



June 2026 | Legislative Council Staff
Economic & Revenue Forecast

Presentation to the Joint Budget Committee
June 18, 2026

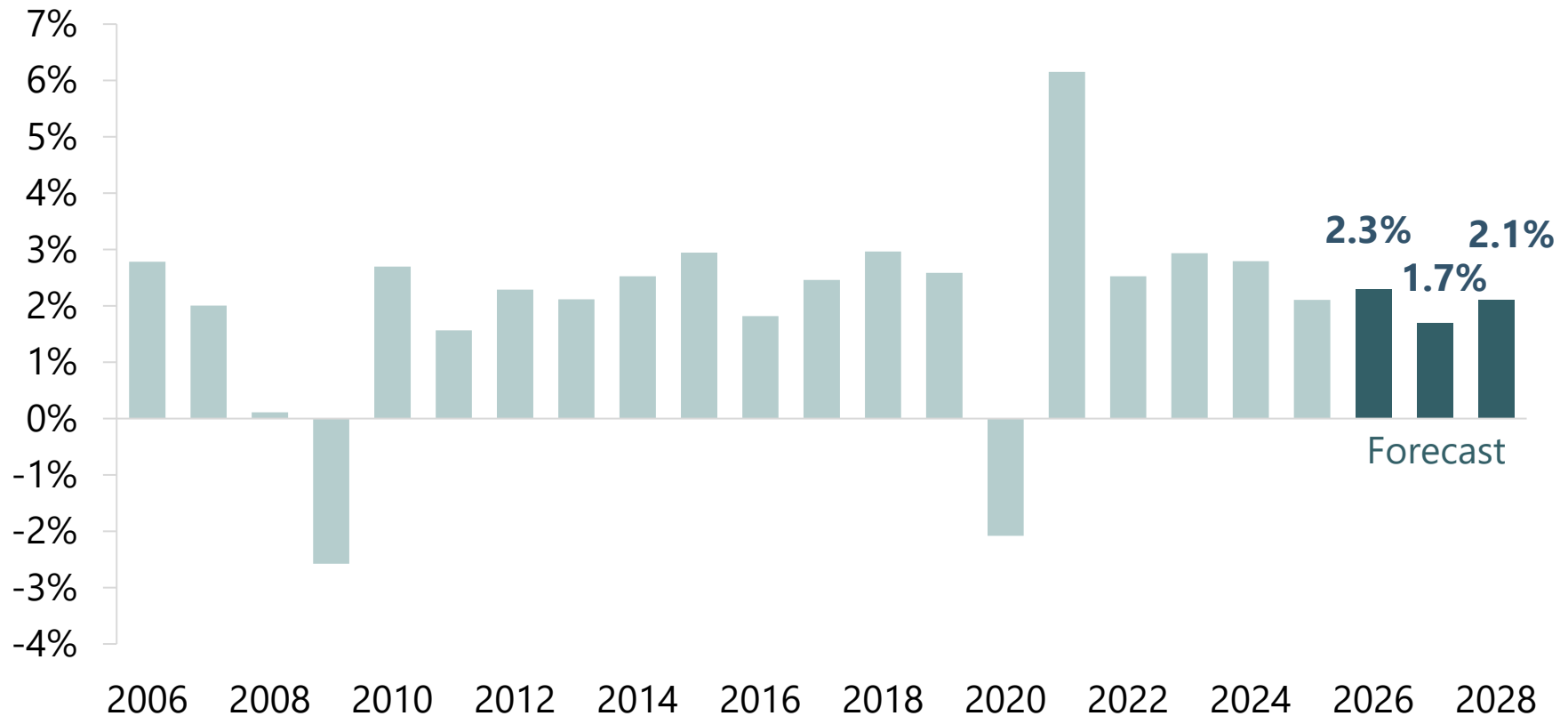


Economic Outlook



The U.S. economy is expected to continue expansion at a slow-to-moderate rate

Real U.S. Gross Domestic Product
Annual Percent Change

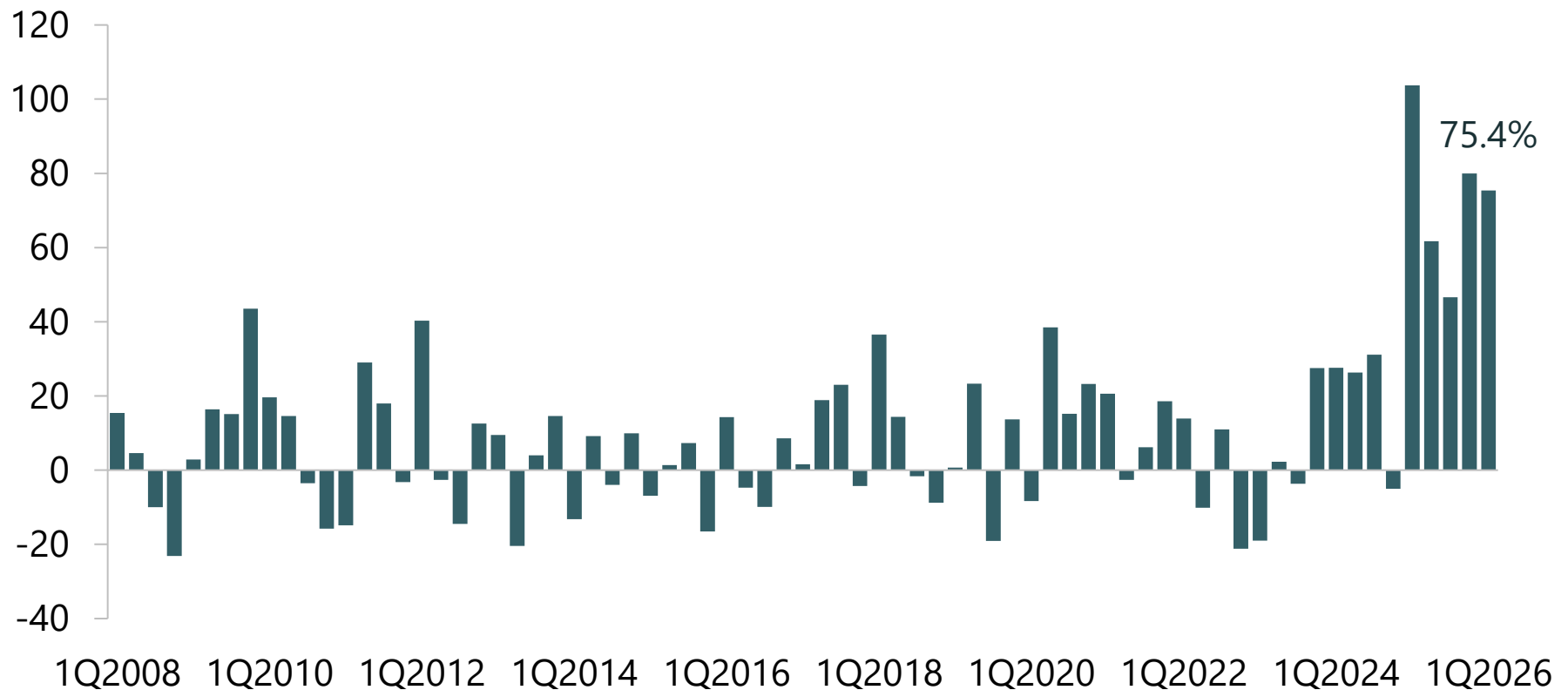


Source: U.S. Bureau of Economic Analysis and Legislative Council Staff projections. Seasonally adjusted at annual rates. Real GDP is inflation-adjusted to chained 2017 levels.



Business investment in computer equipment exploding over the past year

Real U.S. GDP, Computers and Peripheral Equipment
Annualized Percent Change from Previous Quarter



Source: U.S. Bureau of Economic Analysis. Seasonally adjusted at annual rates. Real GDP is inflation-adjusted to chained 2017 levels.



