6%	174.2%	-47.2%
Number of Nonresidential Projects	37	69	71	56	72	111
Nonresidential Projects Growth	23.3%	86.5%	2.9%	-21.1%	28.6%	54.2%
Average Single Family Sale Price	\$226,000	\$265,000	\$326,000	\$340,000	\$349,000	\$347,000
Average Single Family Sale Price Growth	9.6%	17.5%	22.9%	4.2%	2.8%	-0.8%
Single Family Inventory Growth	-8.9%	-23.9%	-27.0%	68.7%	31.4%	28.3%
Single Family Home Sales Growth	0.3%	14.1%	7.3%	-6.2%	-17.5%	-8.1%
Retail Sales Growth	8.5%	4.2%	13.4%	14.5%	-1.7%	-5.1%

Employment data from U.S. Bureau of Labor Statistics, LAUS (Pueblo region) and CES (Pueblo MSA). Data through December 2024.

Unemployment rate from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2024.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q3.

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

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

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

Retail sales data from Colorado Department of Revenue. Data through December 2024.

Eastern Region

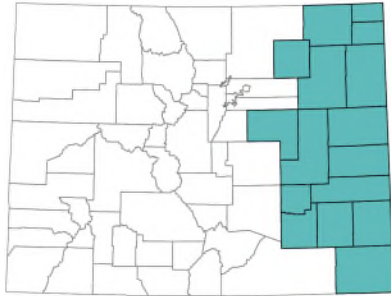


Table 25

Eastern Region Economic Indicators

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

	2019	2020	2021	2022	2023	2024
Employment Growth	0.5%	-3.8%	-1.9%	1.1%	0.0%	-0.2%
Unemployment Rate	2.4%	4.2%	4.5%	2.8%	2.8%	3.6%
Average Weekly Wage Level	\$795	\$838	\$872	\$918	\$957	\$970
Growth in Average Weekly Wages	3.9%	5.4%	4.1%	5.3%	4.3%	3.3%
Wheat Price Growth (\$/Bushel)	-7.0%	6.3%	37.7%	42.2%	-14.3%	-28.4%
Corn Price Growth (\$/Bushel)	9.3%	-4.6%	53.8%	30.9%	-7.0%	-30.1%
Alfalfa Hay Price Growth (Baled, \$/Ton)	14.3%	-6.6%	2.5%	2.8%	14.5%	-22.7%
Dry Beans Price Growth (\$/hundredweight)	-20.6%					
State Cattle and Calf Inventory Growth	8.0%	1.9%	4.0%	-1.0%	-7.5%	-0.3%
Milk Production Growth	5.5%	7.1%	2.4%	0.7%	-1.9%	0.8%
Housing Permit Growth	0.2%	22.3%	21.7%	-26.2%	-25.9%	47.4%
Average Single Family Sale Price	\$303,000	\$328,000	\$382,000	\$412,000	\$407,000	\$431,000
Average Single Family Sale Price Growth	7.3%	8.0%	16.6%	7.7%	-1.2%	5.9%
Single Family Inventory Growth	3.5%	-22.6%	-28.9%	65.9%	23.6%	11.6%
Single Family Home Sales Growth	0.6%	4.2%	9.9%	-6.8%	-10.3%	0.7%
Retail Sales Growth	13.6%	3.3%	12.5%	18.9%	-0.3%	0.2%

Employment data from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2024.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q3.

Agricultural data are National Agricultural Statistics Service statewide data. Data through January 2025.

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

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

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through December 2024.

