



March 2018 | Legislative Council Staff

# Economic & Revenue Forecast

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Presentation to the Joint Budget Committee

March 19, 2018

# Economic Summary

## The near-term outlook is bright

- Wages are rising as the labor market tightens
- Stronger global demand is contributing to inflationary pressures
- Business investment and profits are elevated
- Consumer spending continues to rise

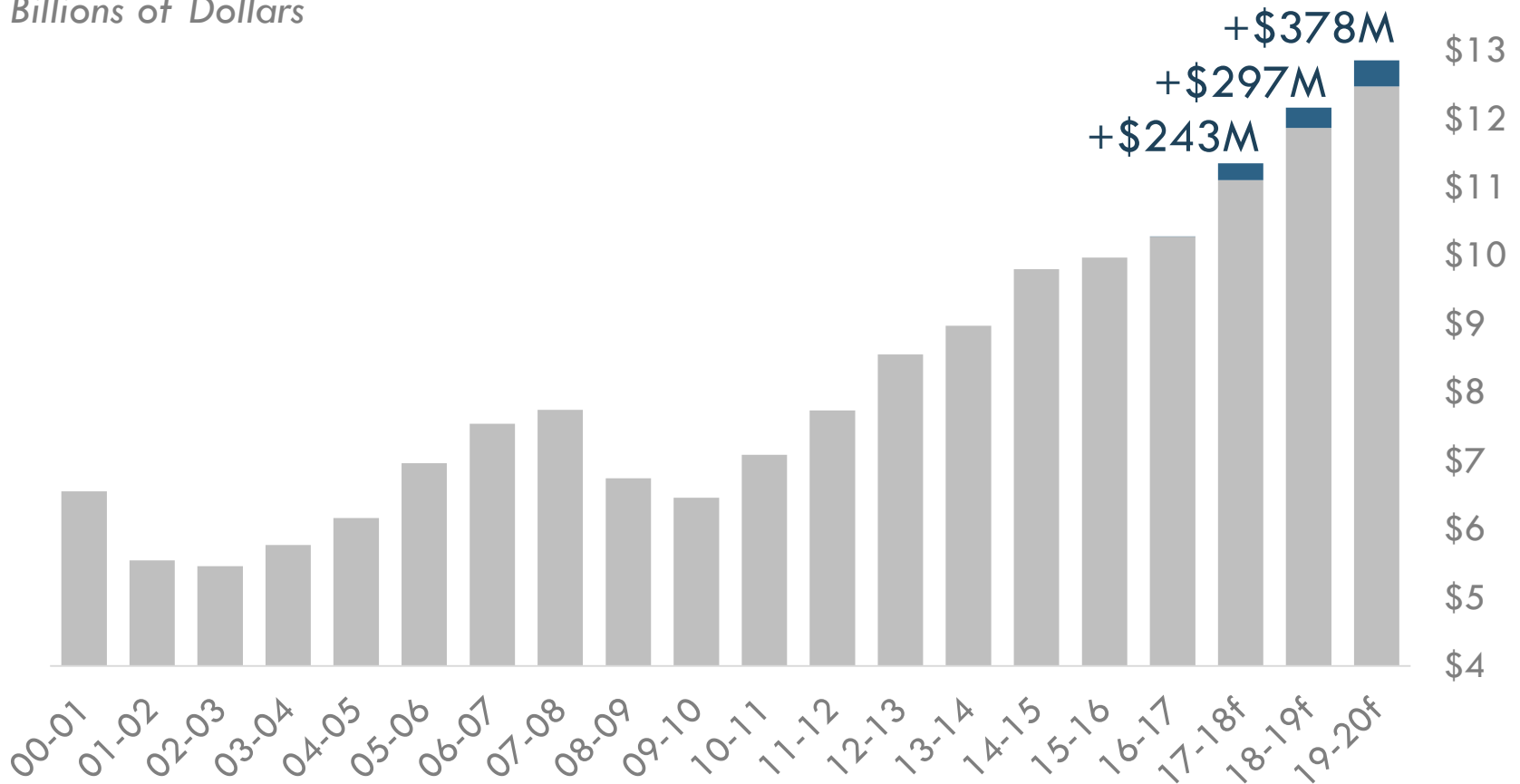
## Risks remain elevated

- Risk of overheating in the late stages of expansion
- Rising interest rates will shift investor behavior
- Geopolitical risk and policy uncertainty cloud the outlook

The revenue forecast was revised upward significantly on stronger collections to date and a stronger economic outlook.

Gross General Fund Revenue  
Billions of Dollars

Change Relative to December

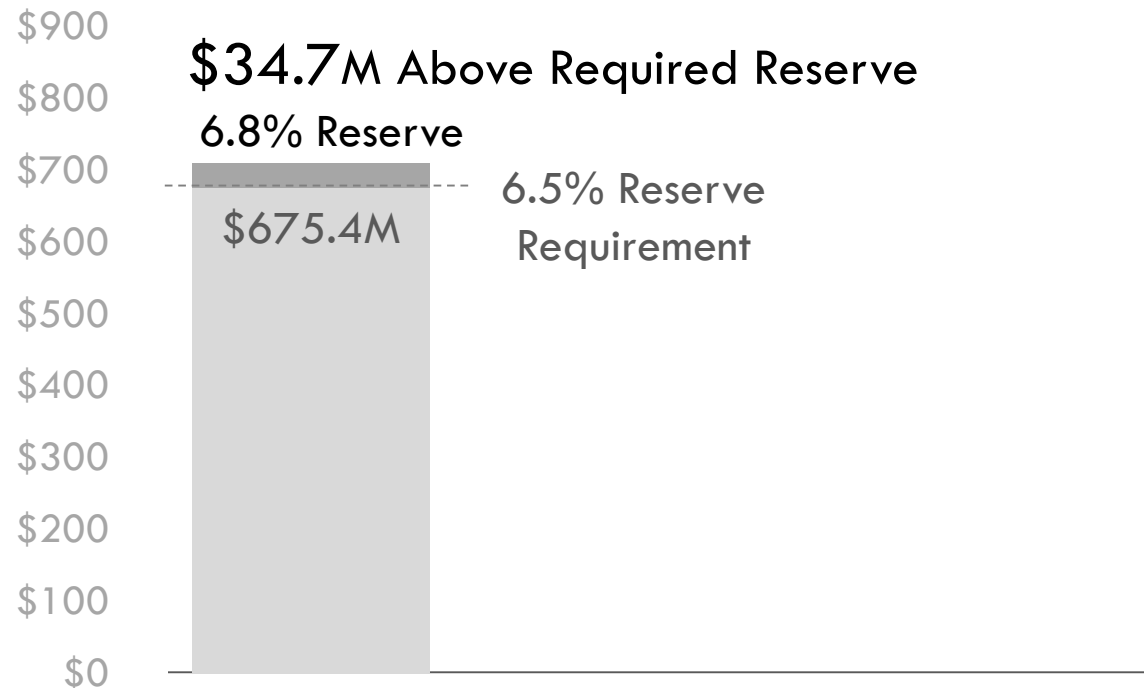


Source: Colorado Office of the State Controller and Legislative Council Staff March 2018 forecast.  
Amounts include estimated impacts of the federal Tax Cuts and Jobs Act.

