



**December 2025 | Legislative Council Staff**  
**Economic & Revenue Forecast**

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**Presentation to the Joint Budget Committee**  
**December 19, 2025**



# Economic Outlook



# Economic Outlook Highlights

## Economy is expanding, but recession risk remains high

- Healthy GDP growth from business activity and moderate consumer spending
- Labor markets, household finances, and real estate show weakness, particularly for low-income workers

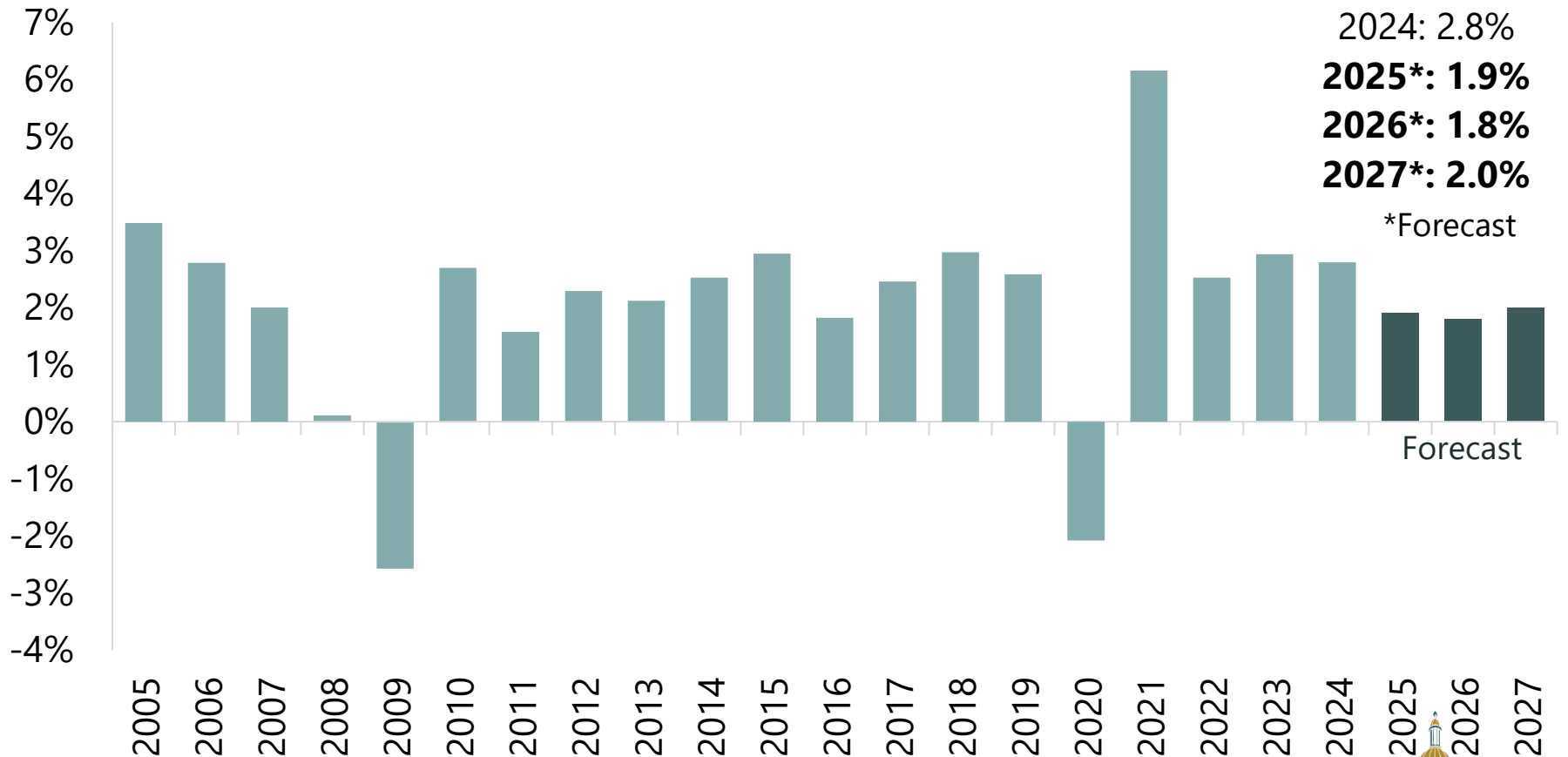
## Government shutdown disrupts data collection

- Inflation and certain labor market data were not collected for October, and less reliable than normal for November
- Colorado labor market data only available through September
- GDP data available only through 2<sup>nd</sup> quarter



# The U.S. economy continues to expand, but shows signs of slowing

Real U.S. Gross Domestic Product  
Percent Change

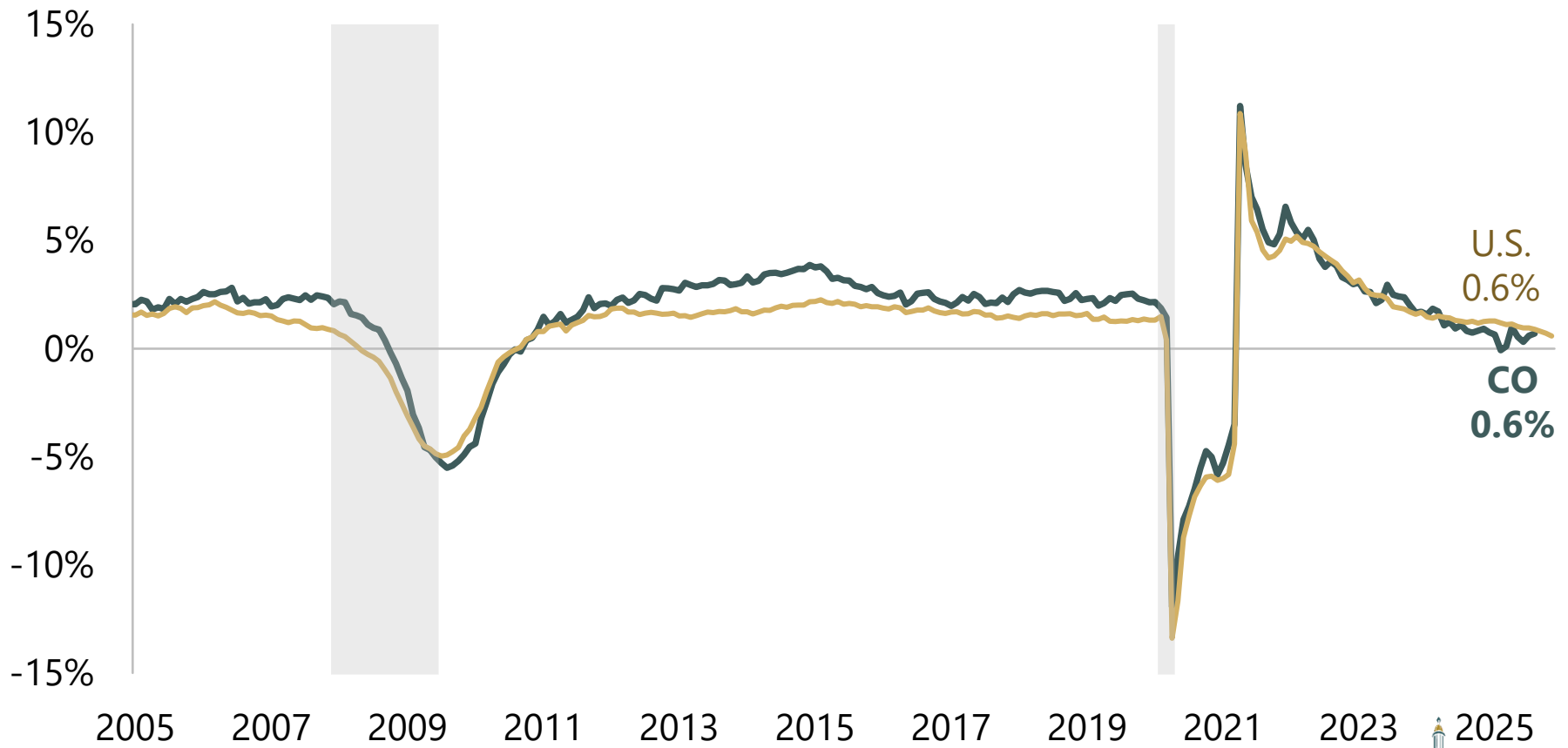


Source: U.S. Bureau of Economic Analysis and Legislative Council Staff projections. Real GDP is inflation-adjusted to chained 2017 levels and shown at seasonally adjusted annualized rates.



# Colorado and U.S. employment growth expected to decelerate into 2026

Nonfarm Employment Growth  
Year-over-year percent change



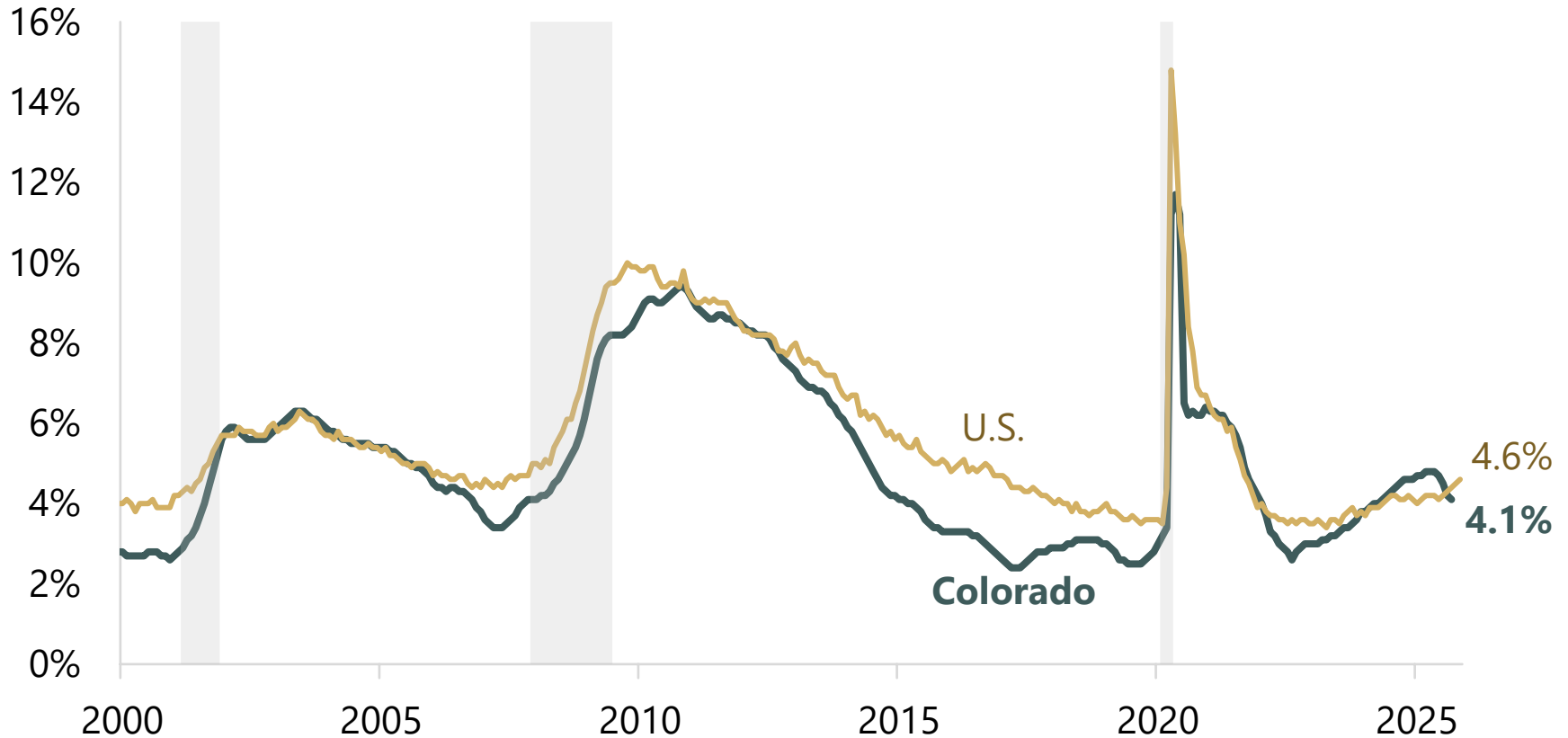
Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Data for the U.S. are through November and data for Colorado are through September.



# Unemployment rate shows mixed signals, ticking up for the U.S. while falling in Colorado

## Unemployment Rate

Percent

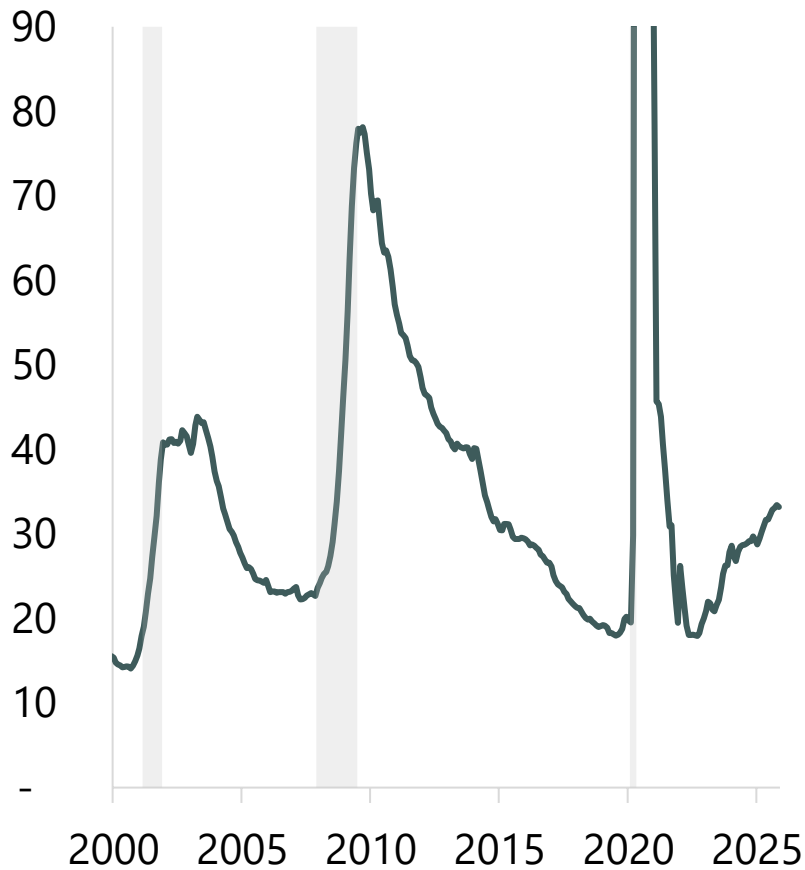


Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Data for the U.S. are through November and data for Colorado are through September.