Business investments are boosting productivity

U.S. Nonfarm Labor Productivity Year-Over-Year Percent Change

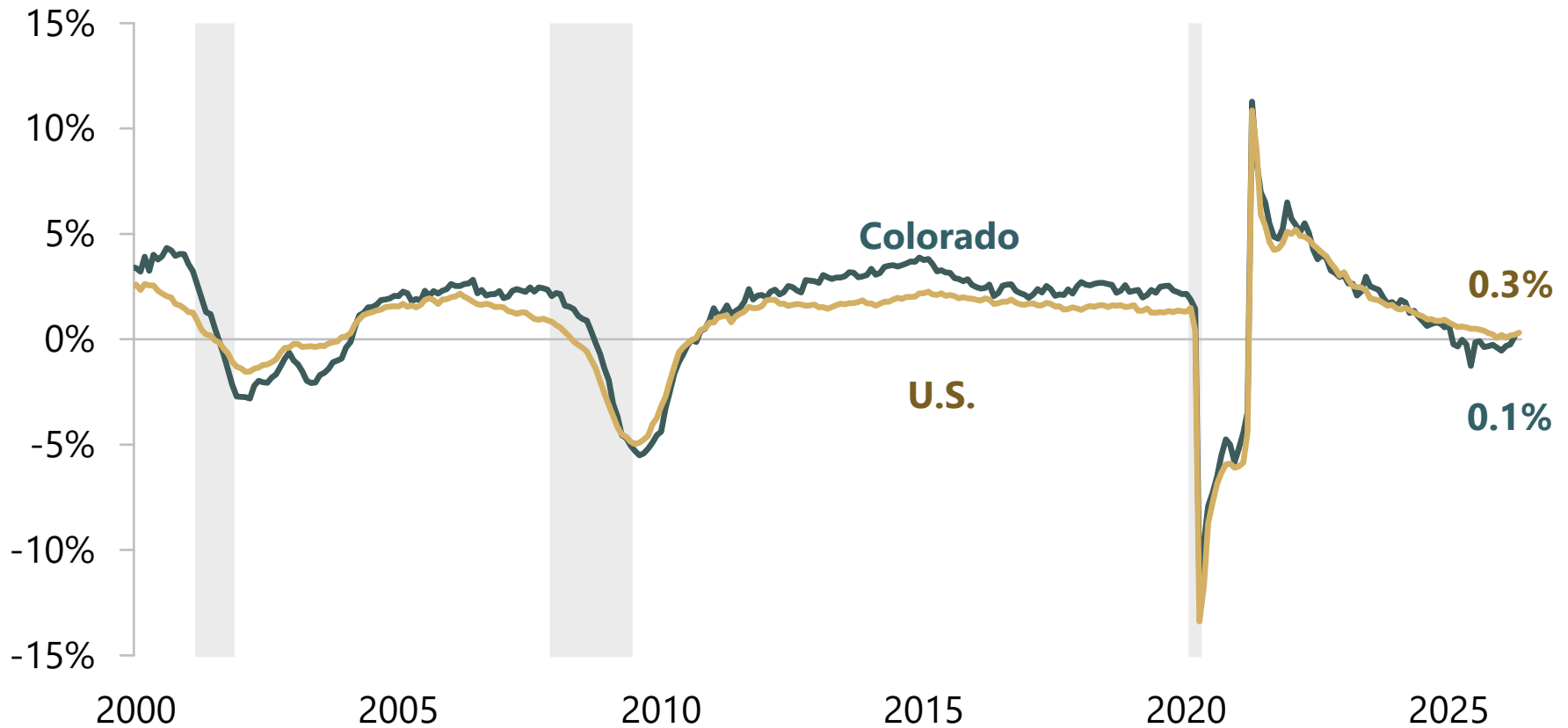


Source: U.S. Bureau of Labor Statistics. Nonfarm business sector productivity is measured as output per hour. Data is through the first quarter of 2026.



Slow employment growth expected to continue in the state and nationwide

Nonfarm Employment Growth Year-over-year percent change

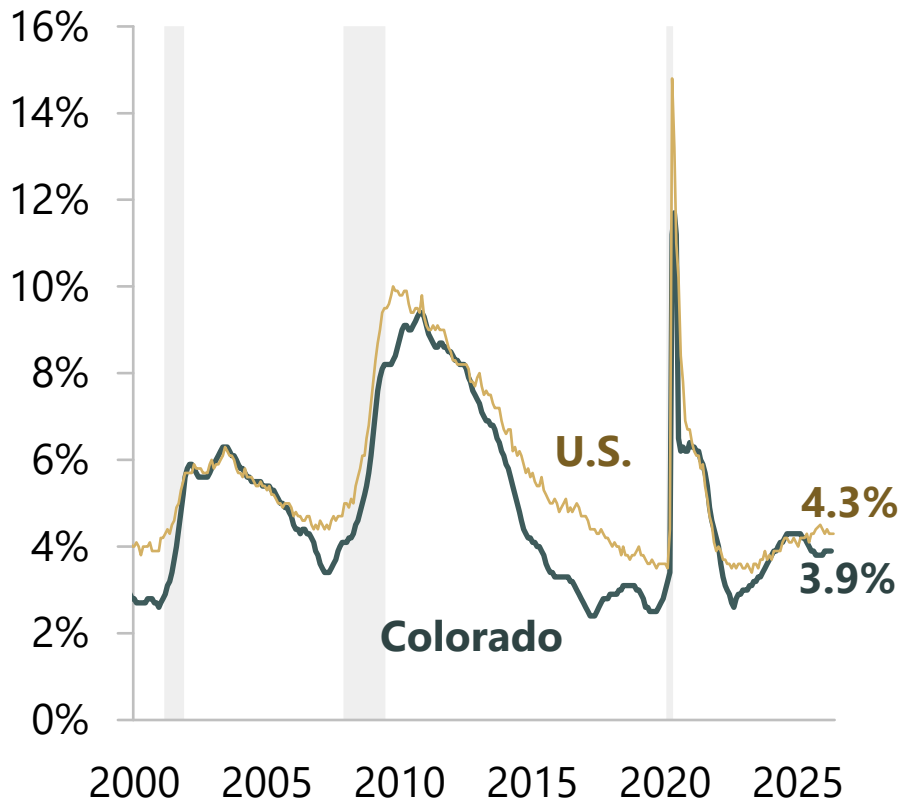


Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Data for the U.S. are through May and data for Colorado are through April.



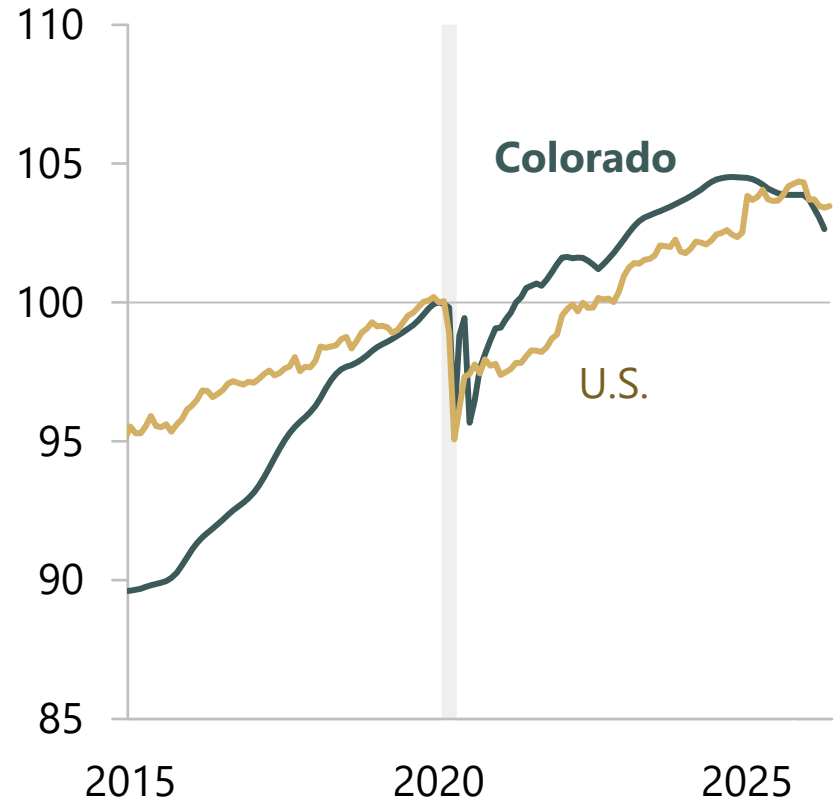
Unemployment rate down, but people have left the labor force

Unemployment Rate



Labor Force

Index = January 2020



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Data for the U.S. are through May and data for Colorado are through April.