Mountain Region

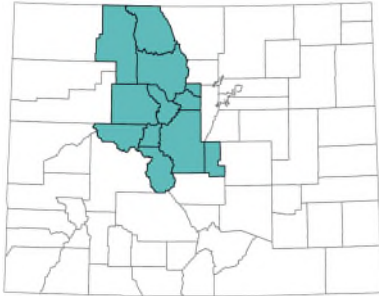


Table 26
Mountain Region Economic Indicators

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

	2019	2020	2021	2022	2023	2024
Employment Growth	1.7%	-7.9%	2.0%	3.4%	1.9%	1.3%
Unemployment Rate	2.3%	7.8%	4.7%	2.7%	2.7%	3.4%
Average Weekly Wage Level	\$879	\$981	\$1,028	\$1,114	\$1,159	\$1,165
Growth in Average Weekly Wages	4.4%	11.6%	4.8%	8.4%	4.1%	2.1%
Housing Permit Growth	17.1%	-36.9%	30.7%	41.1%	-34.7%	69.2%
Nonresidential Construction Value Growth	40.6%	87.8%	-55.1%	36.5%	-11.8%	13.4%
Nonresidential Construction Square Footage (thousands)	915	1,141	893	983	836	658
Nonresidential Construction Square Footage Growth	29.2%	24.7%	-21.7%	10.1%	-15.0%	-21.2%
Number of Nonresidential Projects	46	81	87	100	68	75
Nonresidential Projects Growth	-37.0%	76.1%	7.4%	14.9%	-32.0%	10.3%
Average Single Family Sale Price	\$941,000	\$1,261,000	\$1,507,000	\$1,568,000	\$1,662,000	\$1,813,000
Average Single Family Sale Price Growth	11.8%	34.0%	19.5%	4.0%	6.1%	9.1%
Single Family Inventory Growth	5.1%	-30.7%	-43.2%	29.6%	23.6%	33.4%
Single Family Home Sales Growth	-1.6%	22.3%	1.3%	-27.0%	-15.6%	1.4%
Retail Sales Growth	12.1%	3.8%	21.0%	17.0%	4.0%	1.6%

Employment data from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2024.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q3.

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

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

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through December 2024.

Western Region

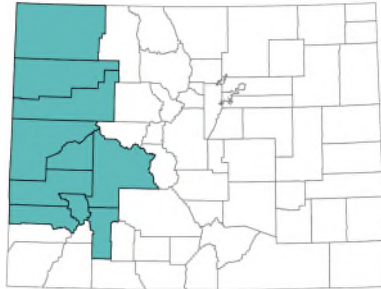


Table 27
Western Region Economic Indicators

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

	2019	2020	2021	2022	2023	2024
Employment Growth in Western Region	1.2%	-5.3%	1.3%	2.1%	1.0%	0.3%
Employment Growth in Grand Junction MSA	1.4%	-5.3%	3.9%	2.5%	1.3%	0.5%
Unemployment Rate	3.0%	6.7%	5.5%	3.3%	3.3%	4.1%
Average Weekly Wage Level	\$872	\$922	\$954	\$1,025	\$1,072	\$1,084
Growth in Average Weekly Wages	3.3%	5.7%	3.5%	7.4%	4.6%	2.4%
Natural Gas Production Growth	-0.9%	-7.7%	-9.1%	-5.8%	-17.0%	-5.9%
Housing Permit Growth	-11.7%	31.5%	20.8%	-10.8%	13.9%	-36.0%
Nonresidential Construction Value Growth	64.7%	-66.9%	244.5%	-12.4%	-23.9%	67.1%
Nonresidential Construction Square Footage (thousands)	651	479	774	773	687	906
Nonresidential Construction Square Footage Growth	7.0%	-26.4%	61.6%	0.0%	-11.1%	31.8%
Number of Nonresidential Projects	71	87	117	125	113	154
Nonresidential Projects Growth	20.3%	22.5%	34.5%	6.8%	-9.6%	36.3%
Average Single Family Sale Price	\$347,000	\$421,000	\$519,000	\$536,000	\$597,000	\$636,000
Average Single Family Sale Price Growth	3.8%	21.3%	23.3%	3.3%	11.3%	6.6%
Single Family Inventory Growth	-12.3%	-26.9%	-42.4%	25.2%	15.2%	10.4%
Single Family Home Sales Growth	-7.2%	12.4%	1.6%	-21.8%	-16.9%	1.4%
Retail Sales Growth	14.2%	1.7%	19.2%	11.4%	4.8%	2.9%
National Park Recreational Visits	2.3%	-0.1%	12.7%	-3.9%	0.1%	0.0%

Employment data from U.S. Bureau of Labor Statistics, LAUS (Western region) and CES (Grand Junction MSA). Data through December 2024.

Unemployment rate from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2024.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q3.

Energy data from the Energy and Carbon Management Commission. Data through December 2024.

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

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

Retail sales data from Colorado Department of Revenue, Data through December 2024.

National park visit data from National Park Service. Recreation visits for Black Canvon of the Gunnison NP. Colorado NP. Dinosaur NM.