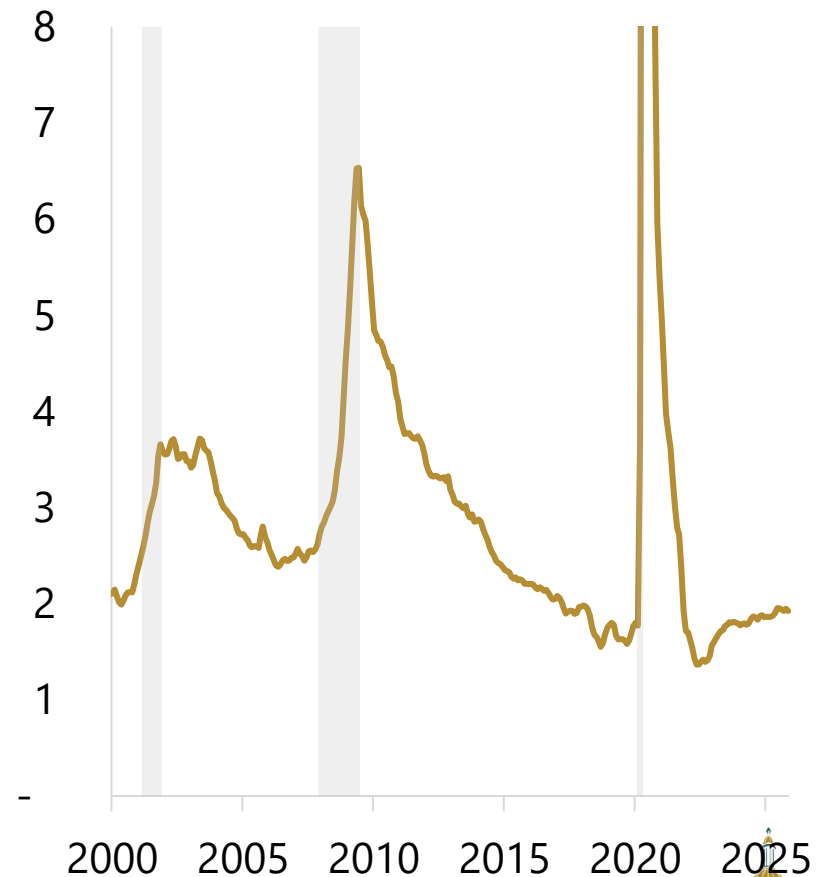


# Unemployment Insurance claims are on the rise, particularly in Colorado

CO Insured Unemployment  
Thousands of Continued UI Claims



US Insured Unemployment  
Millions of Continued UI Claims



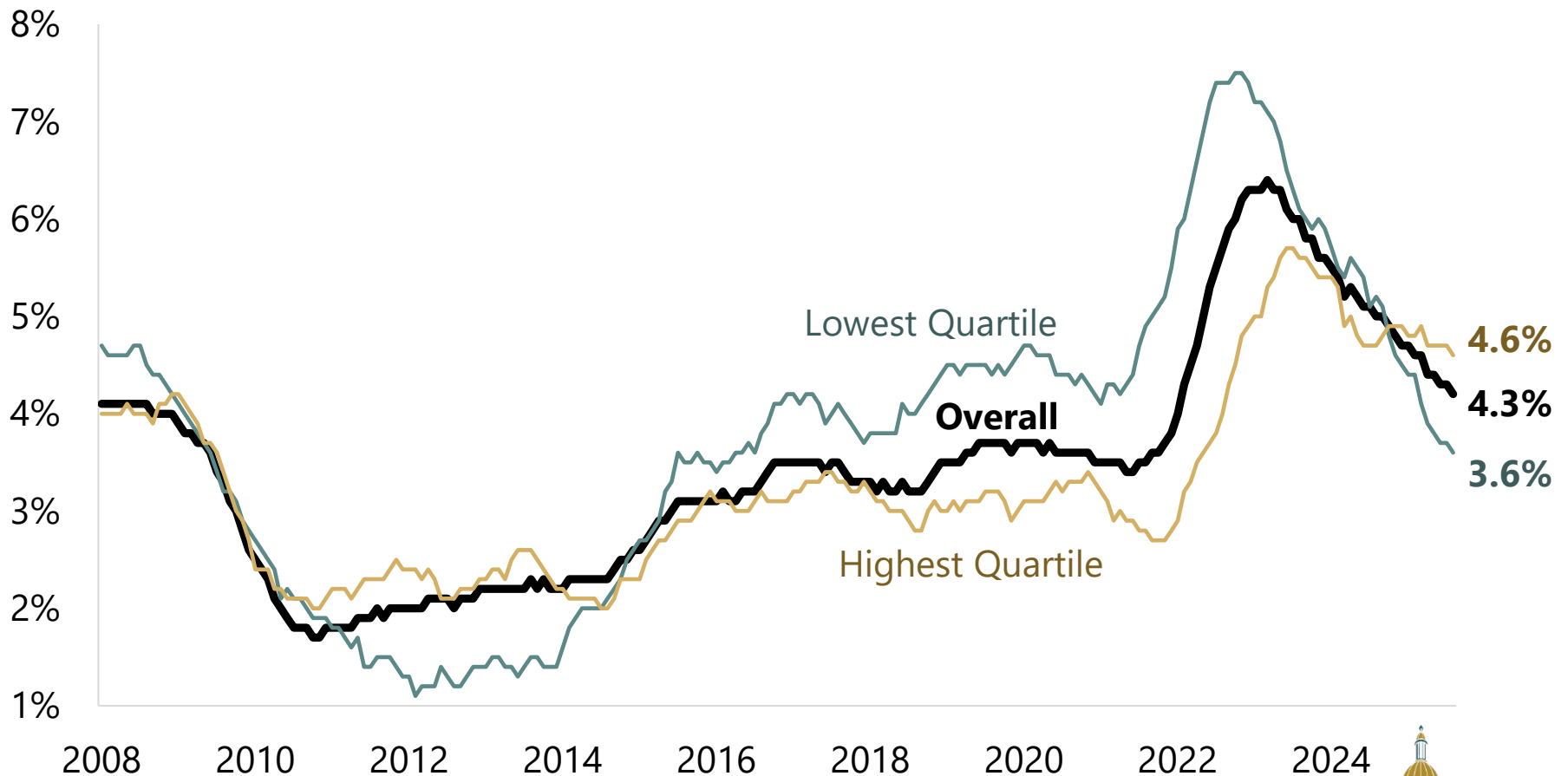
Source: U.S. Department of Labor; LCS calculations for seasonal adjustment. Data are seasonally adjusted through November 2025. Insured unemployment reached peaks of 242,300 in Colorado and 20.3 million in the U.S. in May 2020, which are not shown in order to make the charts legible.



# Wage growth for low-wage earners lags, signaling diverging labor market conditions

## Nominal Hourly Wage Growth by Wage Quartile

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



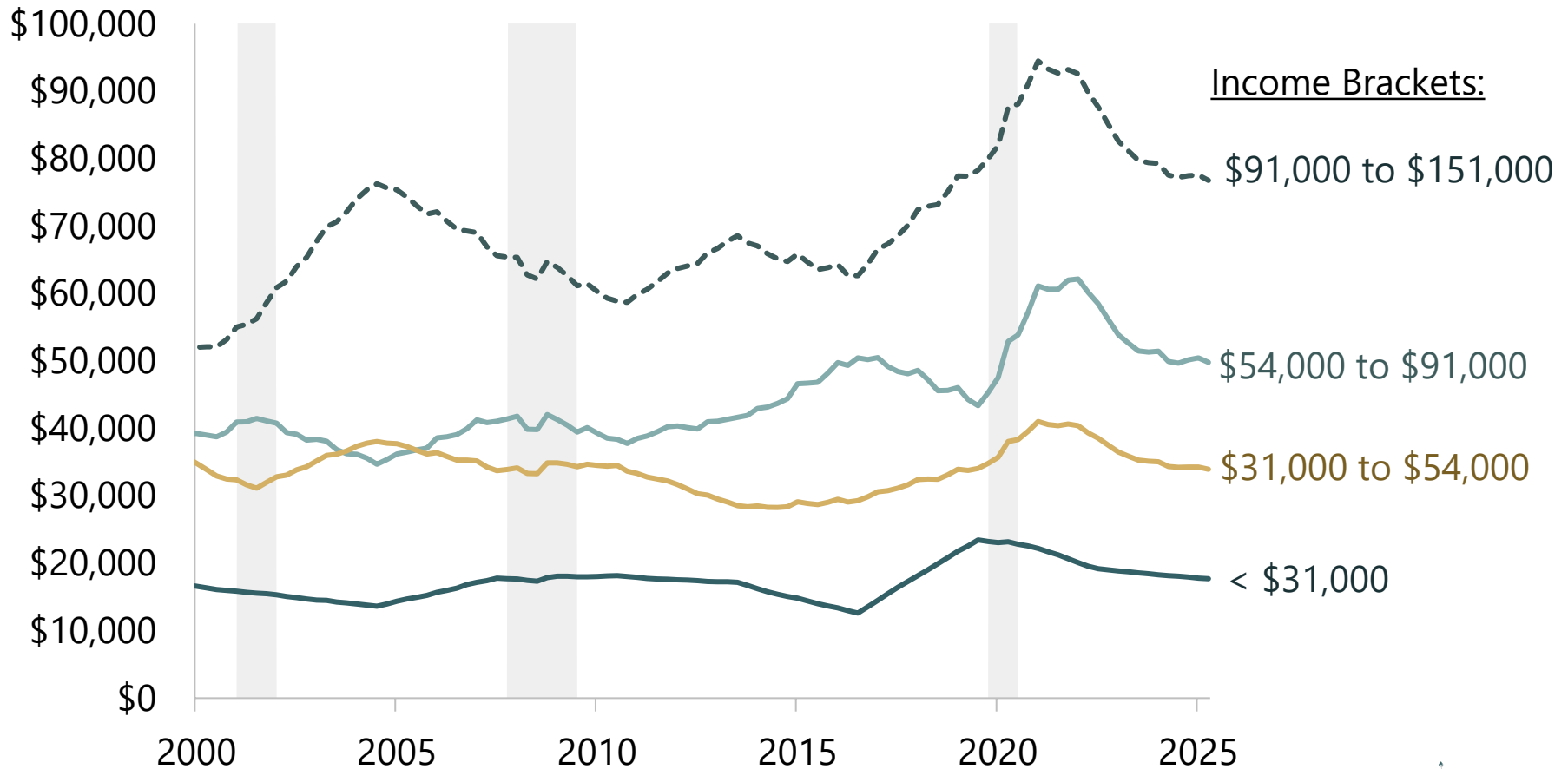
Source: Atlanta Fed Wage Growth Tracker. Data are through September 2025.





# Real U.S. household savings are declining

## U.S. Average Real Household Savings by Income Constant 2025 Dollars

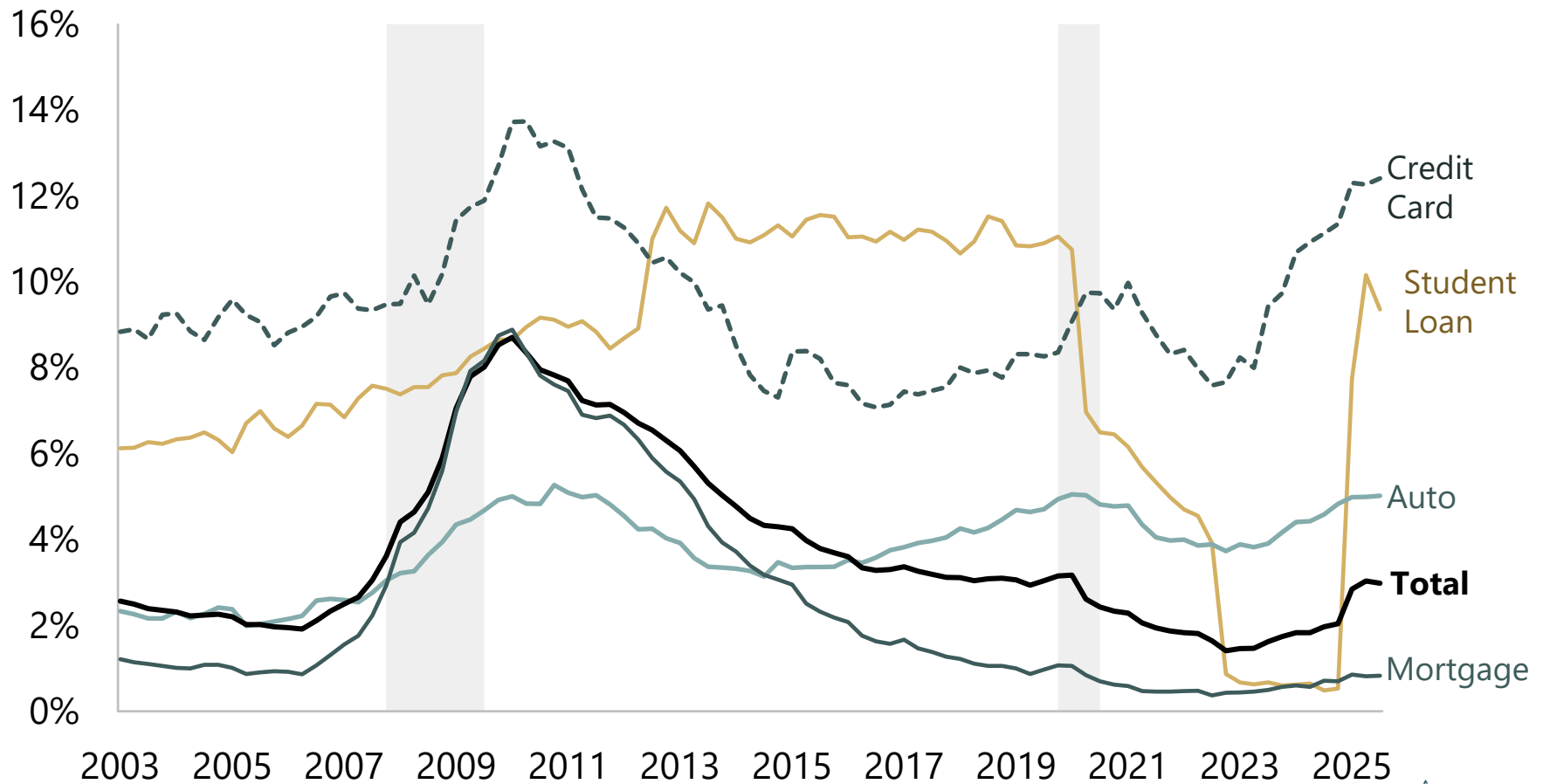


Source: Federal Reserve Bank of New York, Distributional Financial Accounts with Legislative Council Staff calculations. Data are through the second quarter of 2025. Average real household savings are calculated by dividing total savings by the number of households, and adjusting for inflation using CPI. Income ranges are approximate.