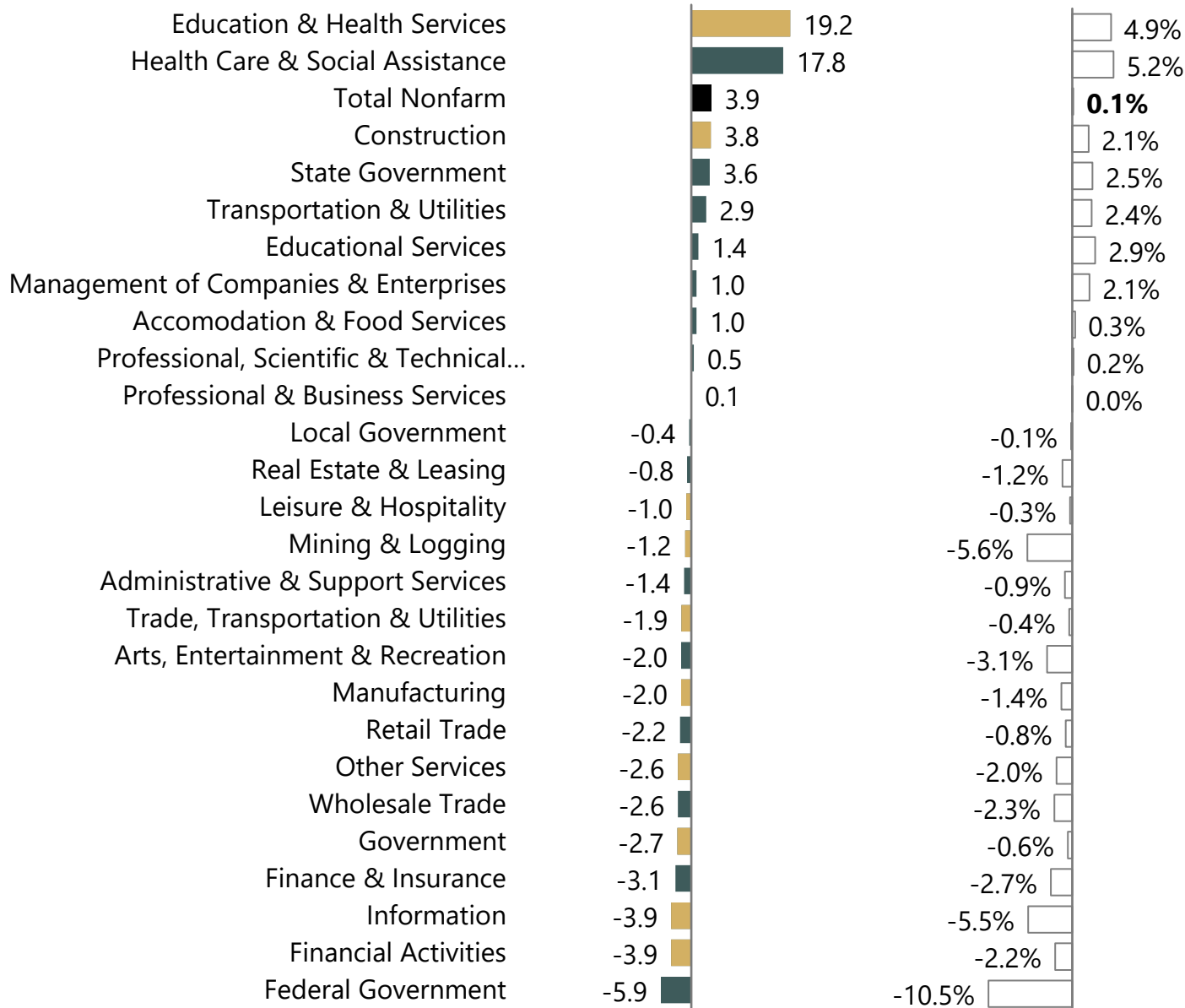


Colorado Jobs Gains and Losses by Industry - April 2026

Year-over-Year Change

Thousands of Jobs

Percent Change



Crude oil prices remain elevated after March spike and are a source of forecast uncertainty

Average Weekly Price - WTI
Dollars per Barrel



Daily Price, 2026 - WTI
Dollars per Barrel

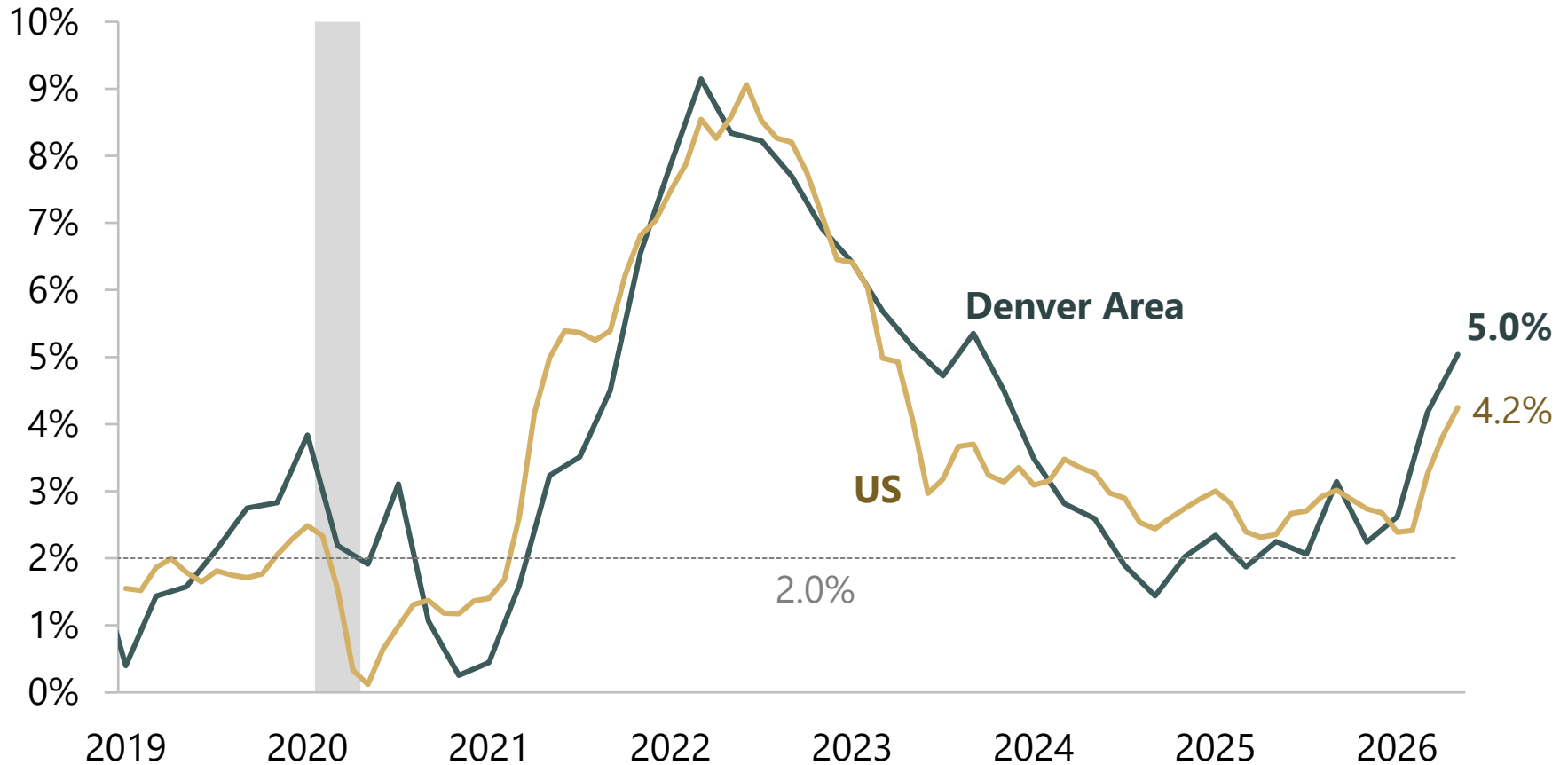


Source: Federal Reserve Bank of St. Louis, FRED Database for West Texas Intermediate price. Weekly average prices (left) through the week of June 12. Daily prices (right) through June 15.



Inflation jumps with oil shock, energy index up 23 percent in U.S. year-over-year, expected to impact prices of other goods

Headline CPI-U Inflation
Year-over-Year Change in Prices



Source: U.S. Bureau of Labor Statistics. Denver area inflation is measured using prices in the Denver-Aurora-Lakewood metropolitan area. Data are through May 2026.



Tariff payments recede from the peak in October 2025, but are expected to remain historically elevated

U.S. Customs and Certain Excise Tax Revenues
Billions of Dollars



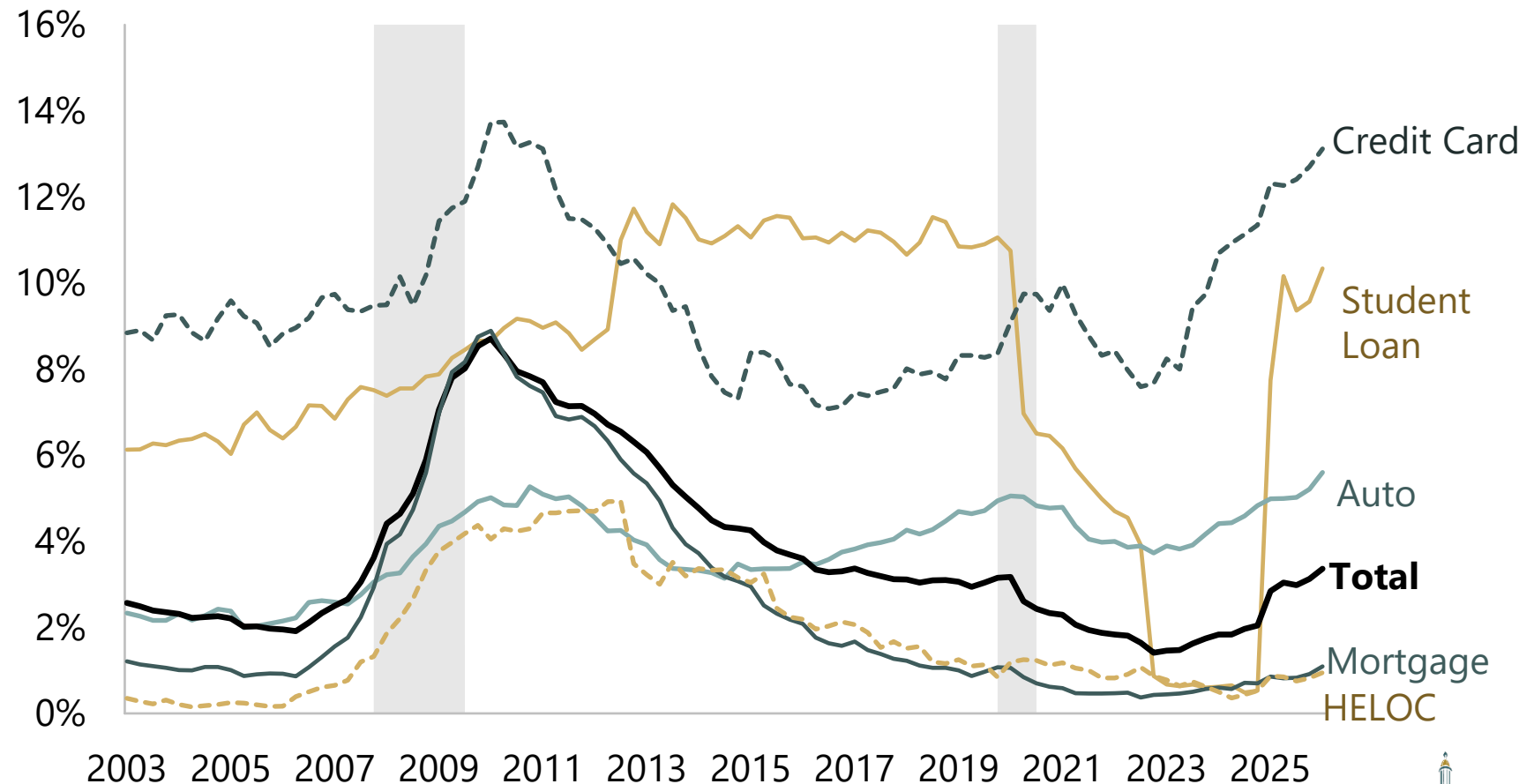
Source: U.S. Treasury Department Fiscal Data, Daily Treasury Statements. Data through May 2026.