# FY 2017-18 General Fund Reserve

Millions of Dollars

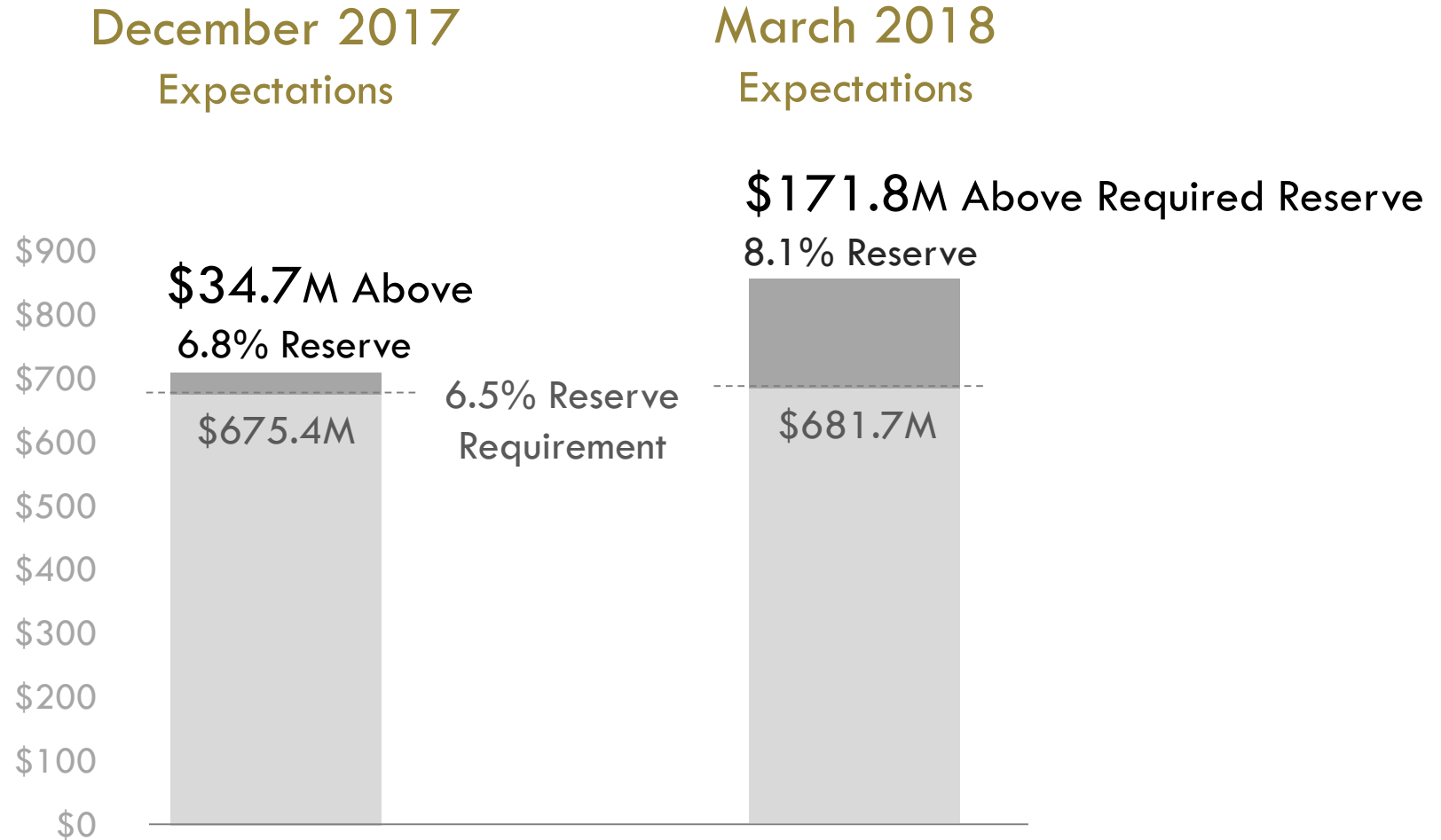
## December 2017 Expectations



Source: Legislative Council Staff forecasts based on current law.  
Amounts include estimated impacts of the federal Tax Cuts and Jobs Act.

# FY 2017-18 General Fund Reserve

Millions of Dollars



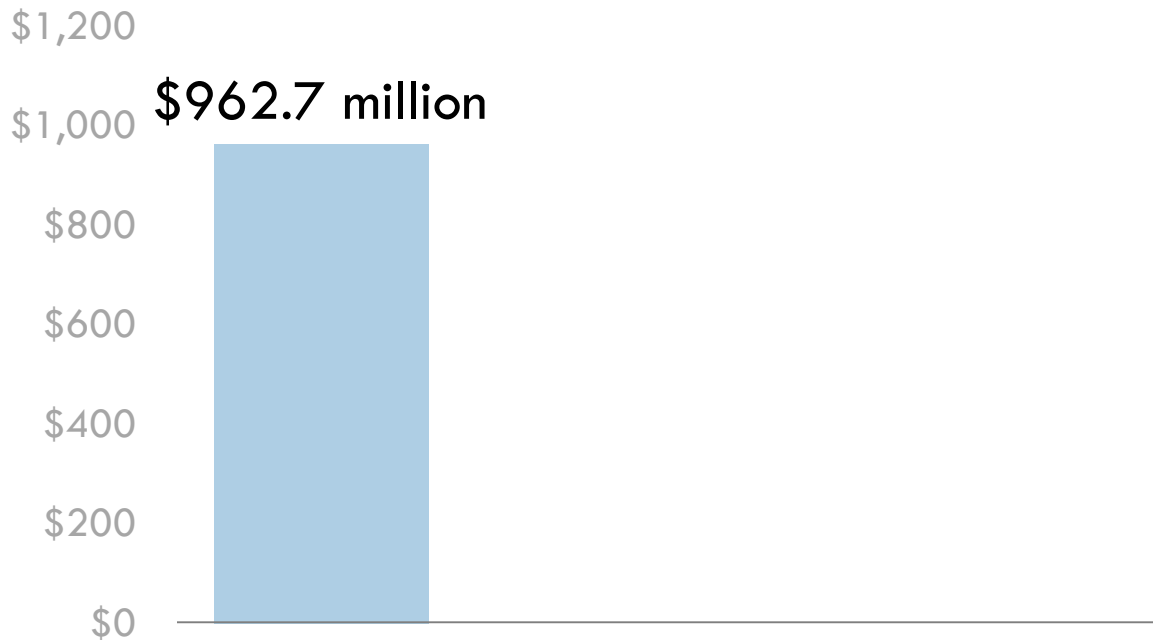
Source: Legislative Council Staff forecasts based on current law.  
Amounts include estimated impacts of the federal Tax Cuts and Jobs Act.