# Credit card delinquencies are rising nationwide

## U.S. Serious Delinquency Rates by Loan Type Percent of Loans

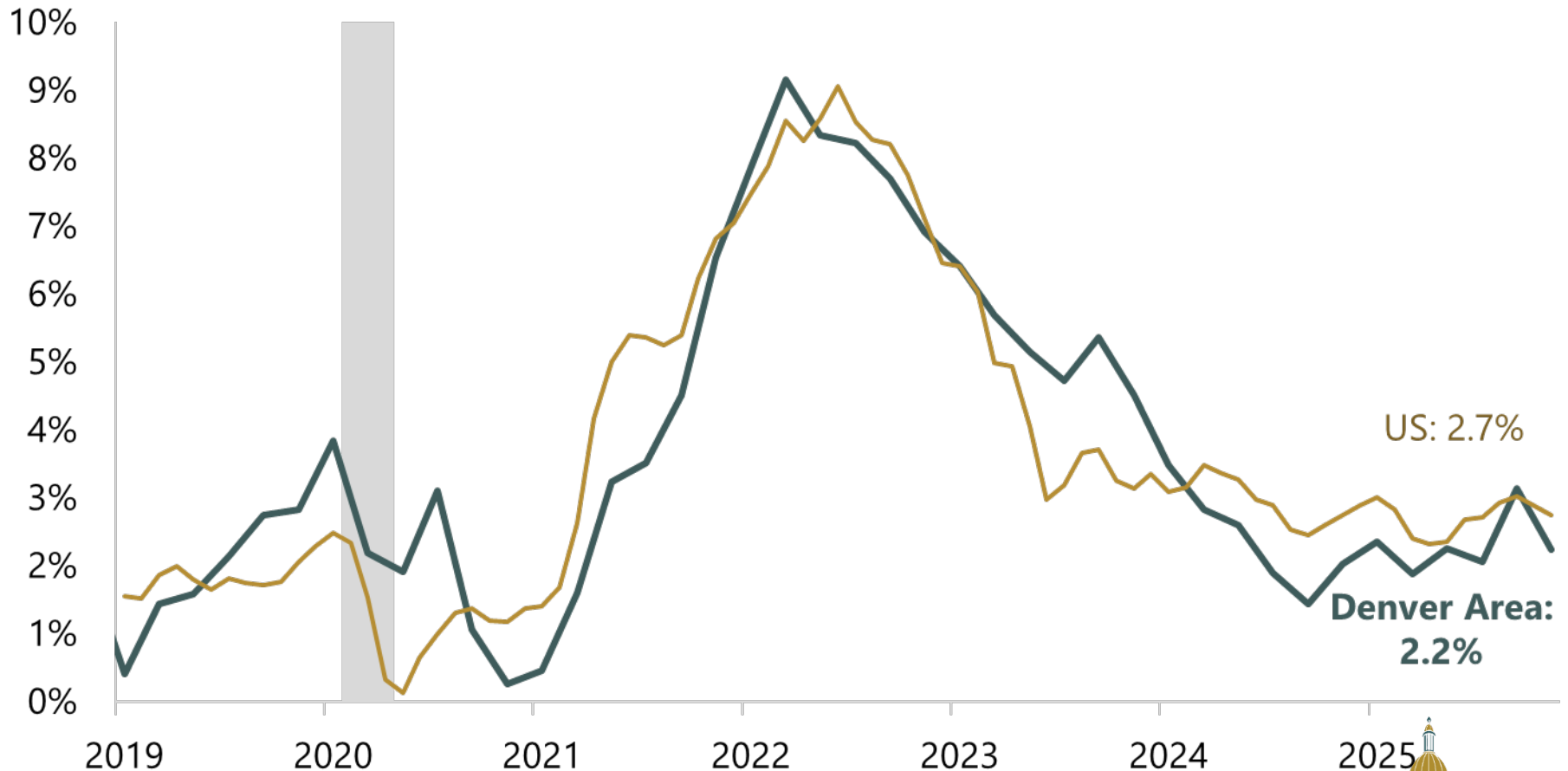


Source: New York Fed Consumer Credit Panel/Equifax. Data are through 2025Q2.  
Serious delinquency rates are the percentage of total debt that is delinquent by 90 days or more.



# Inflation ticked down in November after steady increases in prior months

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

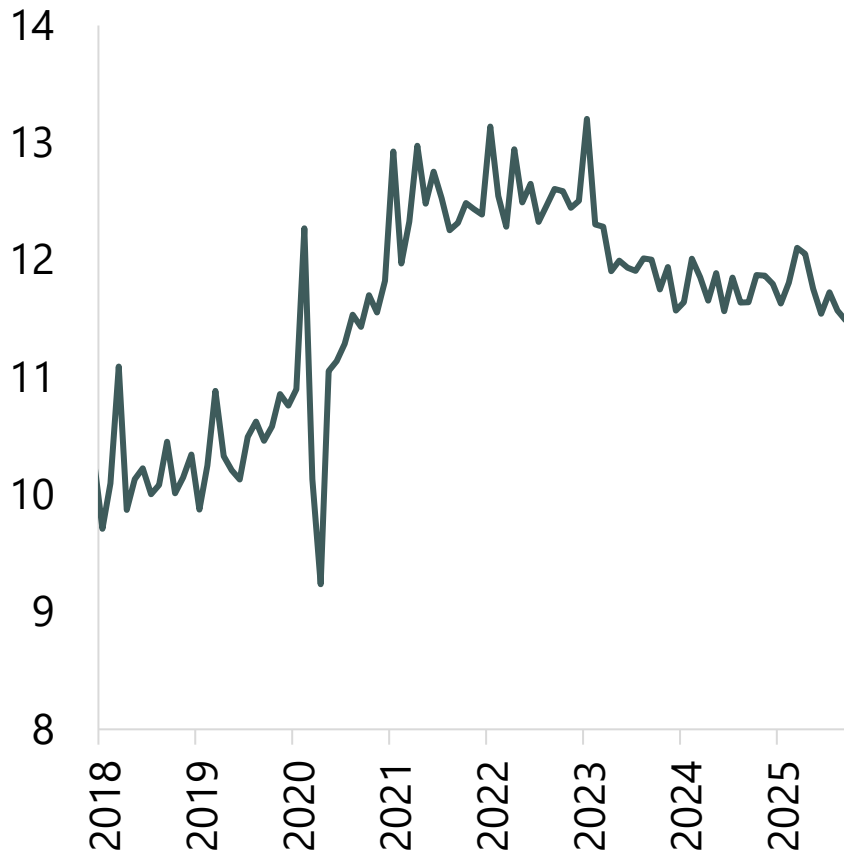


Source: U.S. Bureau of Labor Statistics. Denver area inflation is measured using prices in the Denver-Aurora-Lakewood metropolitan area. Data are through November 2025.

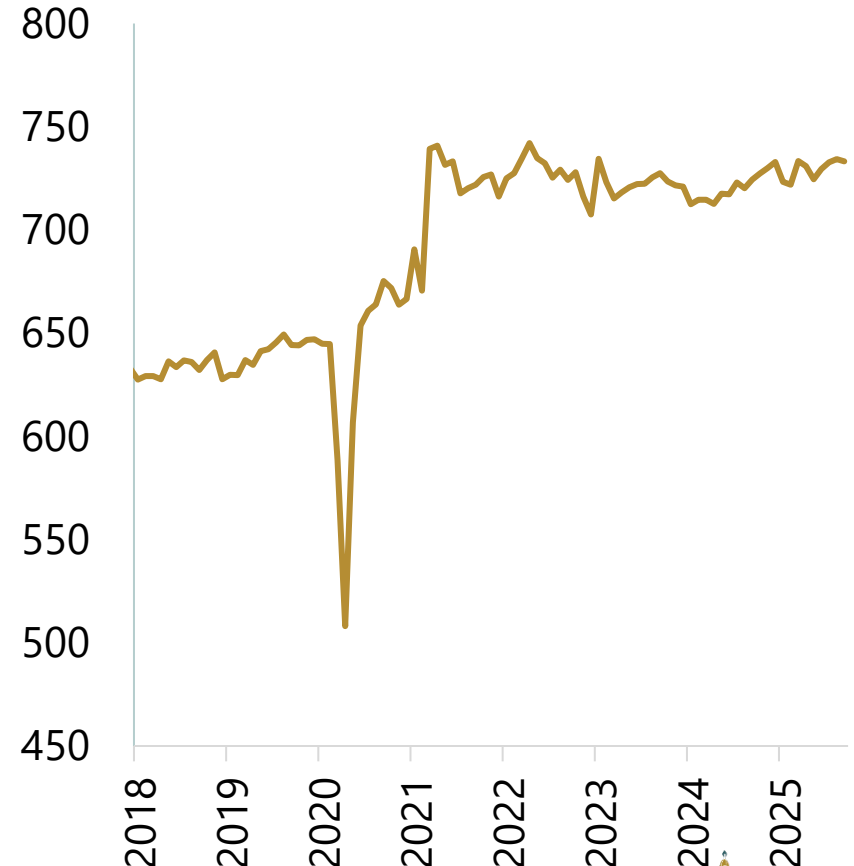


# Retail spending is sluggish after adjusting for inflation

CO Real Retail Trade Sector Sales  
Billions of Constant 2025 Dollars



U.S. Real Retail Trade Sector Sales  
Billions of Constant 2025 Dollars



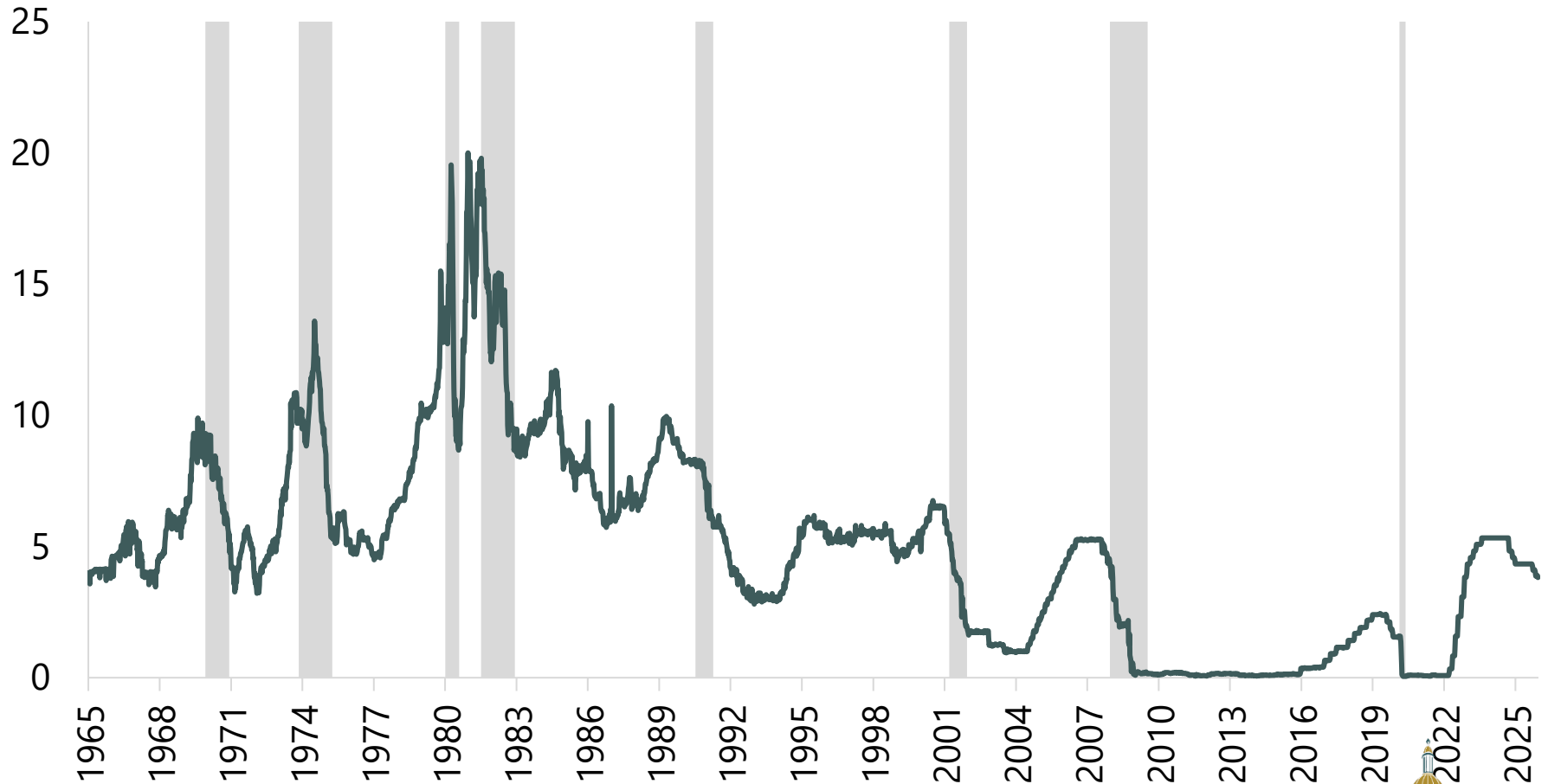
Source: U.S. data from U.S. Census Bureau, Colorado data from Colorado Department of Revenue. Seasonally adjusted through September 2025.



# Federal Reserve cuts interest rates in 2025, but path remains unclear

## Effective Federal Funds Rate

Percent



Source: Board of Governors of the Federal Reserve System, H.15 Selected Interest Rates



# The forecast anticipates a continued, slowing expansion, with risks tipped to the downside

## **Downside Risks:**

- Deteriorating labor market conditions
- Weak household finances impact consumer spending
- Continued impacts of high tariffs
- AI investment bubble

## **Upside Risks:**

- More monetary policy easing
- Reductions in tariffs
- Stimulus from federal tax breaks