Household finances deteriorating for segments of the population

U.S. Serious Delinquency Rates by Loan Type

Percent of Loans



Source: New York Fed Consumer Credit Panel/Equifax. Data are through 2026Q1. Serious delinquency rates are the percentage of total debt that is delinquent by 90 days or more.



There are both upside and downside risks to the forecast

Upside Risks:

- Resilient consumers
- Tariff reductions
- AI-related investment and productivity gains

Downside Risks:

- Lingering Middle East oil supply and trade flow disruptions
- Weak household finances impact consumer spending or financial stability
- Weak labor market



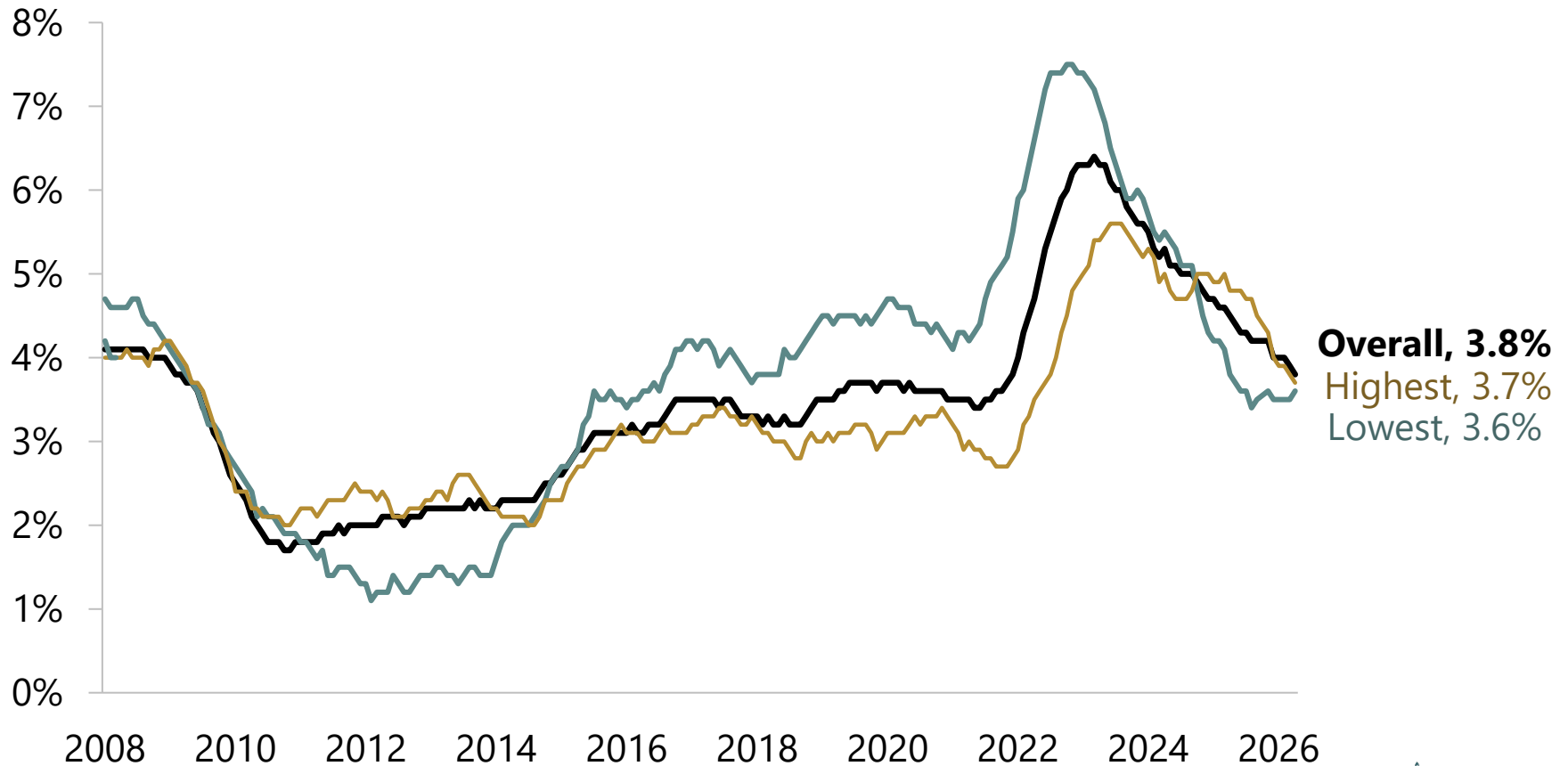
Supplemental Slides



Wage growth for highest-earners slows but still outpaces that for lowest-income

Nominal Hourly Wage Growth by Wage Quartile

Year-over-Year Percent Change, 12-Month Moving Average



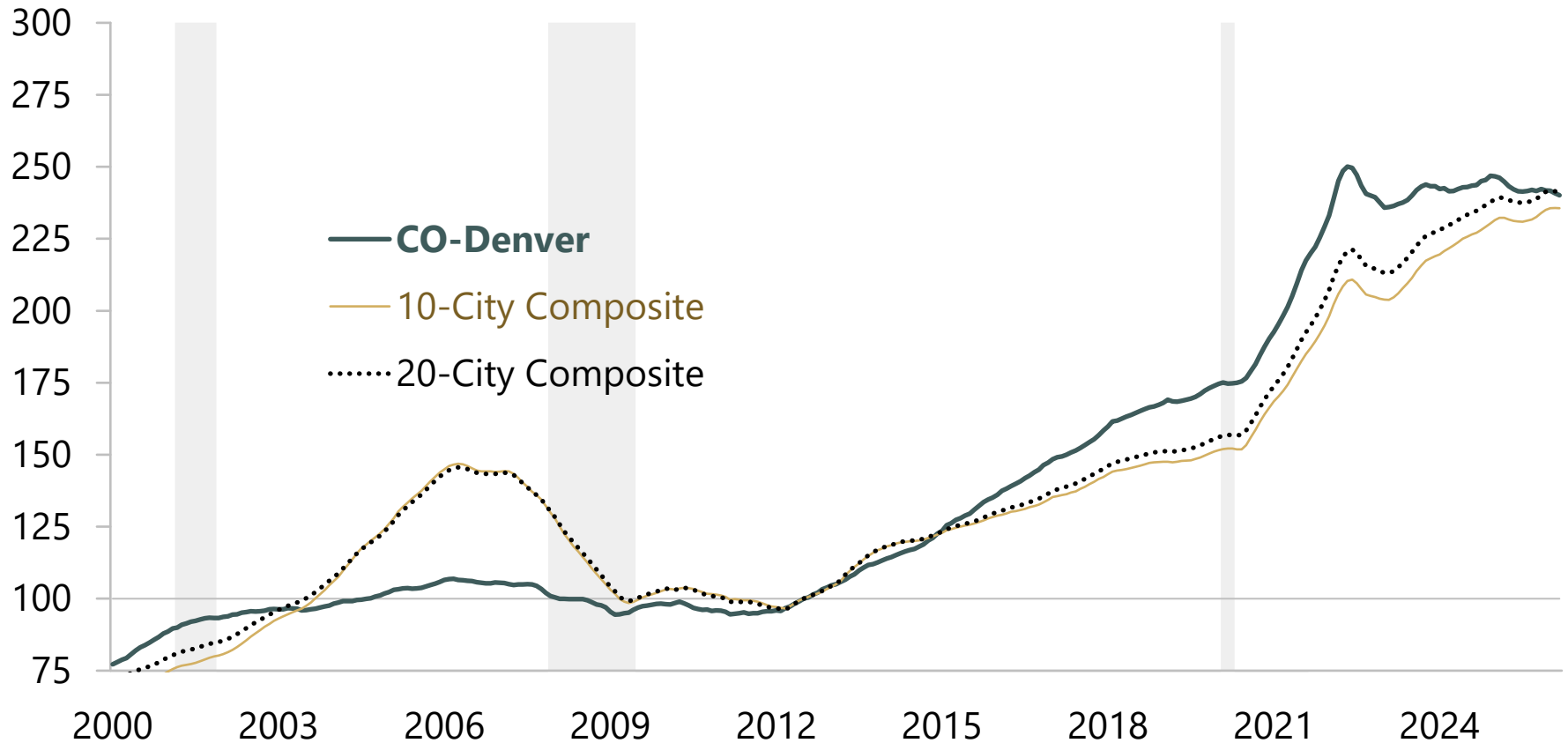
Source: Atlanta Fed Wage Growth Tracker. Data are through April 2026.