# FY 2018-19 Budget Outlook

General Funds available above FY 2017-18 appropriations to spend, save, or return to taxpayers

Millions of Dollars

## December 2017 Expectations

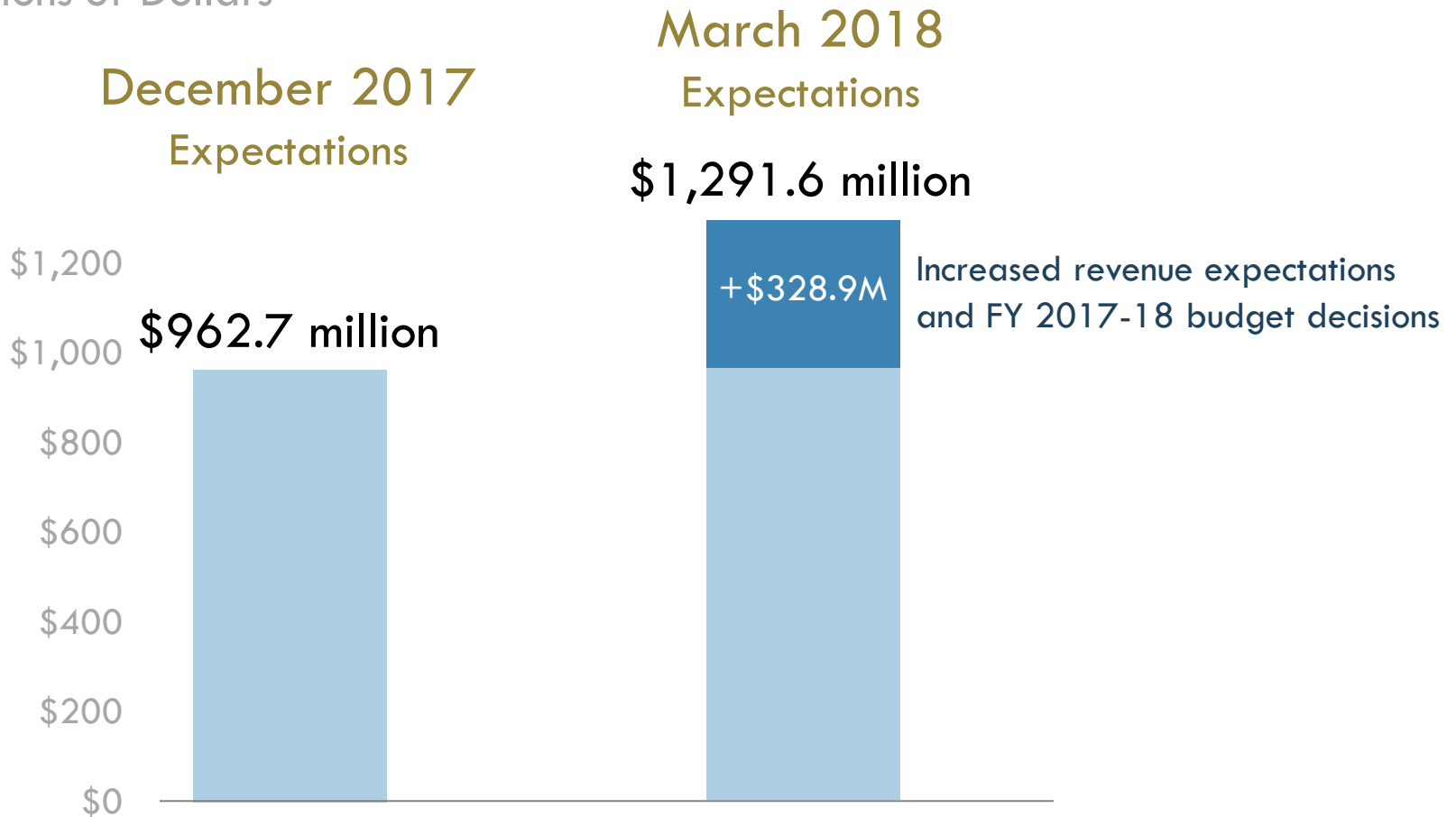


Source: Legislative Council Staff forecasts based on current law.  
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# FY 2018-19 Budget Outlook

General Funds available above FY 2017-18 appropriations to spend, save, or return to taxpayers