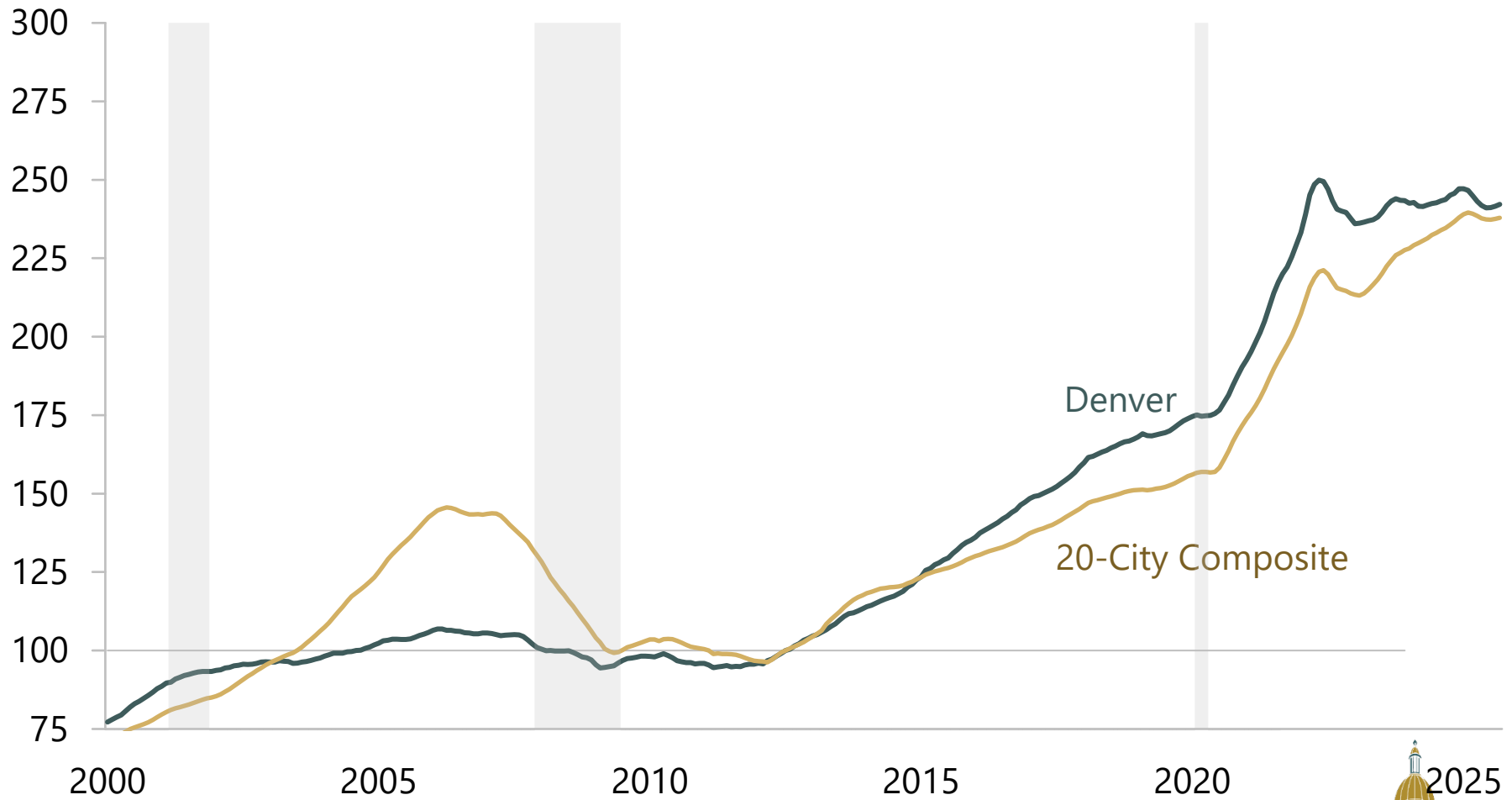
# Supplemental Slides



# Home price growth remains muted in Denver and nationwide

## Case-Shiller Home Price Indices

Index 100 = July 2012



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





# Tariff collections soared in 2025

Monthly U.S. Tariff and Certain Excise Tax Revenue  
Billions of Dollars



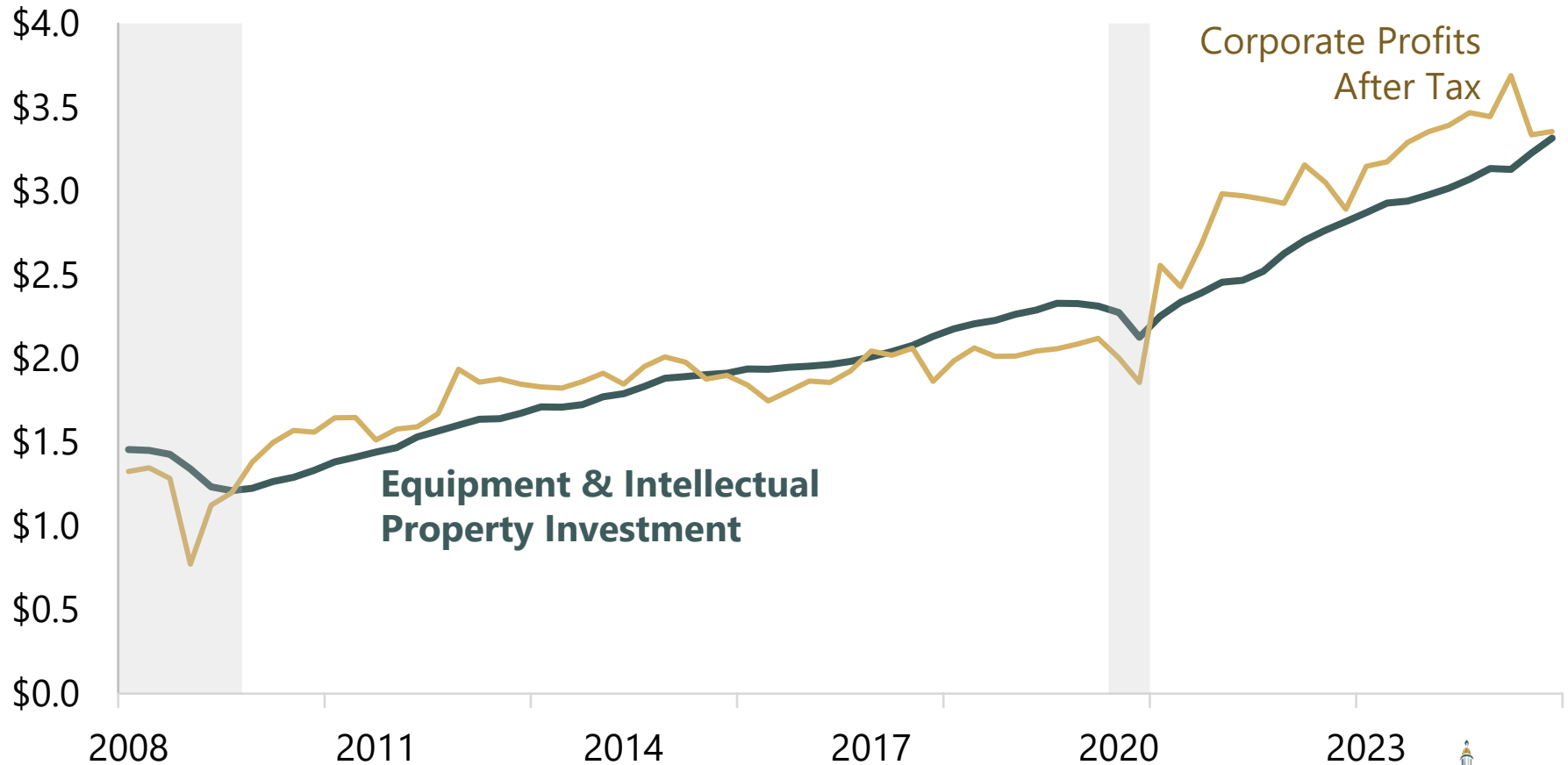
Source: Daily Treasury Statement. Data are monthly through November 2025. Series includes tariff revenue and a small amount of excise tax revenue from alcohol and tobacco products.



# Corporate Profits tick down while business investment remains strong

## Corporate Profits and Business Investment

Trillions of Dollars

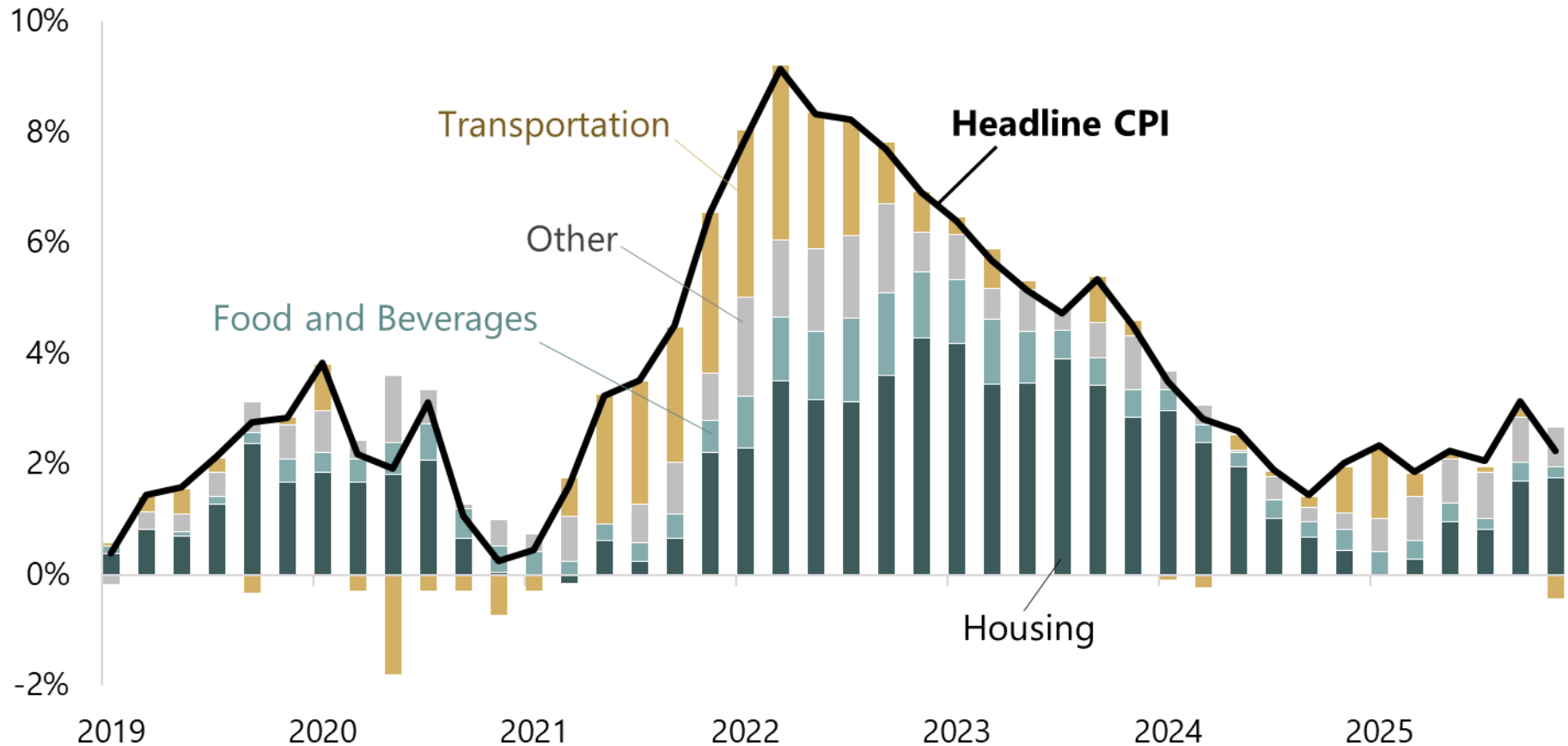


Source: Board of Governors of the Federal Reserve System, H.15 Selected Interest Rates



# Energy offsets part of the upward pressure from housing on Denver area prices over the past year

## Contributions to Denver-Aurora-Lakewood CPI-U Year-over-Year Change in Prices

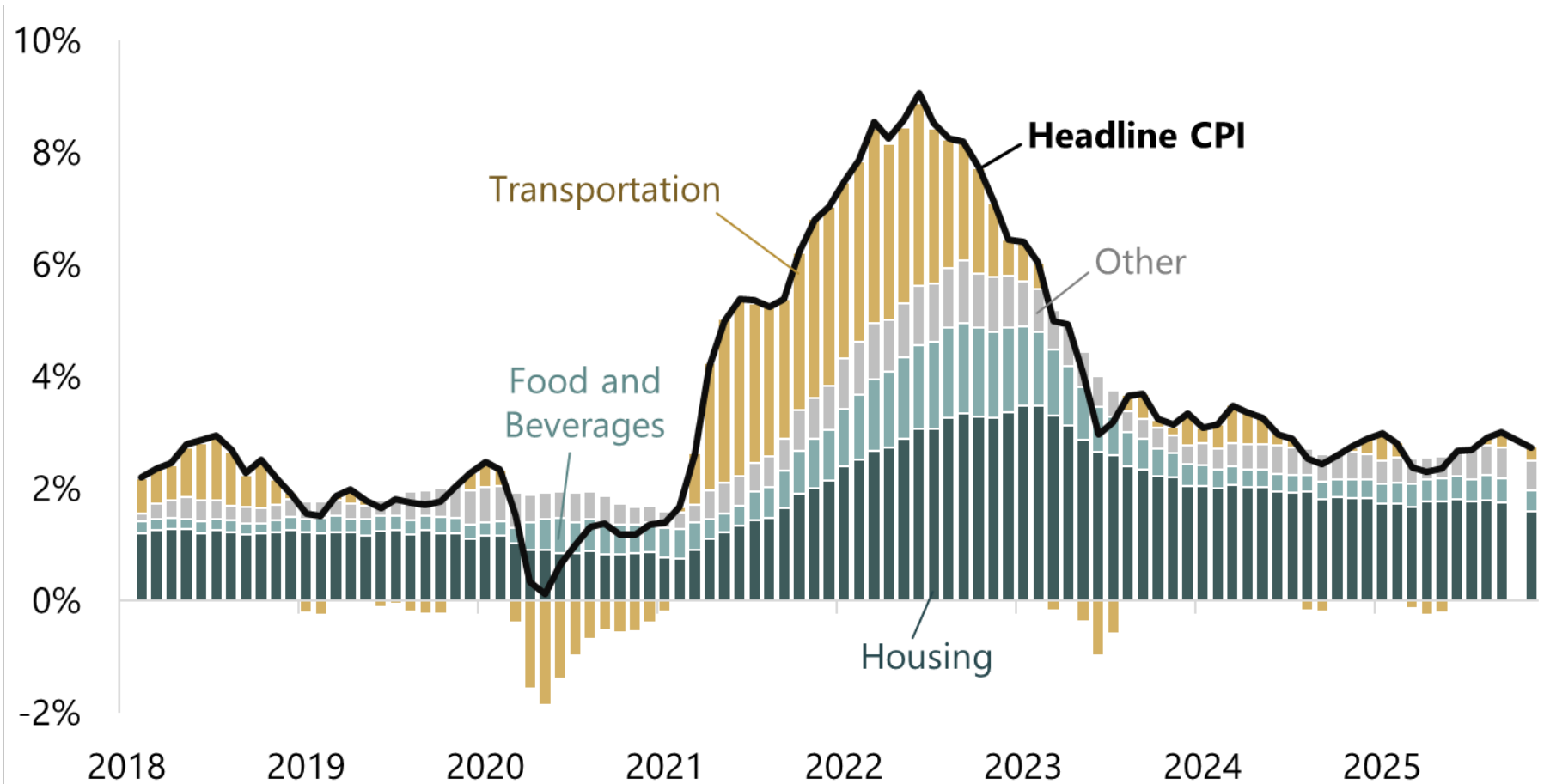


Source: U.S. Bureau of Labor Statistics and LCS calculations.