Home price growth remains muted in Denver and is slowing nationwide

Case-Shiller Home Price Indices

Index 100 = July 2012

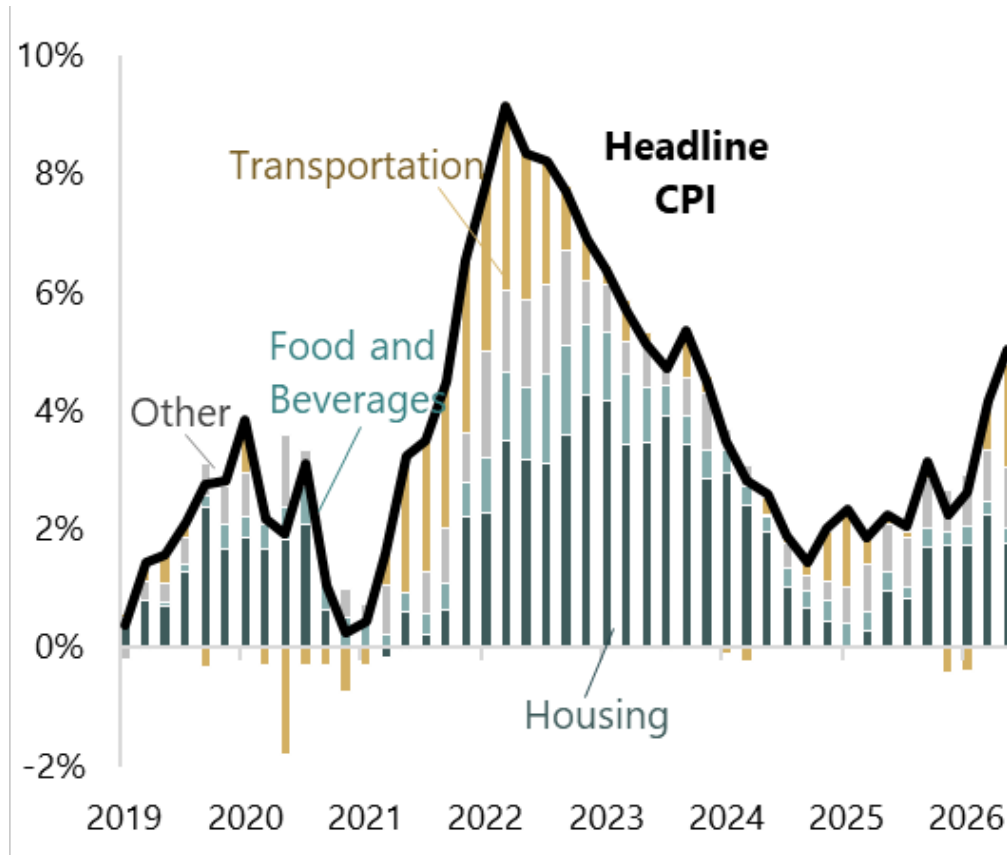


Source: S&P Dow Jones Indices LLC. Data are seasonally adjusted and are through March 2026.

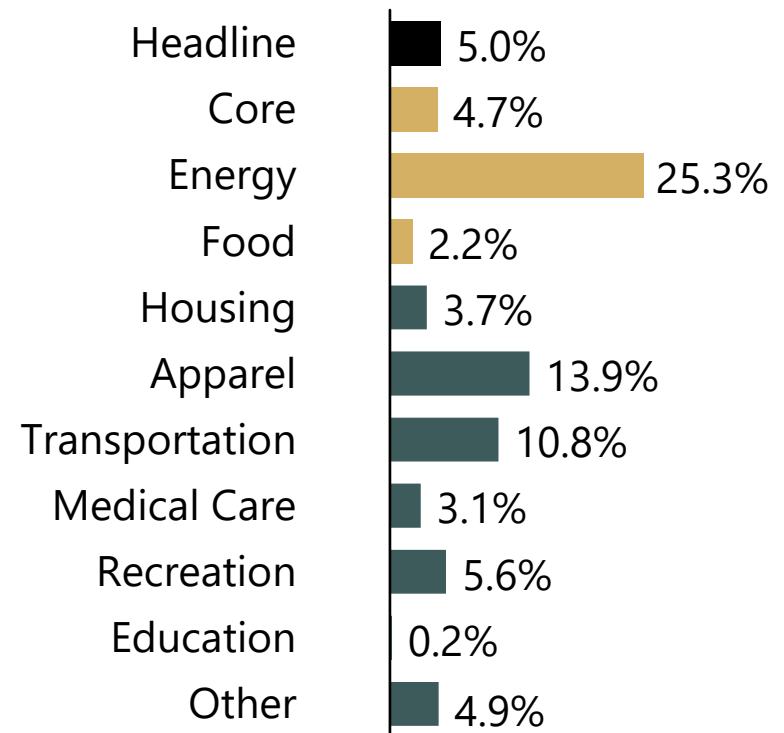


Inflation in the Denver area to be pushed up by energy prices through 2026

Denver-Aurora-Lakewood Consumer Price Index Year-over-Year Percent Change in Prices



Selected Components, May 2026



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.



Revenue & Budget Forecast



Forecast Takeaways

General Fund Revenue Forecast

- revised up in all years
- March upside risk mostly materialized
- OBBBA impacts look weaker on individuals, stronger on corporate taxpayers
- tax credits triggered off for TY 2027, TY 2028
- HSMA revenue above expectations

TABOR Outlook

- no TABOR surplus expected in FY 2025-26; forecast below limit by \$425M
- HB 26-1419 turned on, reduces refund obligation in next two years



More Forecast Takeaways

Still lots of assumptions for a June forecast

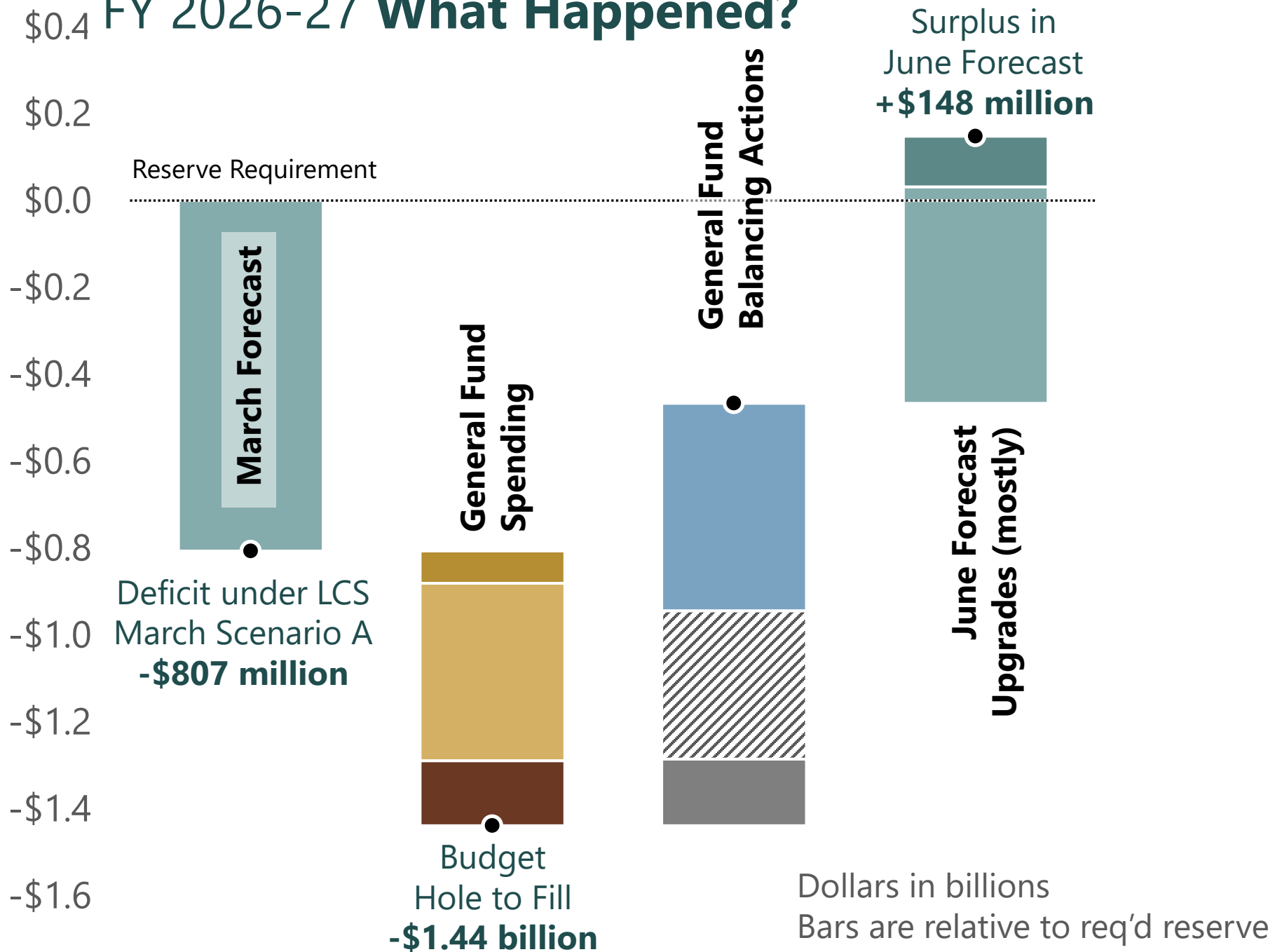
- tax credit sales, HIAE accounting, other TABOR status changes