Millions of Dollars

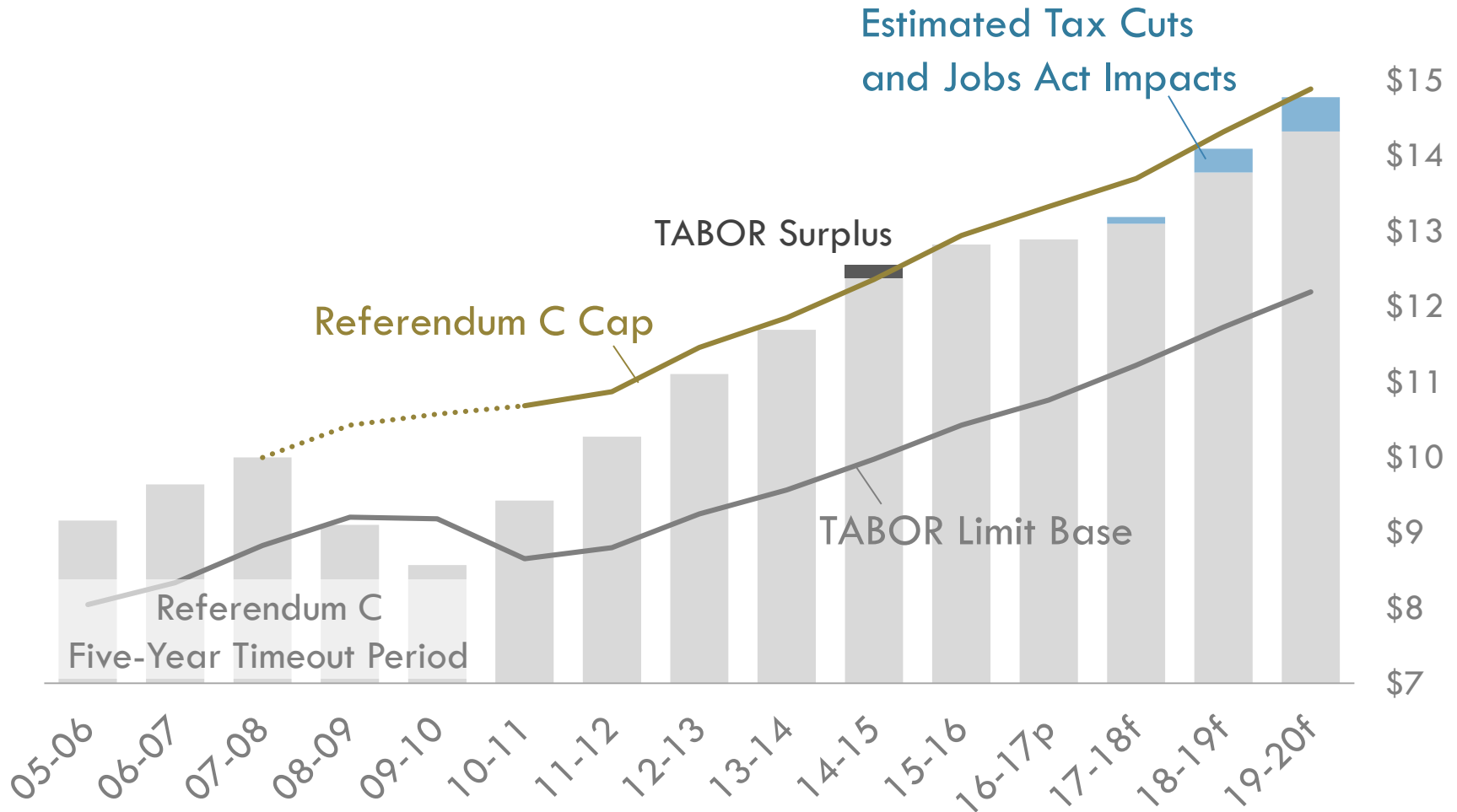


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# December 2017 TABOR Outlook

Revenue Subject to TABOR

Dollars in Billions

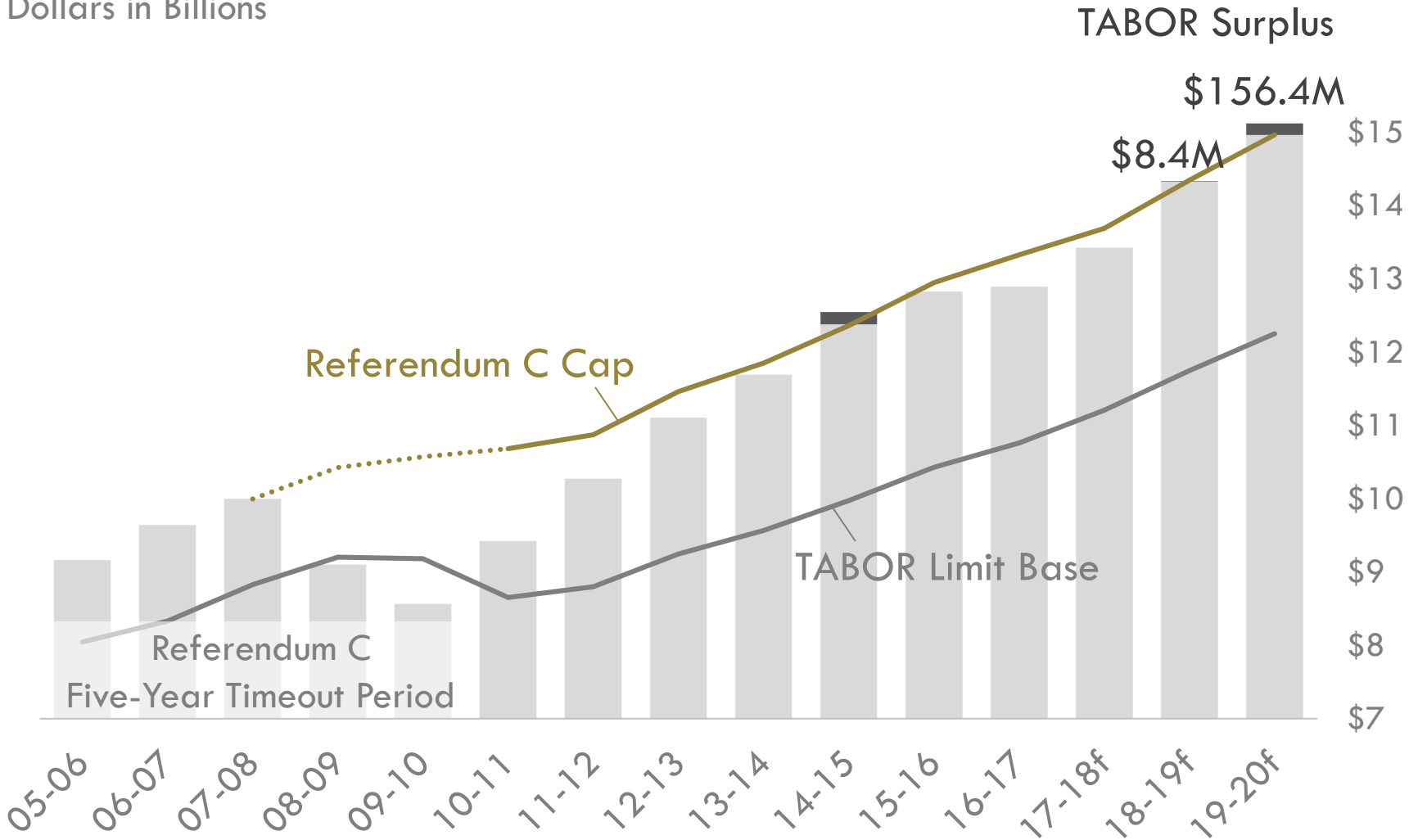




# March 2018 TABOR Outlook

Revenue Subject to TABOR

Dollars in Billions



# TABOR Refund Budget Impacts

General Fund  
Set-Asides...