# Housing price inflationary pressure remains sticky, ticks up in recent data

## Contributions to U.S. Consumer Price Index (CPI-U) Inflation Year-over-Year Change in Prices



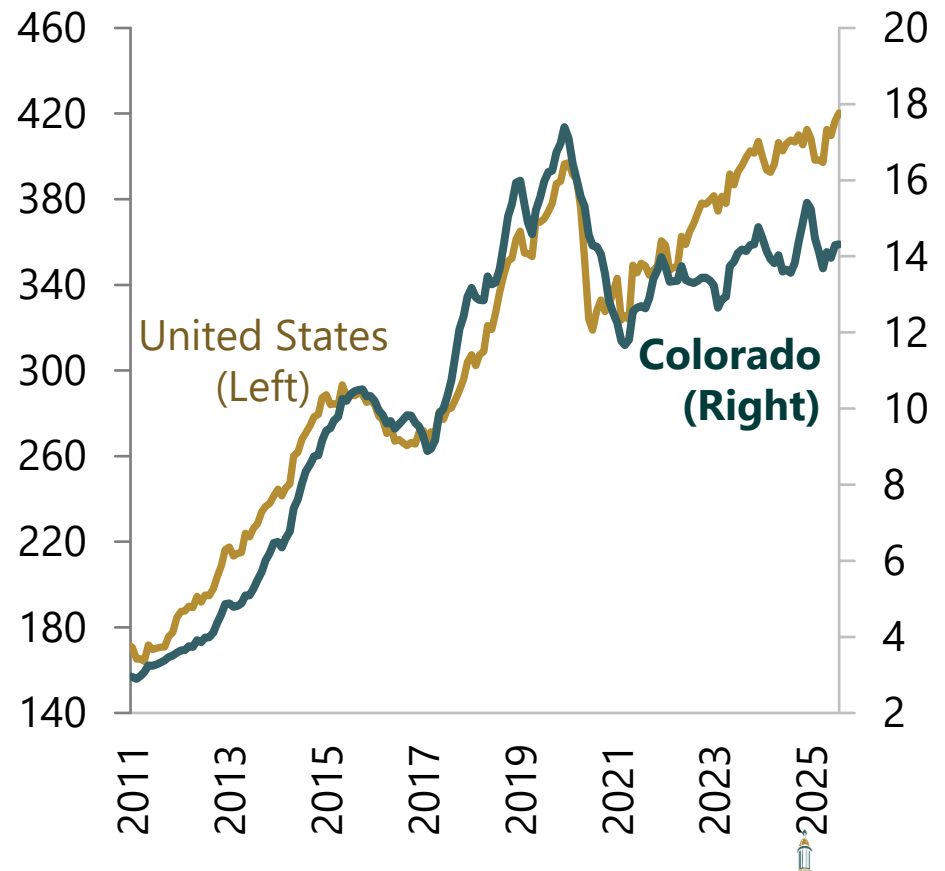
Source: U.S. Bureau of Labor Statistics and LCS calculations.

# Crude oil prices down, expected to reduce production

Crude Oil Price - WTI  
Dollars per Barrel



Crude Oil Production  
Millions of Barrels per Month



Source: U.S. Energy Information Administration. Weekly average prices (left). Monthly production (right). Data are shown as three-month moving average and are not seasonally adjusted.

# Revenue & Budget Forecast



# Forecast Highlights

## General Fund Revenue Forecast

- downward revision in all years
- OBBBA contributes to forecast uncertainty
- tax credits triggered down or off for TY 2026

## TABOR Outlook

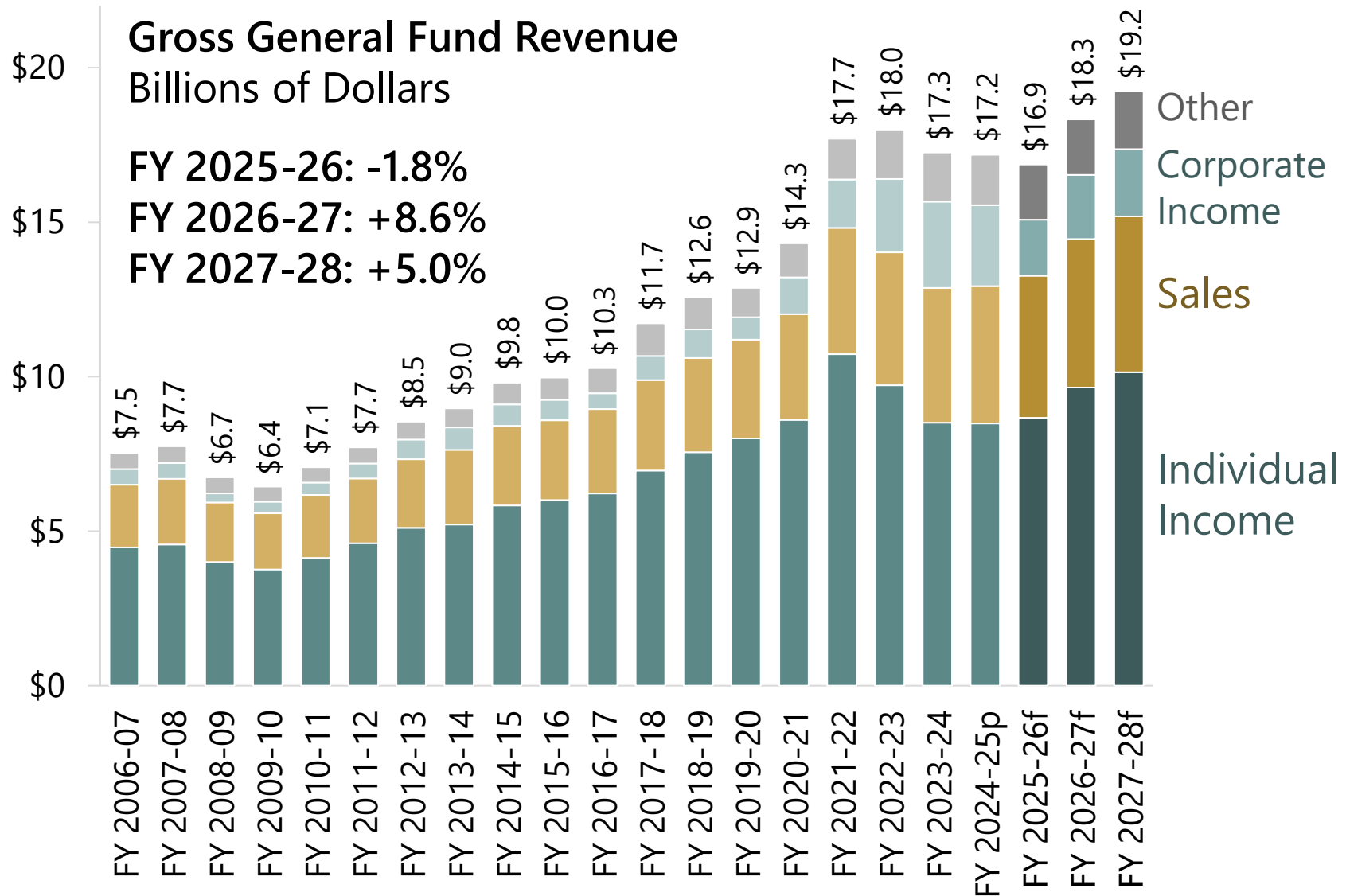
- no TABOR surplus expected in FY 2025-26;  
forecast now below limit by \$465M
- Prop MM projected at \$101M in FY 2026-27

## Budget Bottom Line

- FY 2025-26 expected deficit revised to \$399M
- scenarios for FY 2026-27



# General Fund revenue expected to fall in FY 2025-26 and rebound in FY 2026-27





# Certain tax credits depend on revenue forecasts

## Electric vehicle, E-bike, and heat pump credits (**HB 23-1272**)

- Credits will be reduced by 50% in TY 2026 only
- Determined by **June** forecasts

## Workforce shortage tax credit (**HB 24-1365**)

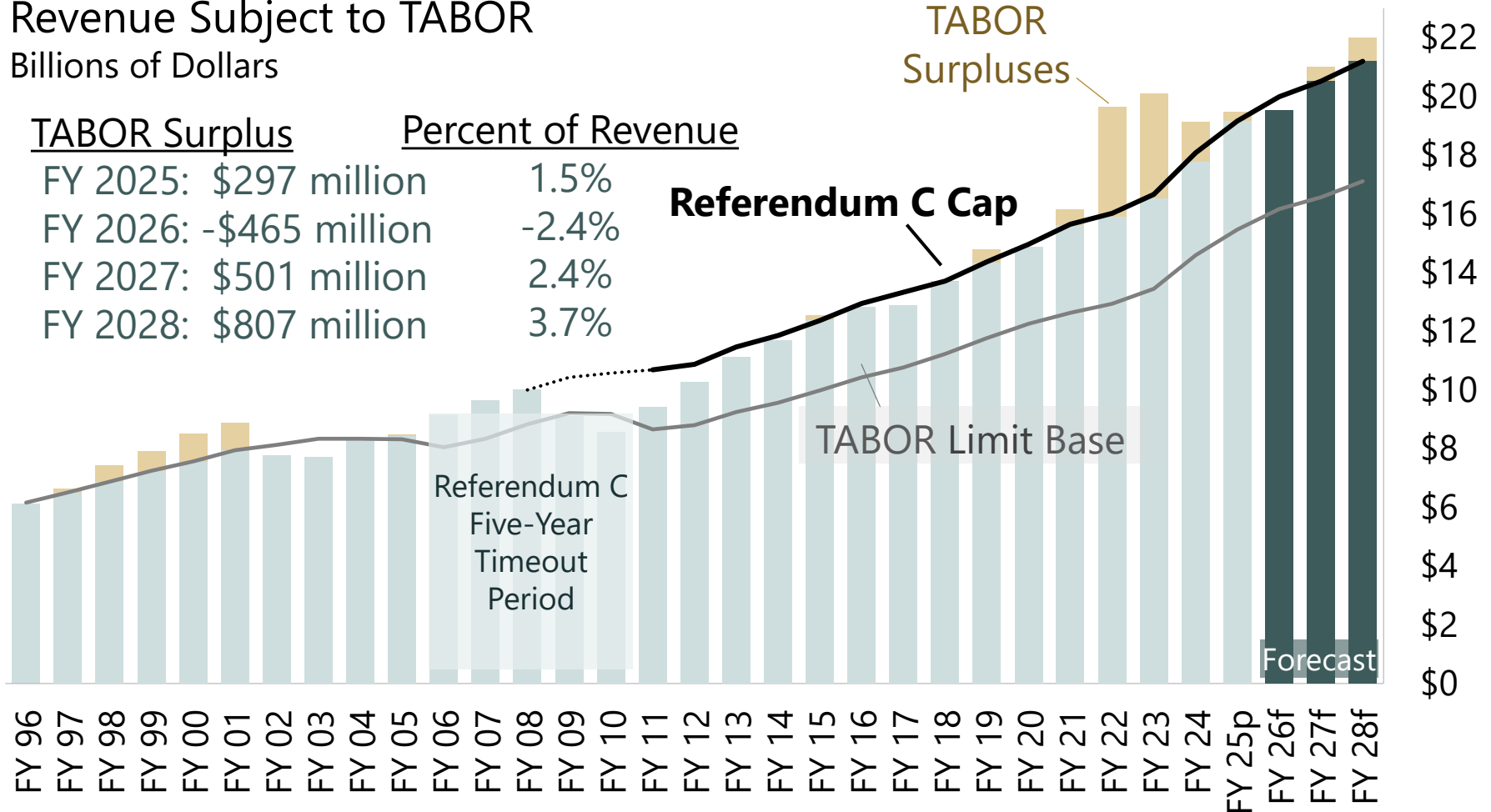
- Credit cap will be reduced from \$15 million to \$7.5 million in tax year 2026 only
- Determined by **September** forecasts

## Family affordability tax credit (**HB 24-1311**) and expanded earned income tax credit (**HB 24-1134**)

- Credits will be unavailable in TY 2026, partially available in TY 2027 and TY 2028
- Determined by the **December** forecast from the agency selected to balance the budget in March

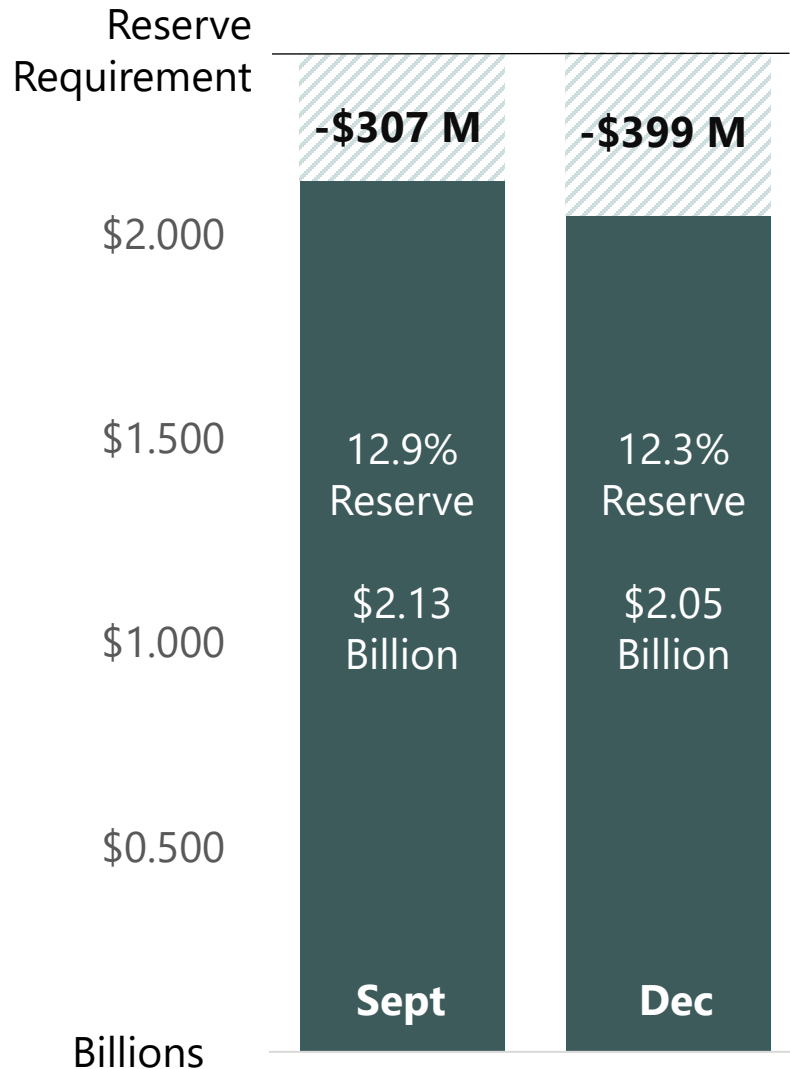
# Revenue expected to fall below Referendum C Cap in FY 2025-26

Revenue Subject to TABOR  
Billions of Dollars



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

# FY 2025-26 Current Year | General Fund Reserve



Change since the September forecast (Scenario A)

Net **-\$92 million** change in GF reserve relative to requirement

What Changed?