Budget Bottom Line

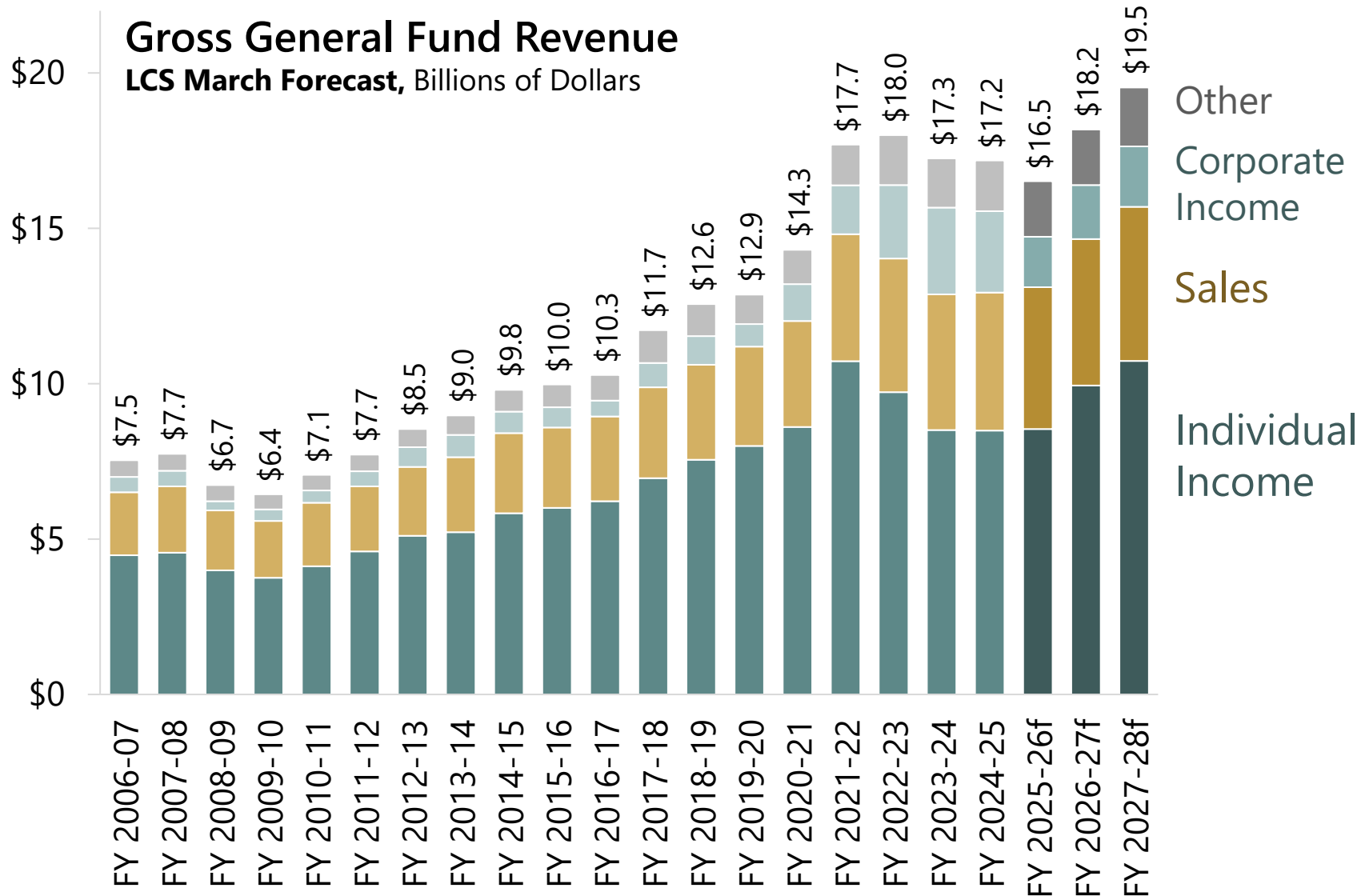
- FY 2025-26 in balance, \$116M surplus
- FY 2026-27 in balance, \$148M surplus
- FY 2027-28:
 - \$873M more available to spend or save
 - Scenario B shows \$315M deficit
- “Goldilocks forecast”



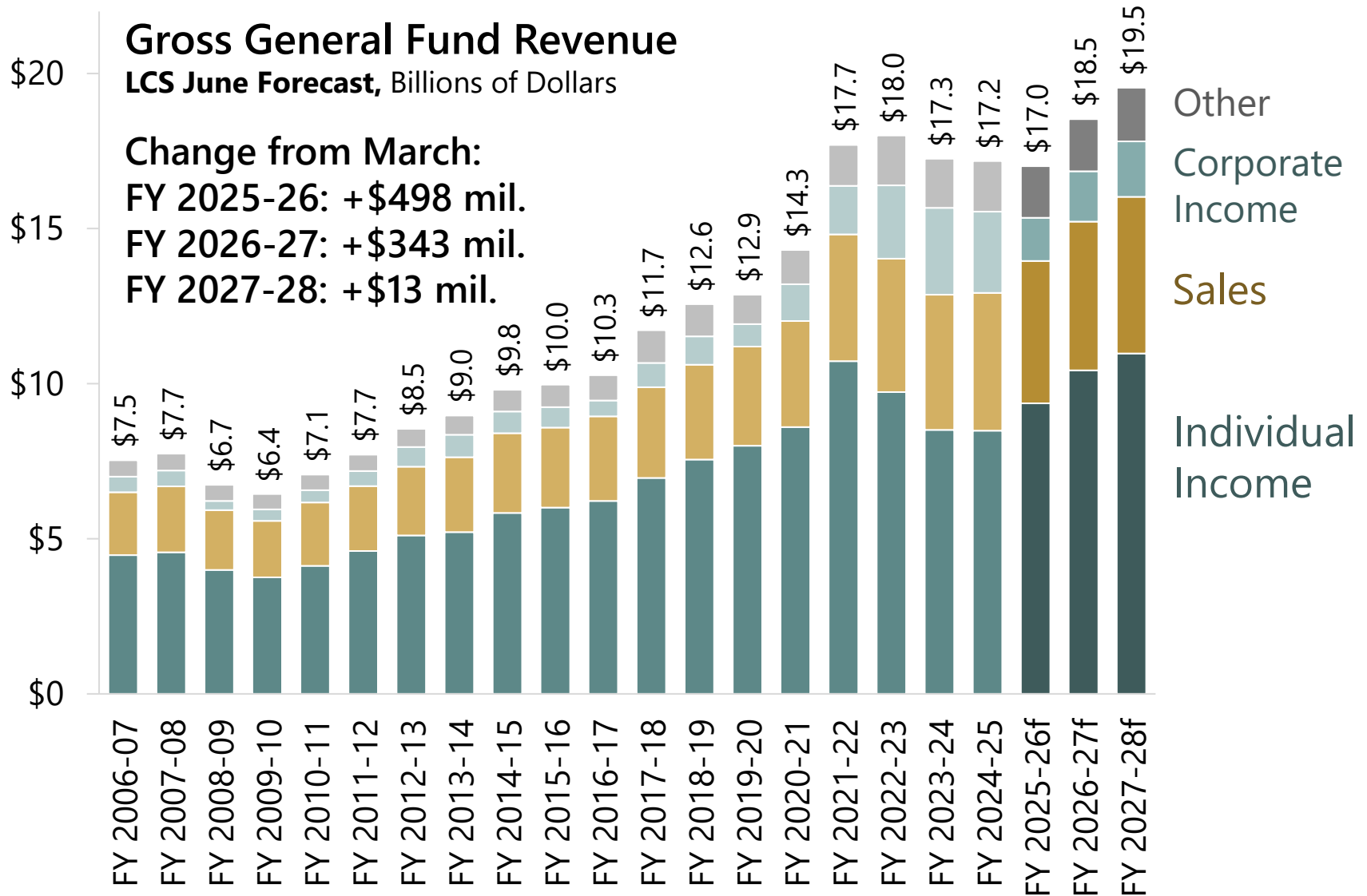
FY 2026-27 What Happened?