...go toward reimbursements to local governments  
for property tax exemptions in the next fiscal year\*

FY 2018-19

**\$8.4 million**



FY 2019-20

**\$8.4 million** FY 2018-19 surplus  
+\$21.8 million FY 2014-15 remaining surplus  
**\$30.3 million** toward reimbursements

FY 2019-20

**\$156.4 million**



FY 2020-21

**\$156.4 million** toward reimbursements

\*Pursuant to SB17-267, the TABOR refund is first allocated toward reimbursements to local governments for the senior homestead and disabled veteran property tax exemption. Local government reimbursements are not reduced. Instead, TABOR surplus revenue is set aside to pay for these reimbursements in the following budget year.

# Risks to the revenue forecast are elevated

- Unusual shifts in taxpayer behavior in recent months
- Tax Cuts and Jobs Act impacts remain uncertain
- Late stages of the economic expansion, more susceptible to shocks

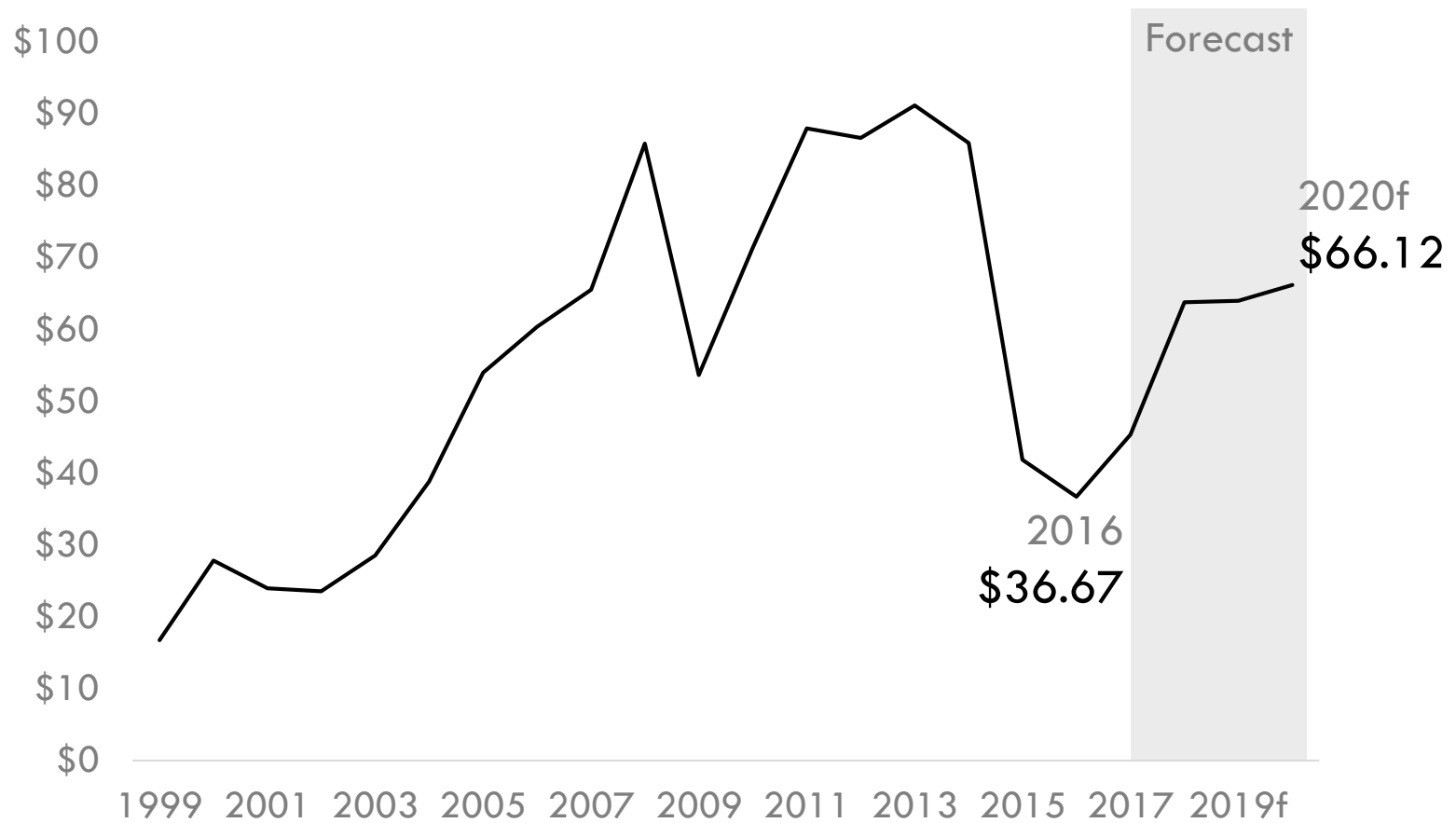


# Oil & Gas Outlook



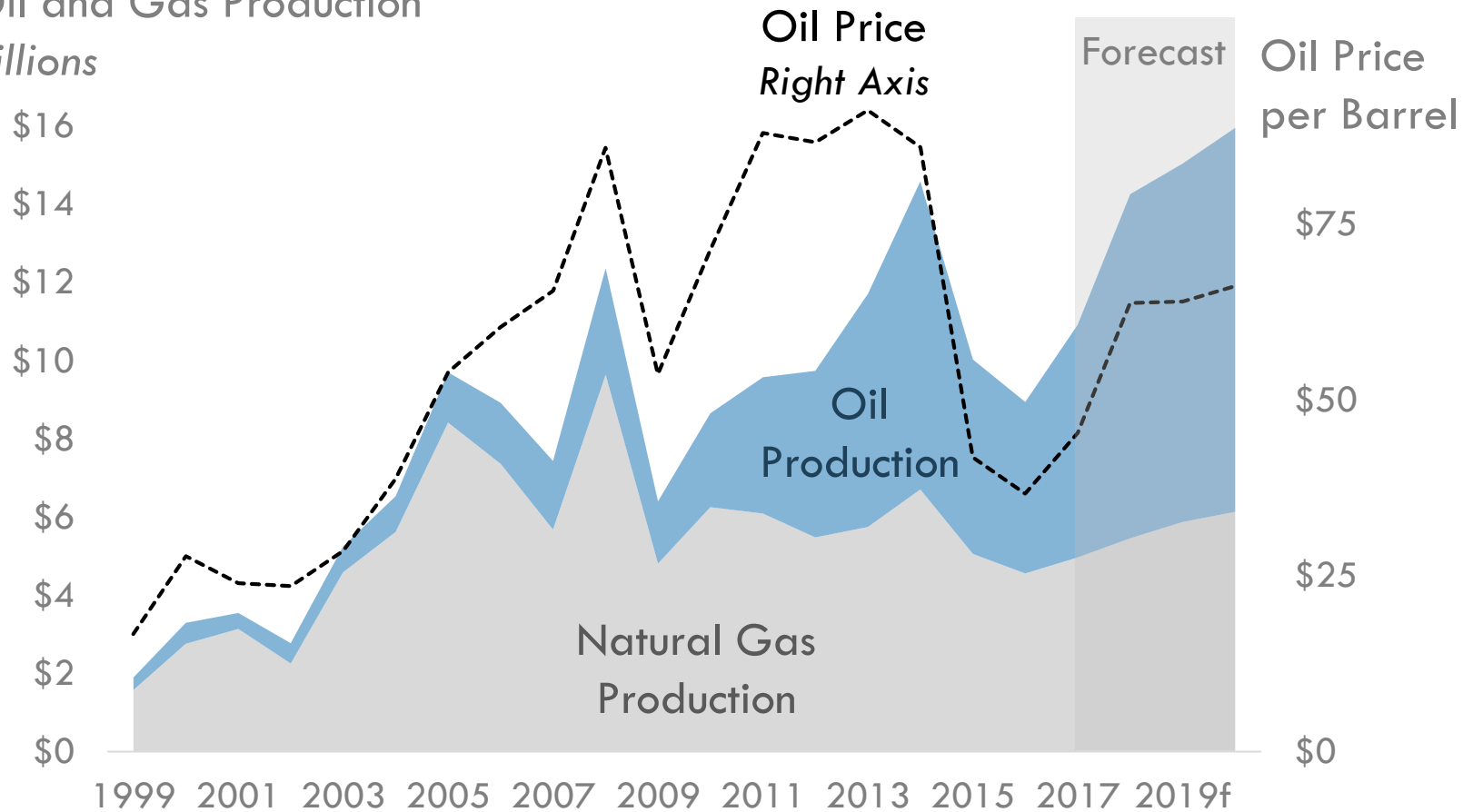
# Oil prices are increasing...

Price per Barrel of Oil Received by Colorado Producers



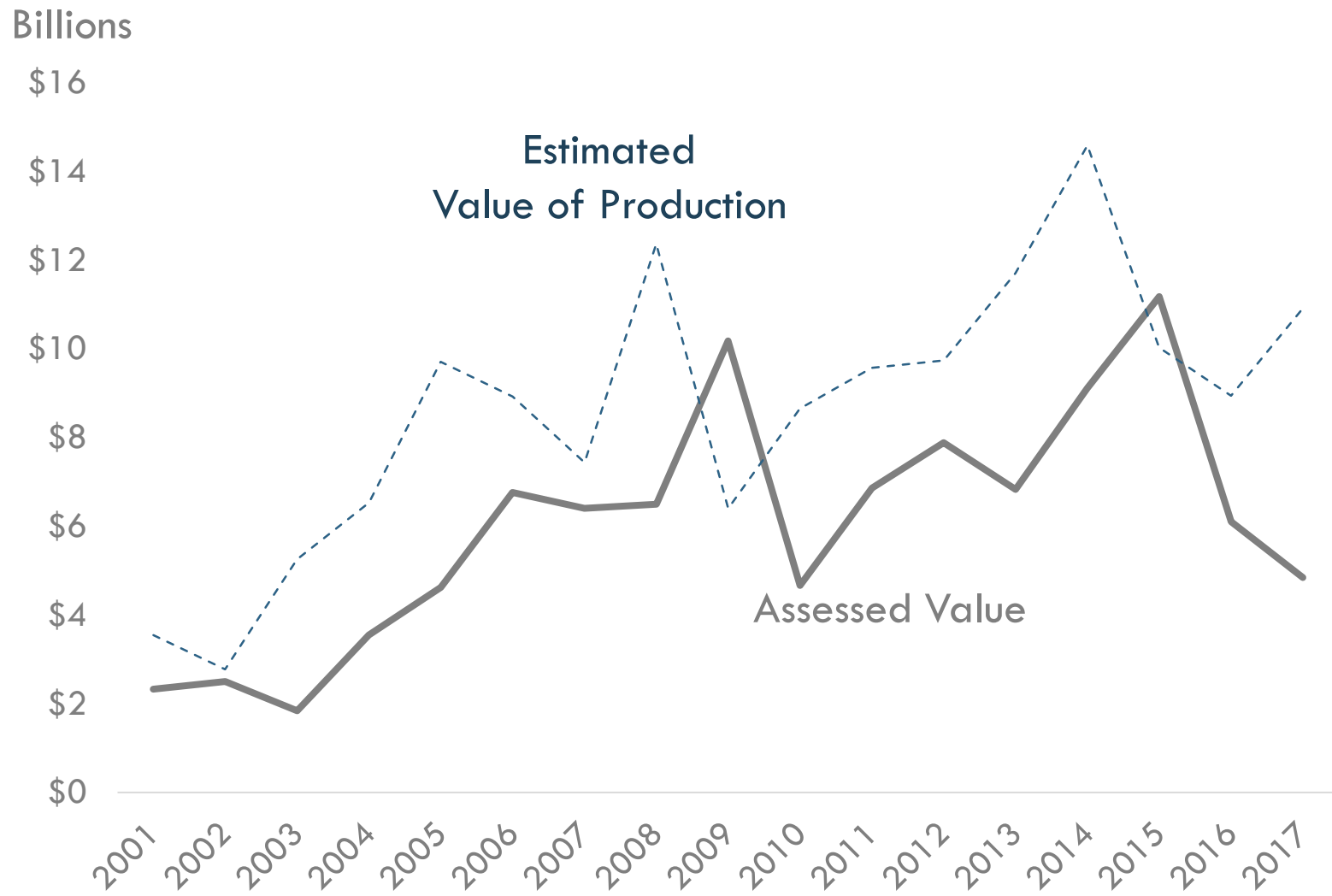
# ...leading to more production.