**+\$145 mil.** Increased **beginning balance**

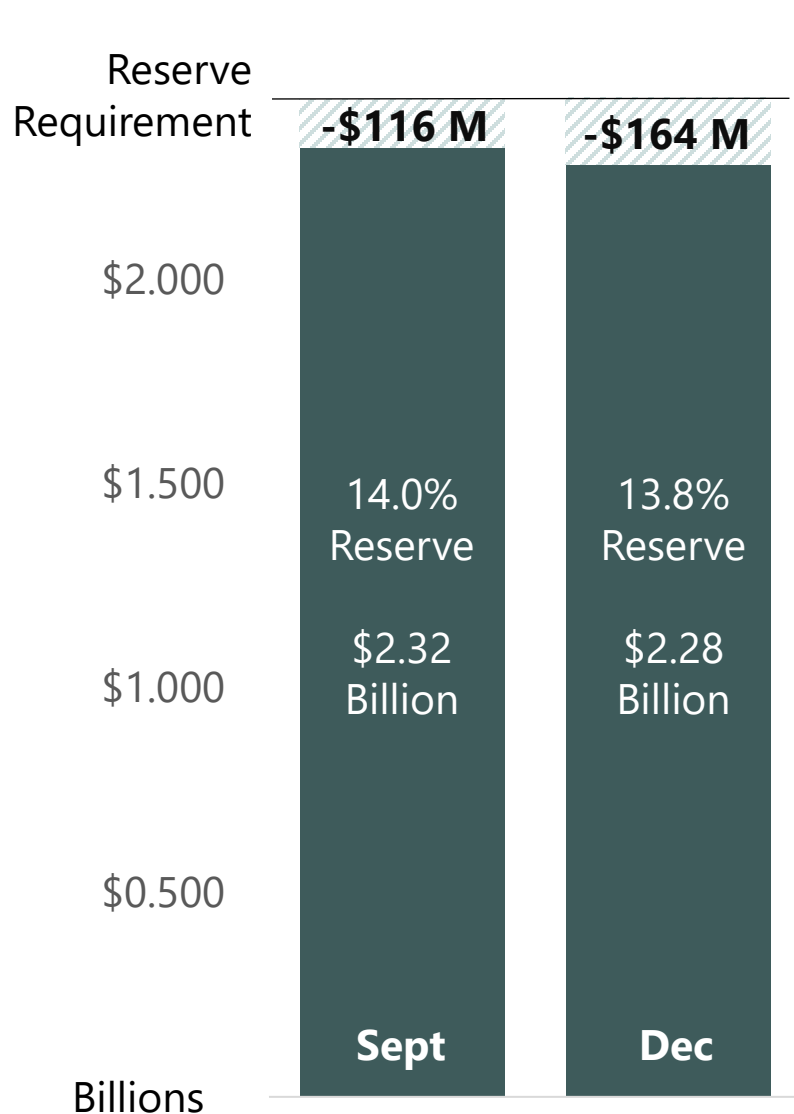
**-\$304 mil.** Decreased **General Fund revenue**

**+\$104 mil.** Increased **transfers in**

**+\$33 mil.** JBC-approved **1331s**

Small changes to **rebates and expenditures, transfers out**

# FY 2026-27 Scenario A | General Fund Reserve



Change since the September forecast (Scenario A)

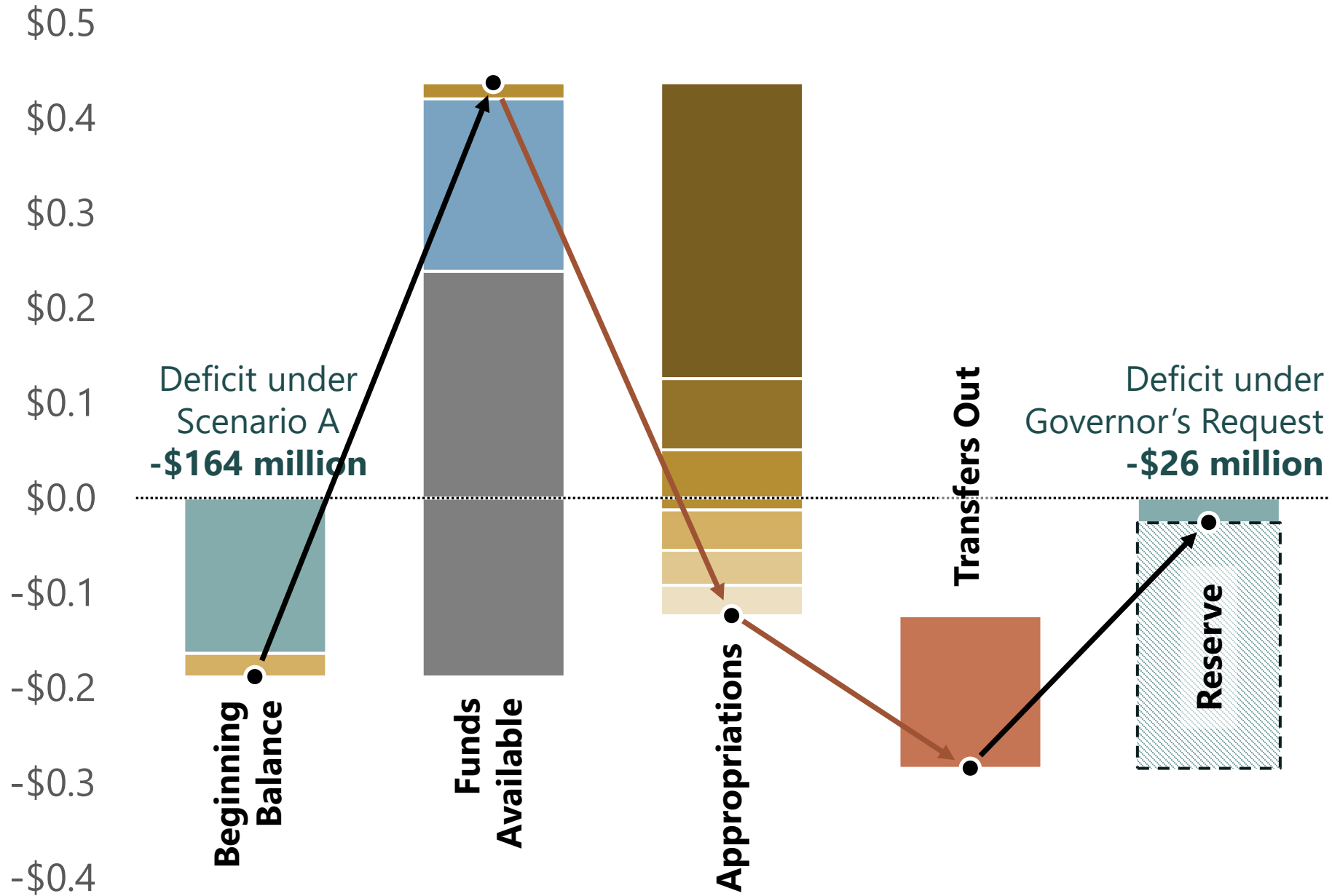
Net **-\$47 million** change in GF reserve relative to requirement

What Changed?

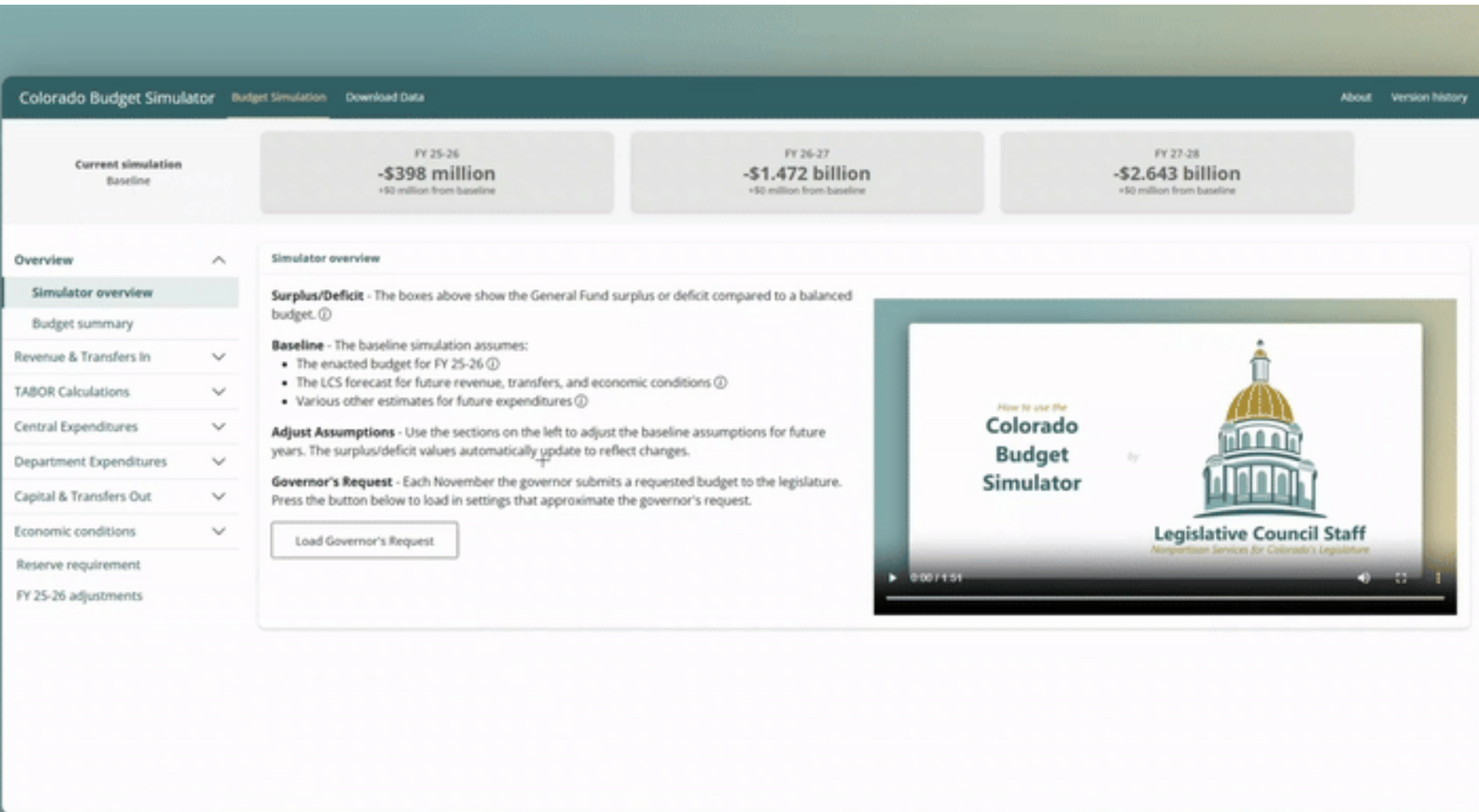
- \$87 mil.** Decreased **beginning balance**
- \$119 mil.** Decreased **General Fund revenue**
- \$205 mil.** Decreased **TABOR refund oblig.**
- +\$33 mil.** Assumed **appropriations**

Small changes to **rebates and expenditures, transfers in, transfers out**

# FY 2026-27 Governor's Request



# Colorado Budget Simulator



# Forecast Takeaways

The **economic outlook** has weakened and a near-term recession is possible

Budget outlook is unusually **sensitive to the revenue forecast**

Revenue forecast is uncertain, with **bidirectional risk**

Different FY 2025-26 **balancing decisions** impact FY 2026-27 budget differently

# Questions?

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# K-12 Enrollment



# Current Year K-12 Enrollment

## Full-time equivalent (FTE) student counts

| Region                 | Actual<br>2025-26 | Percent<br>Change |
|------------------------|-------------------|-------------------|
| Colorado Springs       | 125,204           | 0.0%              |
| Eastern Plains         | 24,179            | -1.1%             |
| Metro Denver           | 466,448           | -1.4%             |
| Mountain               | 22,617            | -3.5%             |
| Northern               | 90,355            | -2.5%             |
| Pueblo                 | 29,464            | -3.9%             |
| San Luis Valley        | 6,510             | -3.8%             |
| Southwest Mountain     | 11,505            | -4.0%             |
| Western                | 47,172            | -1.0%             |
| <b>Statewide Total</b> | <b>823,452</b>    | <b>-1.5%</b>      |

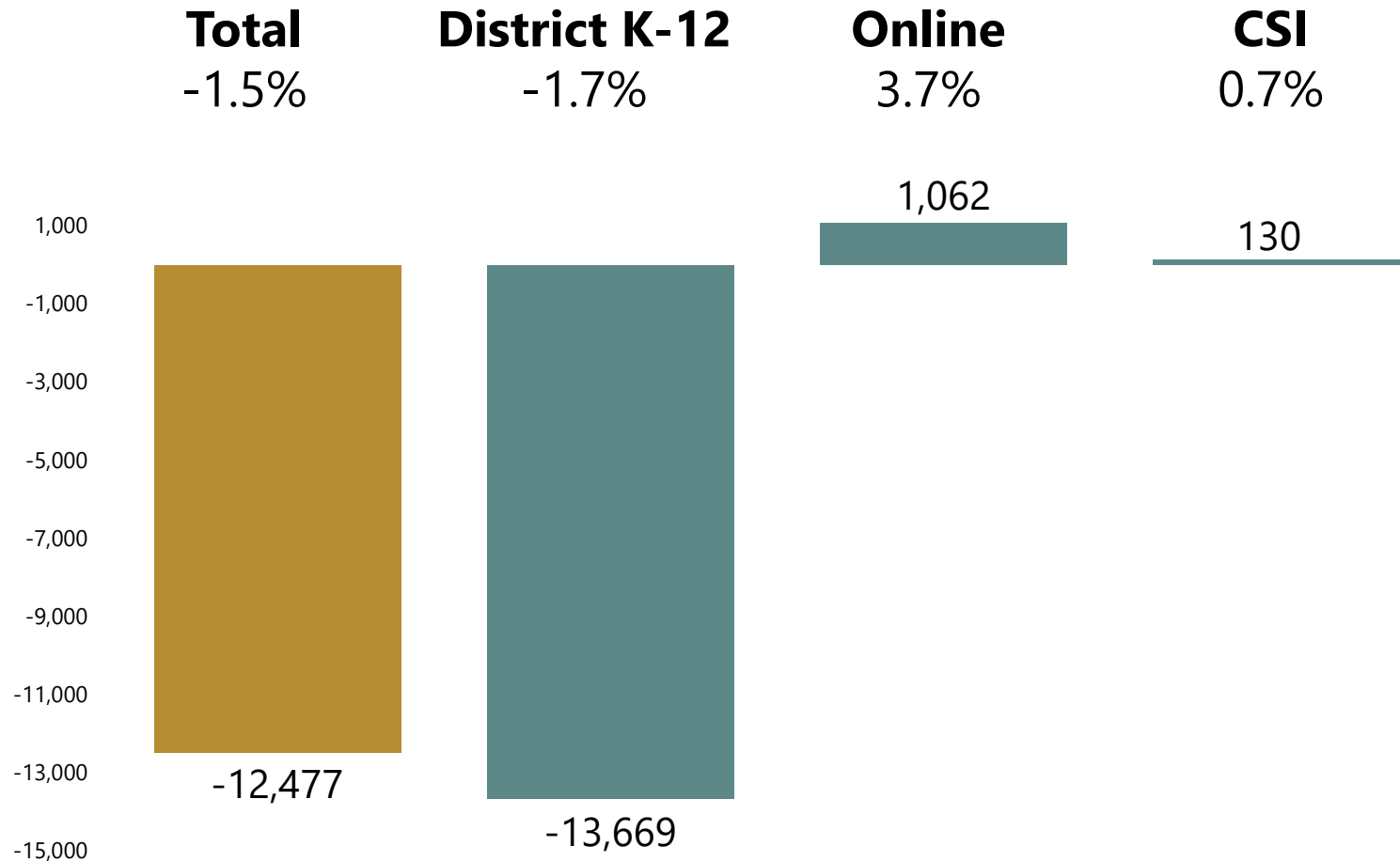
**Change in 2025-26 Enrollment:**  
-12,477 FTE

Enrollment is **11,146 FTE (1.3%)**  
less than forecasted.