In March, we expected a 3.9% revenue decrease this year

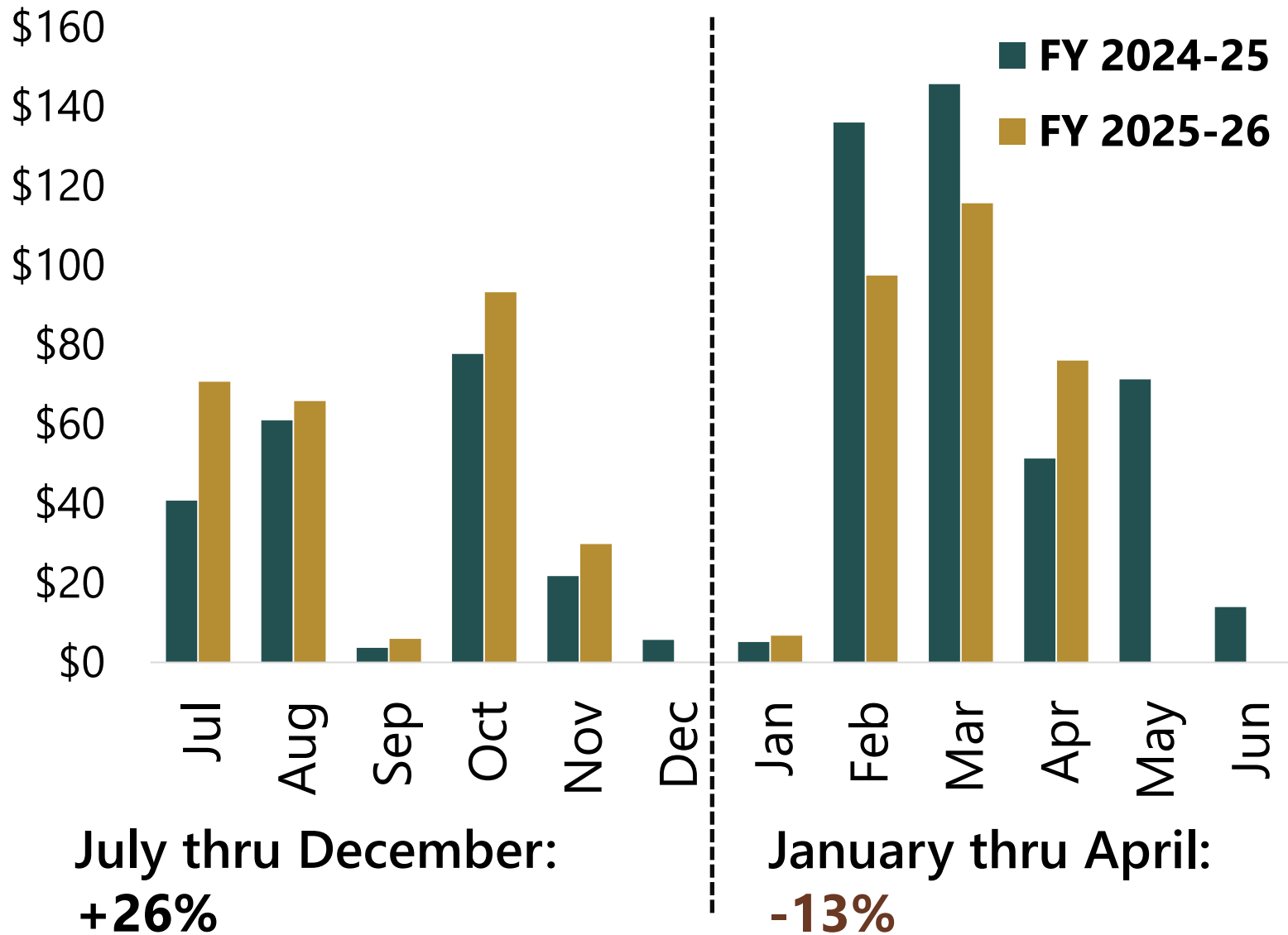


June upgrade to individual income tax more than offset downgrades to corporate income, insurance premium tax



Insurance premium tax collections have reversed in CY 2026

Millions of dollars



Revenue below Referendum C Cap in FY 2025-26; could fall below in future years

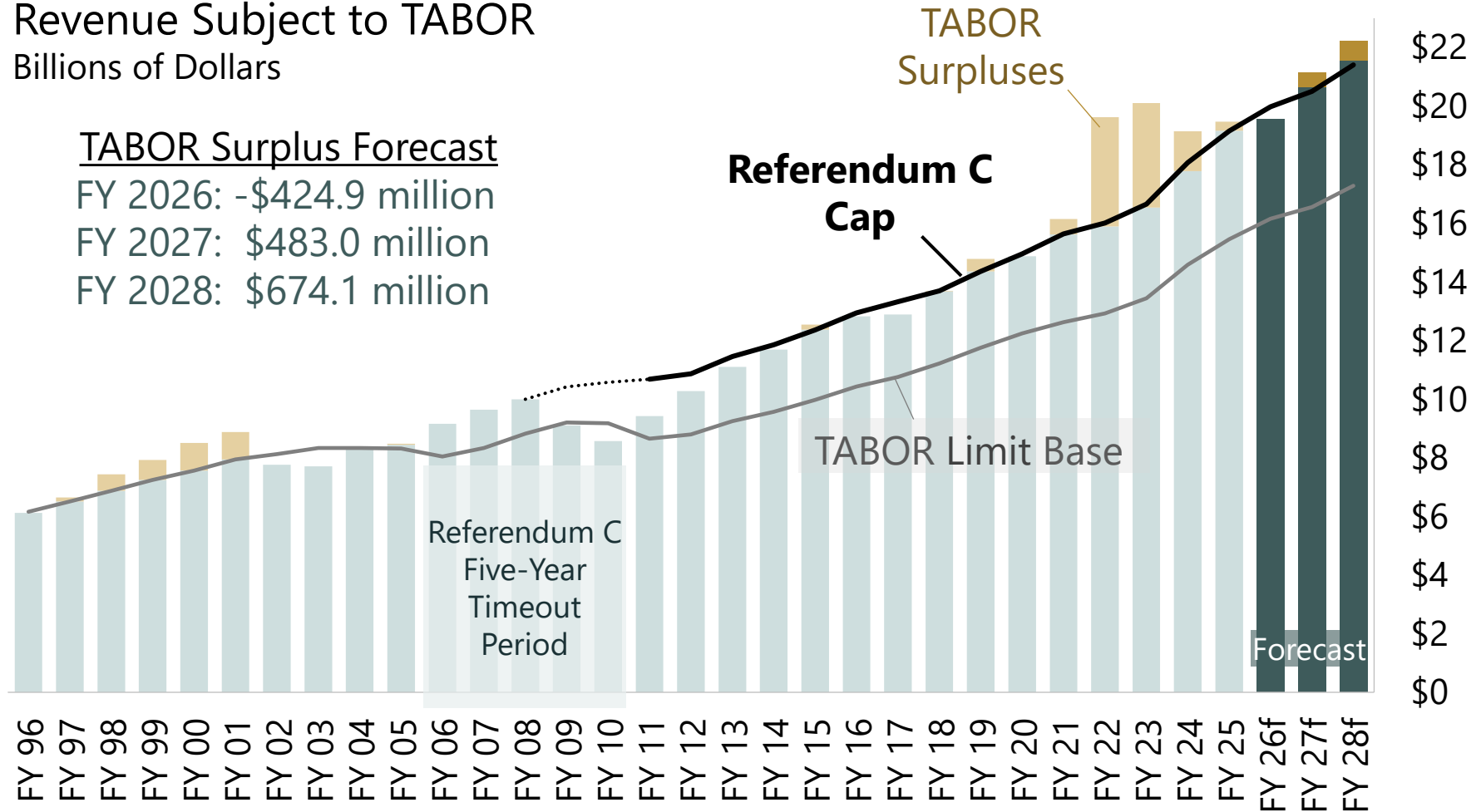
Revenue Subject to TABOR
Billions of Dollars

TABOR Surplus Forecast

FY 2026: -\$424.9 million

FY 2027: \$483.0 million

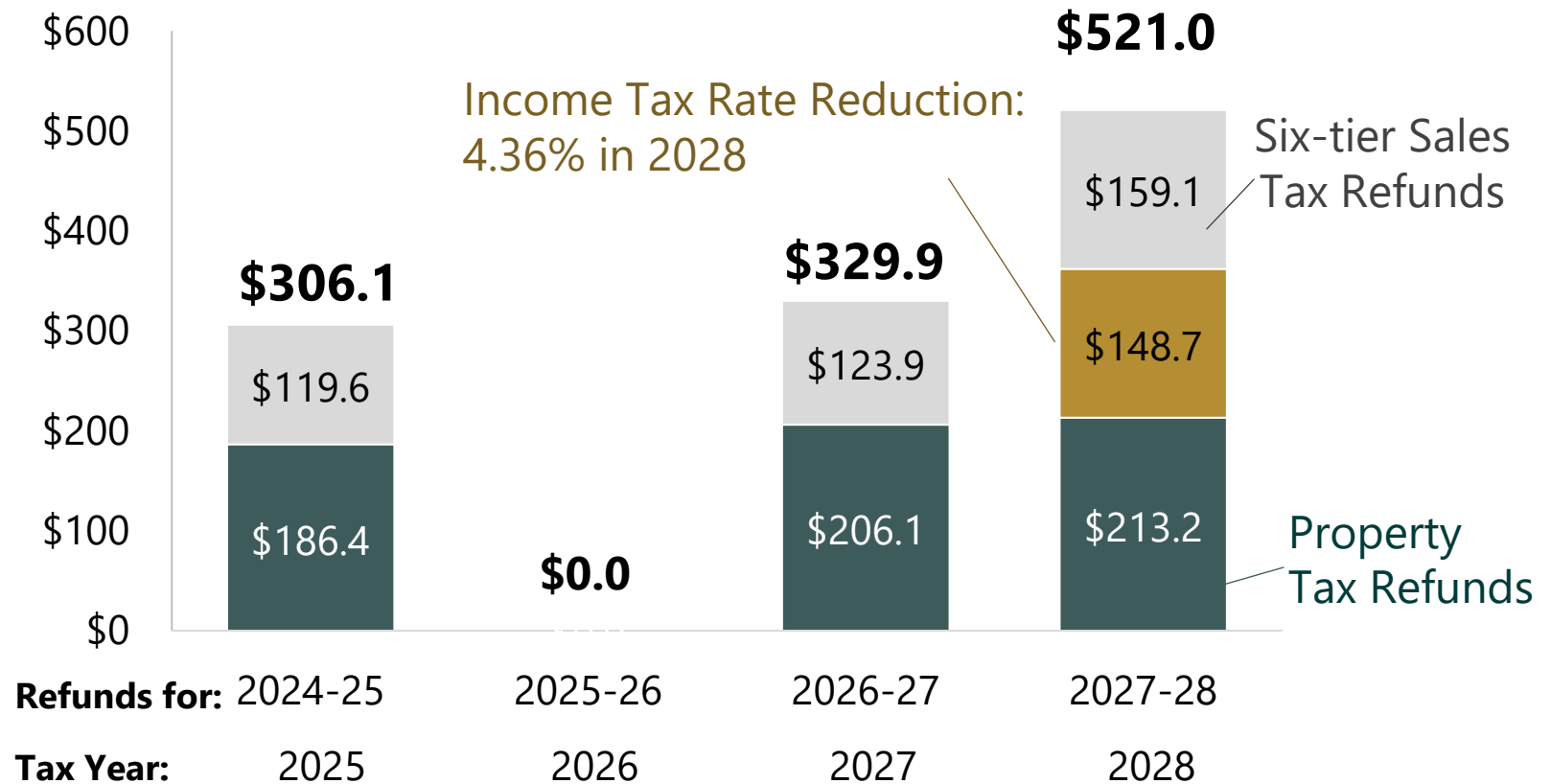
FY 2028: \$674.1 million



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

TABOR refunds are less than surplus amounts due to HB 26-1419

Millions of dollars



Revenue Forecast Policy Outcomes

Triggered Tax Credits

- FATC/Expanded EITC already **off** for tax year (TY) 2026
- FATC/Expanded EITC projected **off** for TY 2027, TY 2028
 - TY 2027 determined by **December 2026** OSPB forecast
- Our forecast assumes credits off and adjusts (increases) revenue forecast. **If credits become available, we would downgrade our forecast.**