Value of Colorado  
Oil and Gas Production  
Billions



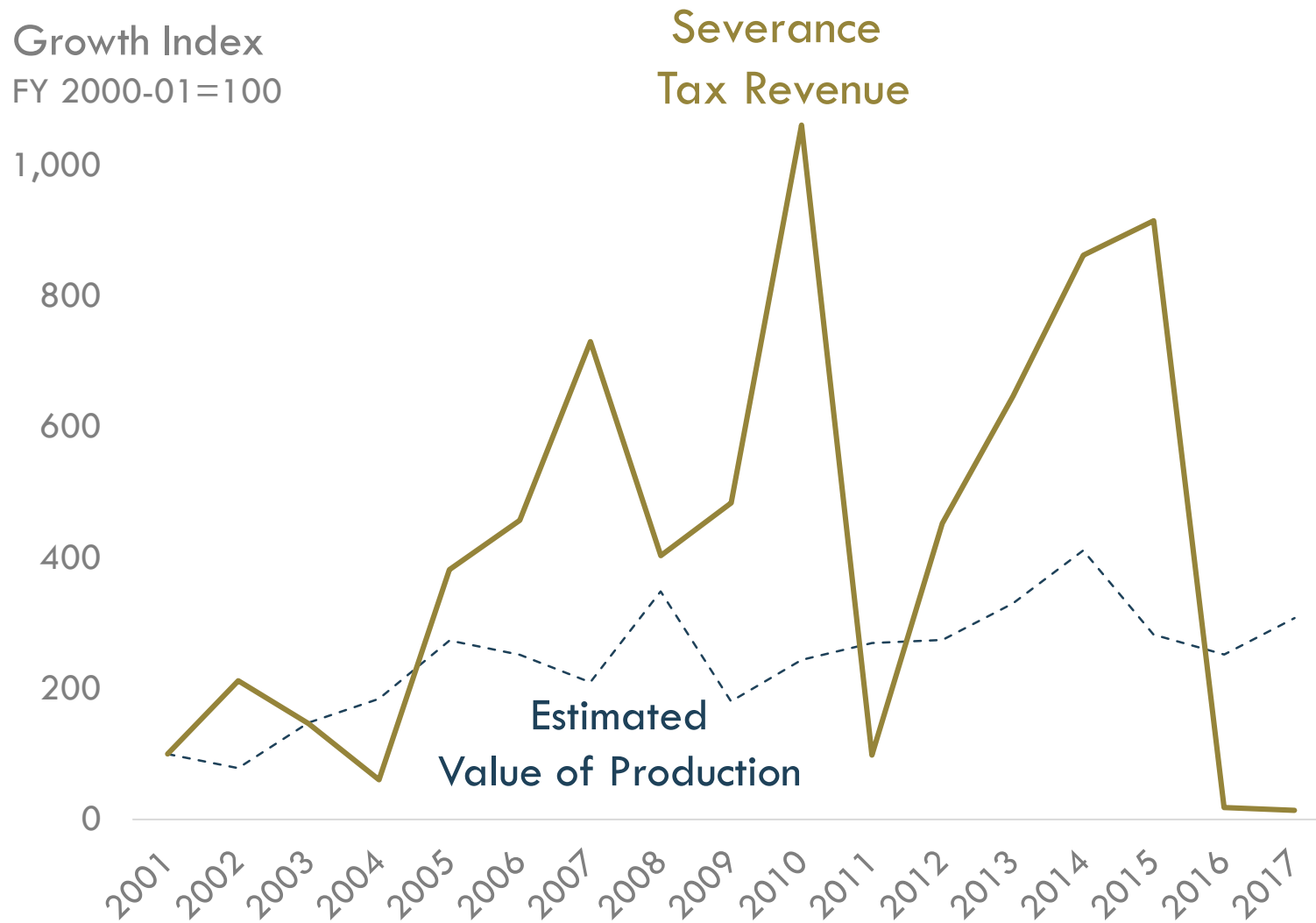
Source: U.S. Energy Information Administration and Colorado Legislative Council Staff March 2018 forecast.

# Assessed value lags production...



Sources: U.S. Energy Information Administration and Colorado Department of Local Affairs, Division of Property Taxation.