Source: Colorado Department of Education October Count

# Year-Over-Year Change in Enrollment

2025-26 compared to 2024-25

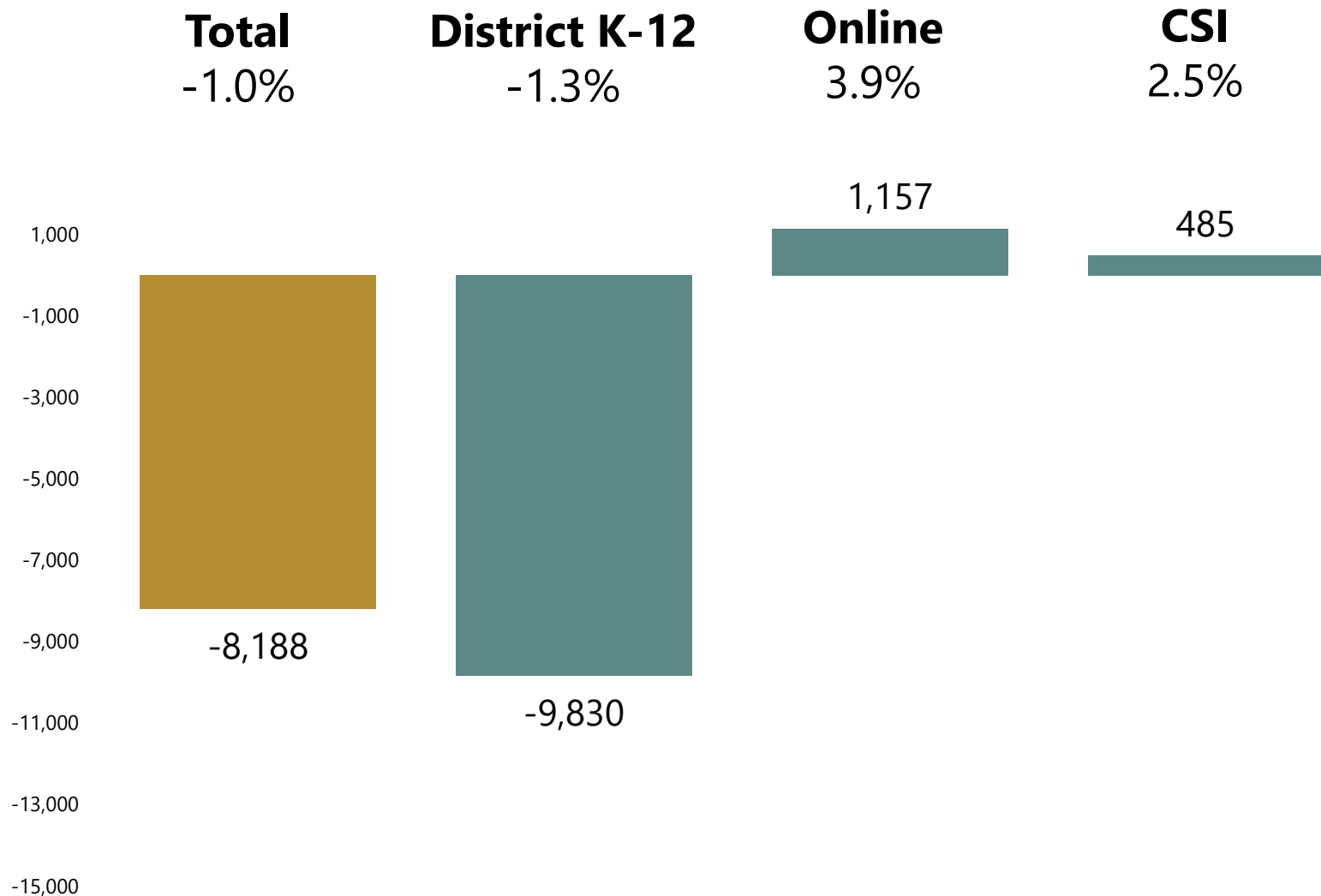


Source: Colorado Department of Education October Count

# K-12 Enrollment Forecast

| Region                 | Actual<br>2025-26 | Percent<br>Change | Estimated<br>2026-27 | Percent<br>Change | Estimated<br>2027-28 | Percent<br>Change | Average<br>Growth |
|------------------------|-------------------|-------------------|----------------------|-------------------|----------------------|-------------------|-------------------|
| Colorado Springs       | 125,204           | 0.0%              | 126,096              | 0.7%              | 127,135              | 0.8%              | 0.8%              |
| Eastern Plains         | 24,179            | -1.1%             | 24,051               | -0.5%             | 24,008               | -0.2%             | -0.4%             |
| Metro Denver           | 466,448           | -1.4%             | 460,686              | -1.2%             | 455,549              | -1.1%             | -1.2%             |
| Mountain               | 22,617            | -3.5%             | 22,210               | -1.8%             | 21,937               | -1.2%             | -1.5%             |
| Northern               | 90,355            | -2.5%             | 89,349               | -1.1%             | 88,967               | -0.4%             | -0.8%             |
| Pueblo                 | 29,464            | -3.9%             | 28,723               | -2.5%             | 28,069               | -2.3%             | -2.4%             |
| San Luis Valley        | 6,510             | -3.8%             | 6,465                | -0.7%             | 6,446                | -0.3%             | -0.5%             |
| Southwest Mountain     | 11,505            | -4.0%             | 11,354               | -1.3%             | 11,261               | -0.8%             | -1.1%             |
| Western                | 47,172            | -1.0%             | 46,330               | -1.8%             | 45,854               | -1.0%             | -1.4%             |
| <b>Statewide Total</b> | <b>823,452</b>    | <b>-1.5%</b>      | <b>815,264</b>       | <b>-1.0%</b>      | <b>809,226</b>       | <b>-0.7%</b>      | <b>-0.9%</b>      |

# Projected Change in 2026-27 Enrollment



# Risks to the K-12 Enrollment Forecast

## **Upside Risks:**

- Increased net migration
- Homeschool enrichment program growth
- Stabilizing birth rates

## **Downside Risks:**

- Slower net migration
  - Immigration policy & enforcement
- Cost of living
- Low birth rates

# Questions?

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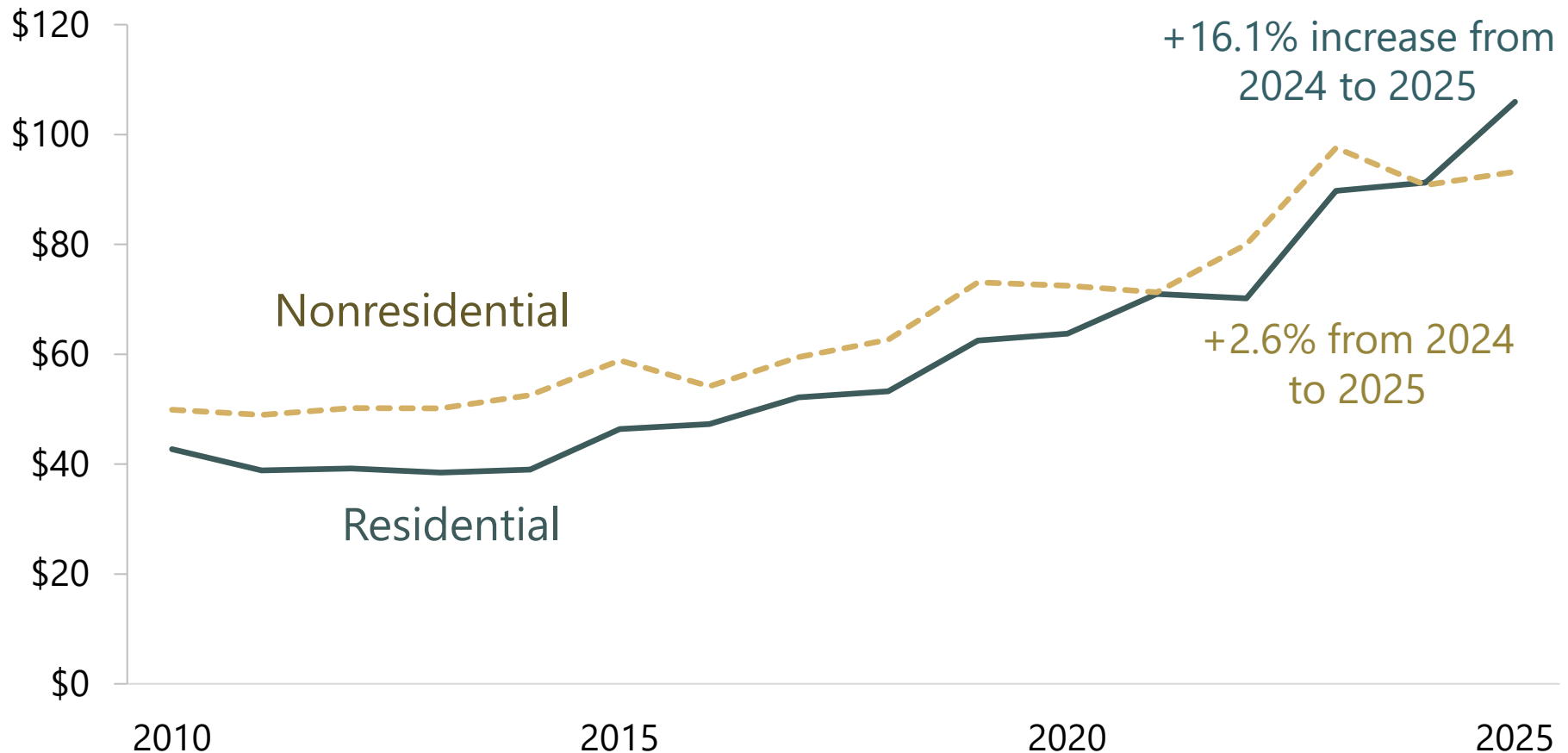
# School District Assessed Values





# Overall assessed values up 9.4% as residential jumps from property tax year 2024 to 2025

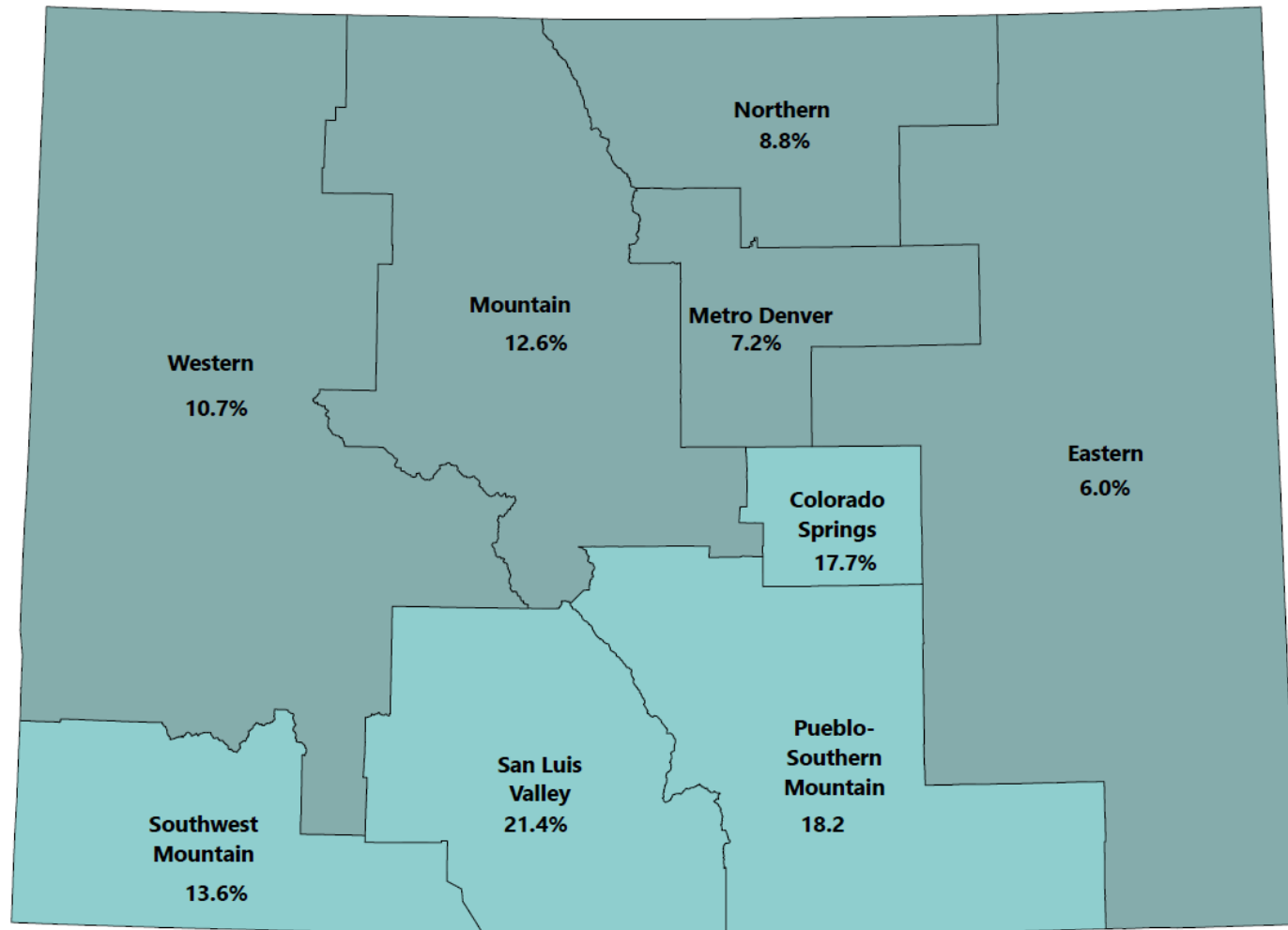
Residential and nonresidential assessed valuation for schools  
Dollars in Billions