Southwest Mountain Region

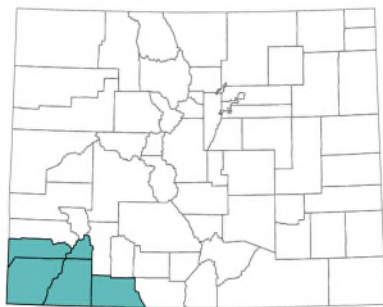


Table 28
Southwest Mountain Region Economic Indicators
 Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2019	2020	2021	2022	2023	2024
Employment Growth	-0.3%	-5.3%	-0.4%	2.4%	0.2%	-0.3%
Unemployment Rate	2.9%	6.7%	5.6%	3.2%	3.2%	4.0%
Average Weekly Wage Level	\$846	\$904	\$948	\$991	\$1,042	\$1,056
Growth in Average Weekly Wages	2.4%	6.9%	4.8%	4.5%	5.1%	4.0%
Housing Permit Growth	-33.9%	12.4%	18.4%	-21.9%	21.0%	10.3%
Average Single Family Sale Price	\$452,000	\$541,000	\$656,000	\$750,000	\$805,000	\$808,000
Average Single Family Sale Price Growth	8.5%	19.9%	21.2%	14.2%	7.4%	0.4%
Single Family Inventory Growth	-10.4%	-29.3%	-47.5%	12.4%	8.9%	21.1%
Single Family Home Sales Growth	-13.5%	31.3%	-1.2%	-23.3%	-18.9%	-0.8%
Retail Sales Growth	5.6%	10.3%	20.1%	4.9%	1.4%	2.7%
National Park Recreational Visits	-2.1%	-48.1%	87.2%	-8.2%	2.3%	-5.3%

Employment data from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2024.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q3.

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

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

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through December 2024.

National park visit data from National Park Service. Recreation visits for Mesa Verde National Park and Hovenweep National Monument. Data through December 2024.

San Luis Valley Region

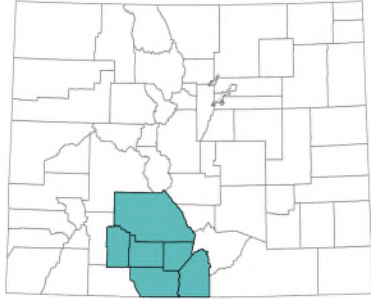


Table 29
San Luis Valley Region Economic Indicators

Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2019	2020	2021	2022	2023	2024
Employment Growth	0.9%	-4.6%	-1.9%	2.3%	-0.8%	-1.4%
Unemployment Rate	3.6%	6.2%	6.1%	3.7%	3.7%	4.7%
Average Weekly Wage Level	\$719	\$770	\$805	\$856	\$901	\$890
Growth in Average Weekly Wages	3.1%	7.0%	4.6%	6.3%	5.2%	0.8%
Growth in Barley Acres Harvested	52,000	47,000	47,000	40,000	52,000	39,000
Barley Crop Value Growth (\$/Acre)	\$672	\$709	\$548	\$628	\$1,000	
Growth in Potato Acres Harvested	51,000	53,800	52,400	52,900	54,800	53,700
Potato Crop Value (\$/Acre)	\$4,709	\$4,494	\$4,674	\$7,169	\$3,557	
Housing Permit Growth	-11.1%	13.9%	28.6%	-21.6%	-6.3%	24.9%
Average Single Family Sale Price	\$226,000	\$270,000	\$343,000	\$352,000	\$365,000	\$376,000
Average Single Family Sale Price Growth	11.0%	19.6%	27.2%	2.5%	3.7%	3.1%
Single Family Inventory Growth	-28.7%	-25.3%	-44.0%	18.6%	32.9%	23.1%
Single Family Home Sales Growth	-15.9%	27.8%	7.1%	-25.4%	-14.8%	8.7%
Retail Sales Growth	5.0%	8.8%	17.1%	9.0%	2.3%	1.0%
National Park Recreational Visits	19.1%	-12.5%	30.6%	-18.1%	3.8%	-14.6%

Employment data from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2024.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2024Q3.

Agricultural data are National Agricultural Statistics Service statewide data. Data through January 2025.

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

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

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through December 2024.

National park visits from National Park Service for Great Sand Dunes NP. Data through December 2024.

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	\$29,183.8
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	\$23,304
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%	5.4%	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%	3.0%
10-Year Treasury Note	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	\$24,665.5
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	\$8,091.3	\$8,474.4	\$8,899.8	\$9,325.1	\$9,465.7	\$10,315.6	\$11,123.1	\$11,725.2	\$12,390.1
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%	5.7%
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).

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	2,943	2,993
Percent Change in Nonfarm Employment	1.6%	2.4%	3.0%	3.5%	3.2%	2.4%	2.3%	2.5%	2.3%	-4.9%	3.7%	4.3%	2.5%	1.7%
Unemployment Rate	8.7%	8.0%	6.8%	5.0%	3.8%	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	N/A
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%	N/A
Per Capita Income	\$43,732	\$45,490	\$47,082	\$50,244	\$51,394	\$51,306	\$54,171	\$57,794	\$61,276	\$64,693	\$71,706	\$76,674	\$80,068	N/A
Percent Change in Per Capita Income	7.1%	4.0%	3.5%	6.7%	2.3%	-0.2%	5.6%	6.7%	6.0%	5.6%	10.8%	6.9%	4.4%	N/A
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	\$238,723	N/A
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%	N/A
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	N/A
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%	N/A
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	32,202
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	\$6,635	\$6,705	\$4,663
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%	16.8%	1.1%	-30.5%
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 and 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.