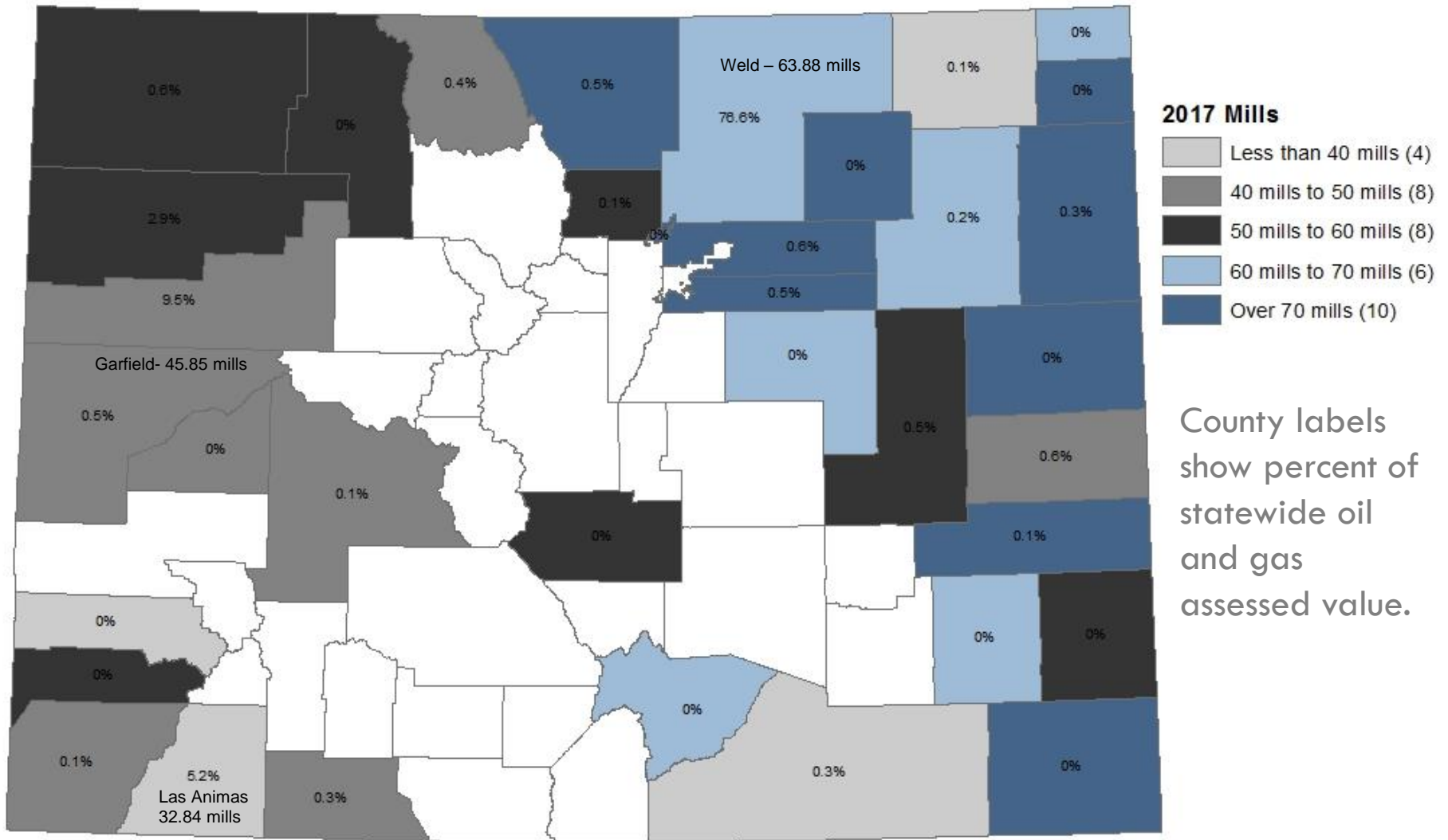
# ...amplifying the boom-bust nature of oil and gas.



Sources: U.S. Energy Information Administration and Colorado Department of Local Affairs, Division of Property Taxation.



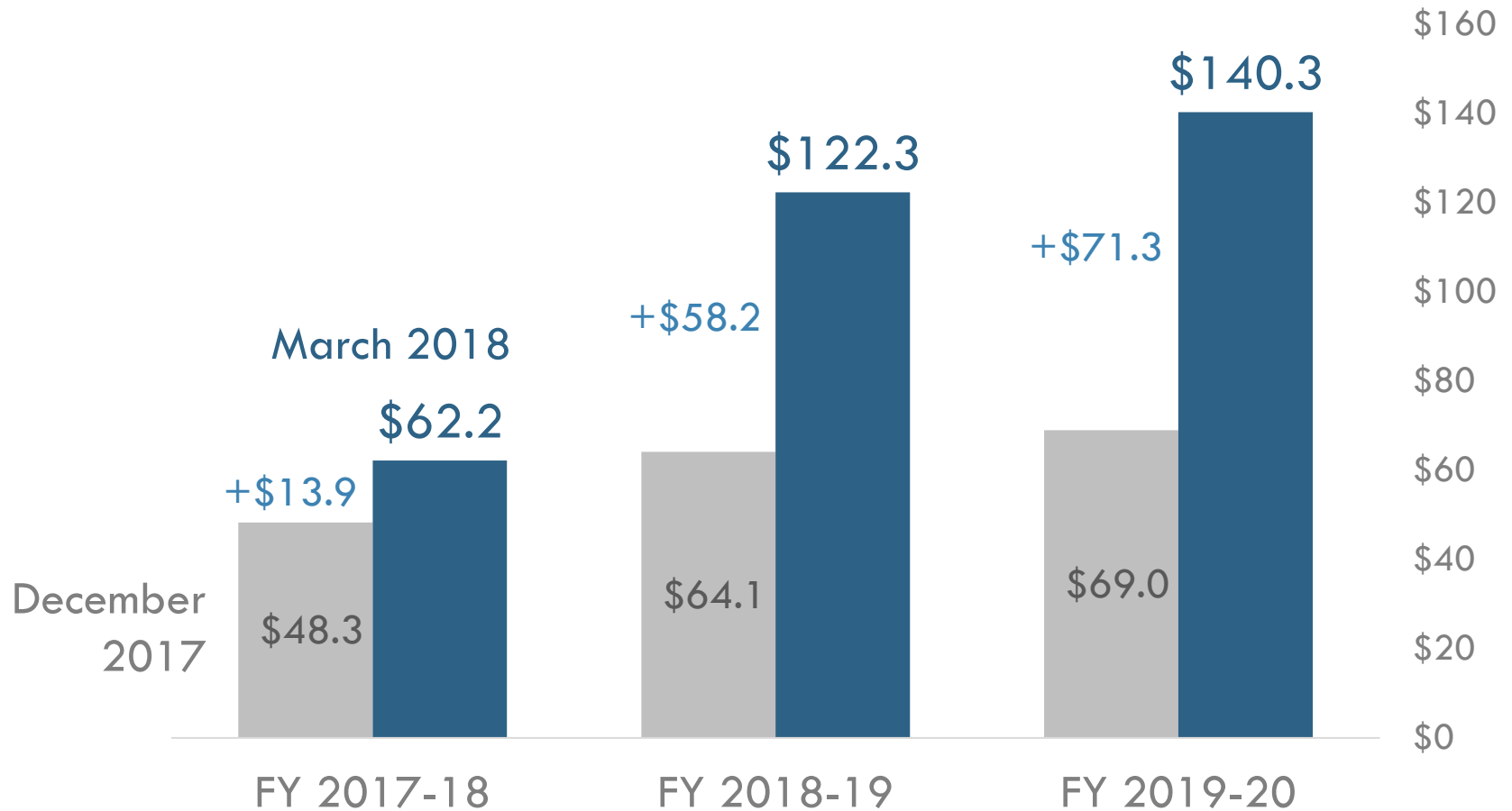
# Mills Applied to Oil and Gas Across the State



Sources: Wildrose Appraisal, Inc. (the state's property tax auditor). Map prepared by Legislative Council Staff.

# Oil and Gas Severance Tax Forecast Comparison

Dollars in Millions



# Questions?

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