Healthy School Meals for All

- Prop MM now forecast at **\$136M** in FY 2026-27 (vs. \$95M Blue Book estimate)

Diversions based on taxable income

Income tax is diverted based on **taxable income** to:

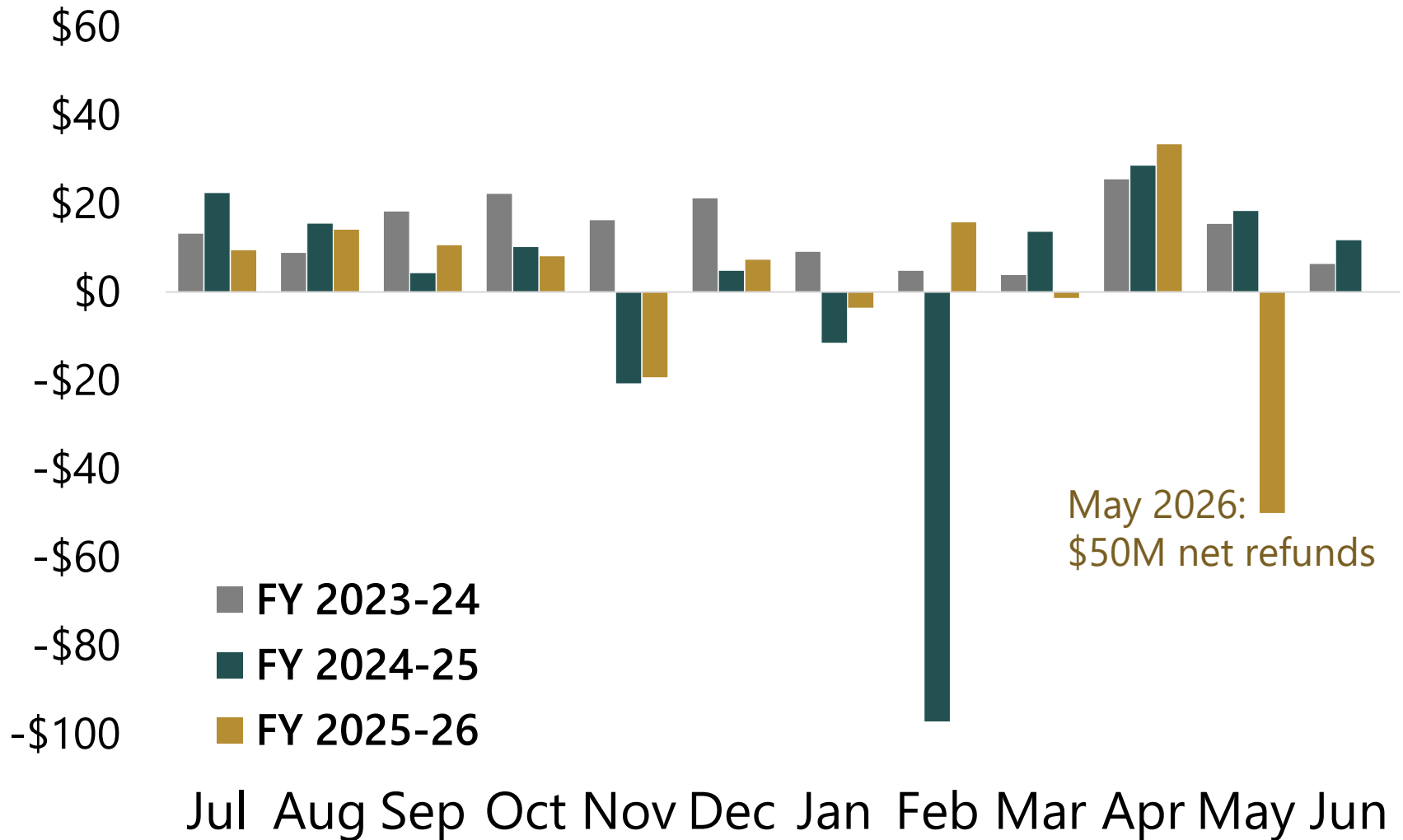
- State Education Fund
- State Affordable Housing Fund
- Kids Matter Account

New credit reporting indicates that we underestimated 2024 taxable income, so we're revising these forecasts up:

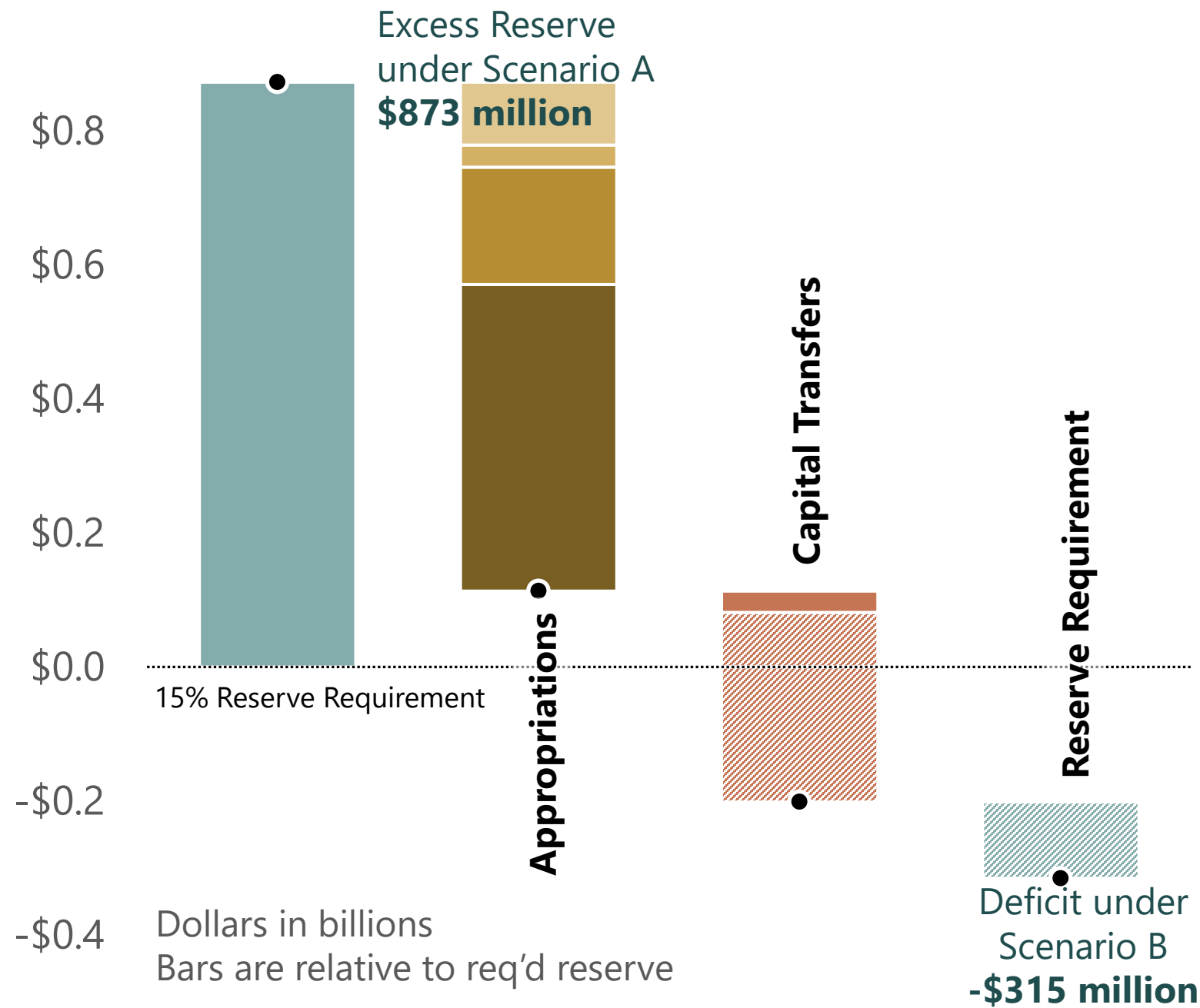
- SEF: +\$185M in FY26, +\$79M in FY27
- SAHF: +\$55M in FY26, +\$24M in FY27
- KMA: +\$15M in FY27

Severance tax now estimated to total \$78M in FY 2025-26, \$105M downgrade from March

Oil and gas severance taxes, millions of dollars



FY 2027-28 Scenario B



Risks to the Budget Outlook

**Revenue performance highlights
bidirectional risk**

- Revenue differed greatly from March forecast
- There are multiple plausible explanations that carry directionally different risks

Late-breaking accounting changes

Applicability and impact of HB 26-1419

Recession risk is budget risk

Questions?

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