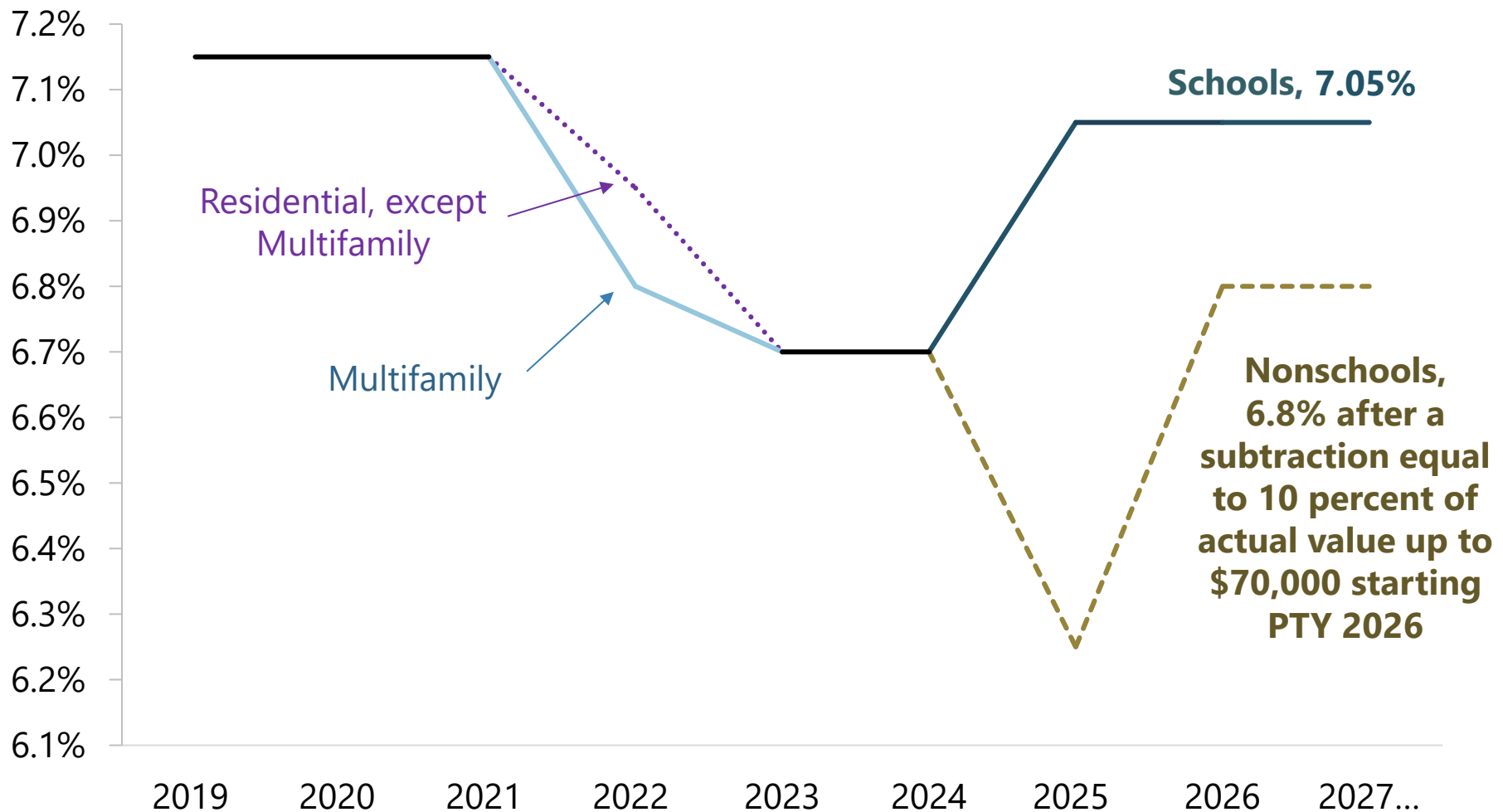
Source: Department of Local Affairs, Division of Property Taxation.

# Assessment changes led to varying growth throughout Colorado in property tax year 2025

Assessed value for schools percent change from PTY 2024 to PTY 2025



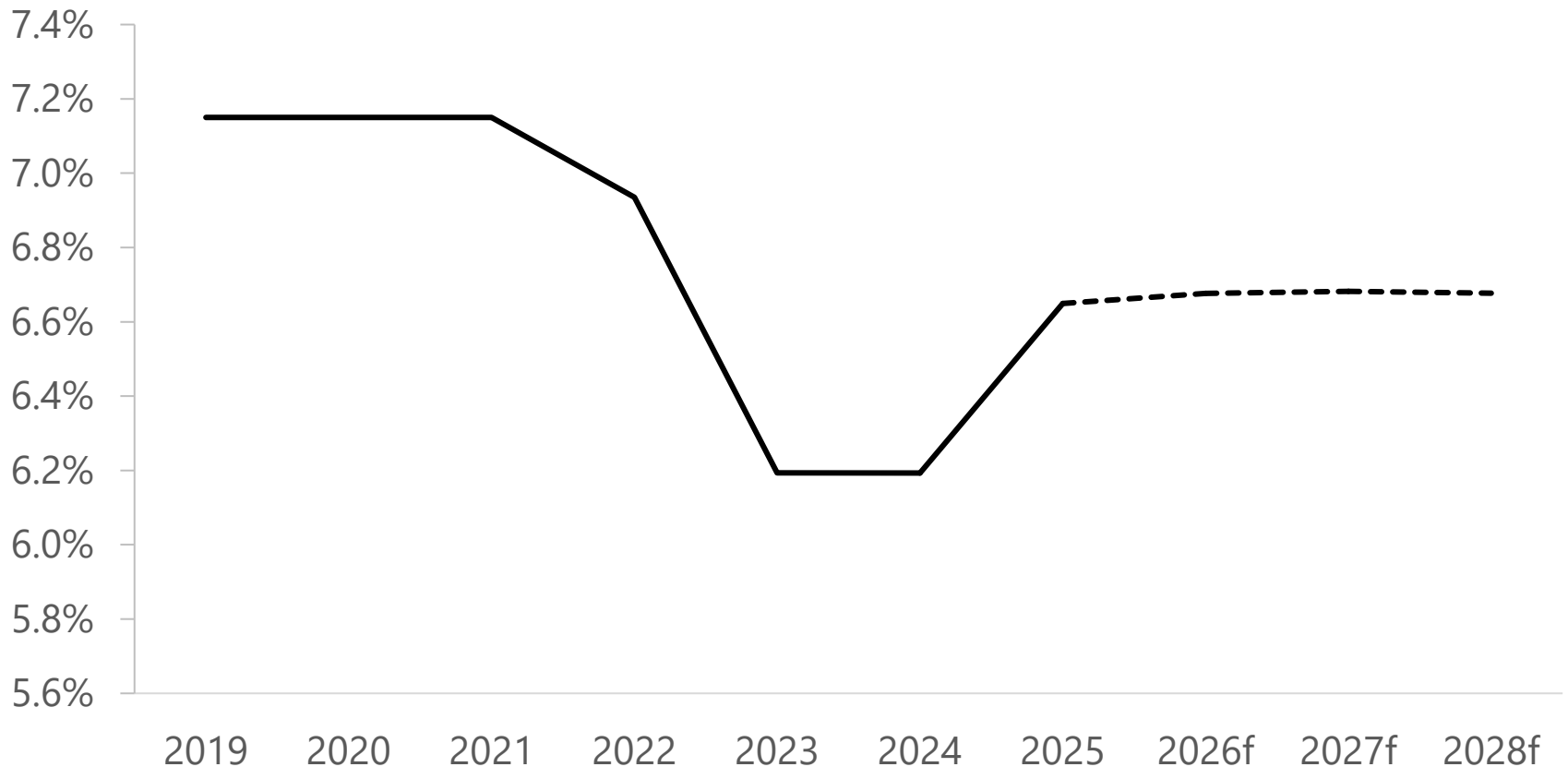
# Residential assessment rates under current law



Note: For PTY's 2023 and 2024, assessment rate applied to the actual value of the property minus \$55,000. Beginning for PTY 2027, the residential subtraction threshold will be adjusted for inflation each reassessment cycle.

# Effective residential assessment rate to rise to an estimated 6.7 percent for PTY 2025

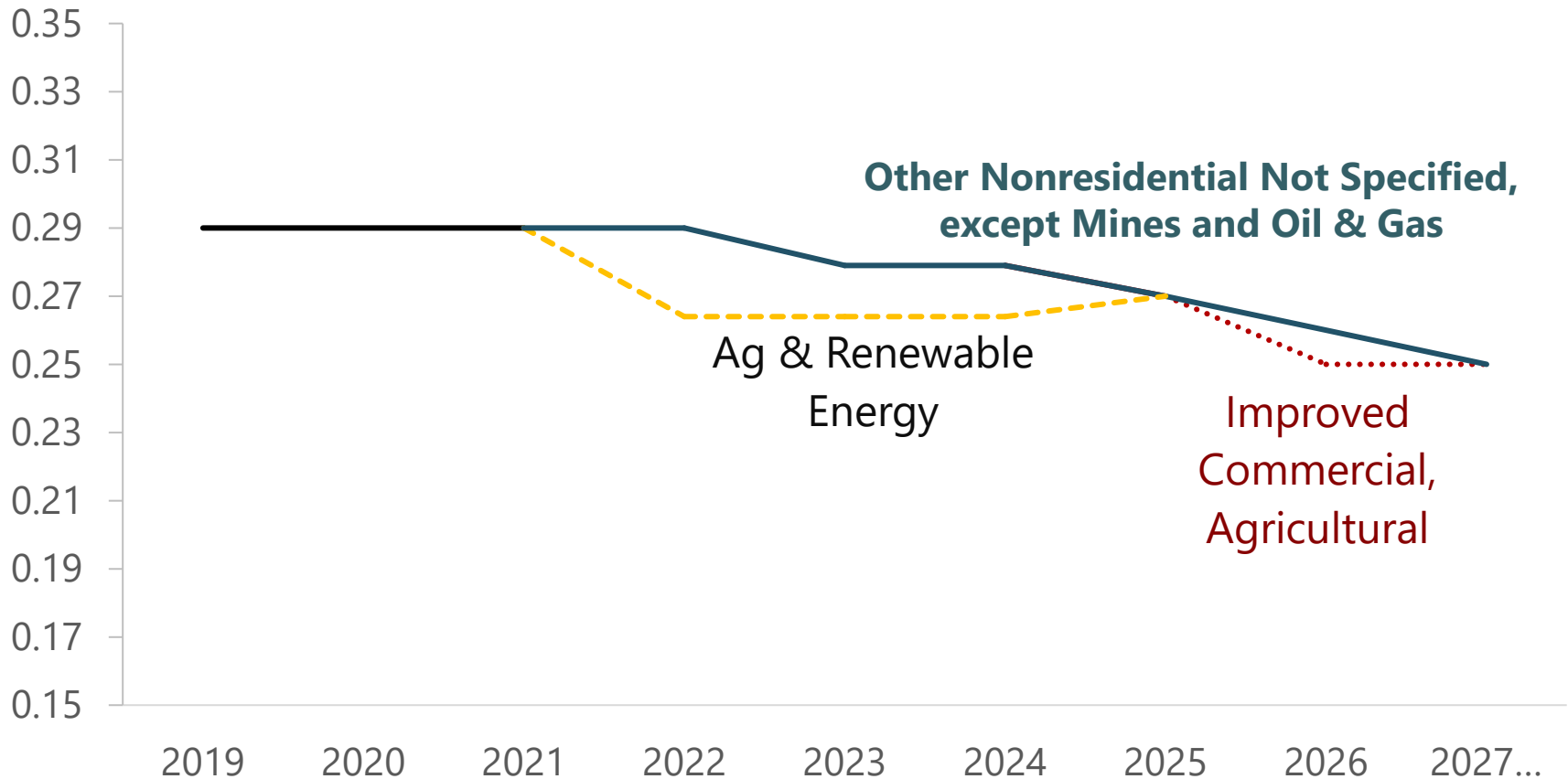
Estimated effective residential assessment rates projected under current law



Note: Effective residential assessment rate estimated as assessed value divided by estimated actual value for each property tax year, and weighted for school and non-school district mill levies.

# Nonresidential assessment rates for most property classes decrease to 25% by PTY 2027

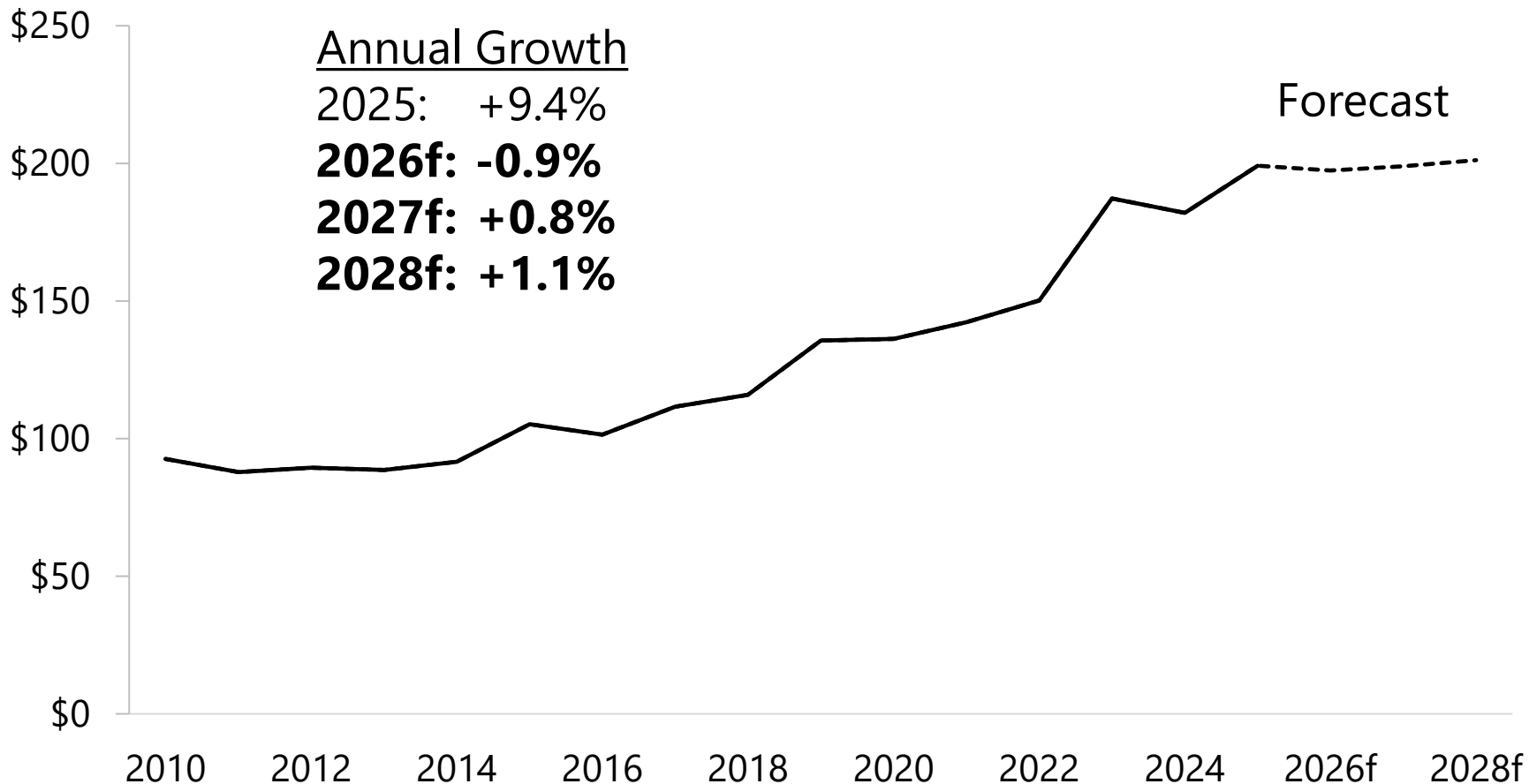
## Nonresidential assessment rates



Note: Does not include oil and gas land and leaseholds, producing mines, and severed mineral interests that are assessed at varying rates. For PTY's 2023 and 2024, assessment rate applied to the actual value of commercial improved and lodging property minus \$30,000.

# Assessed value for school districts expected to decrease 0.9% in the 2026 intervening year

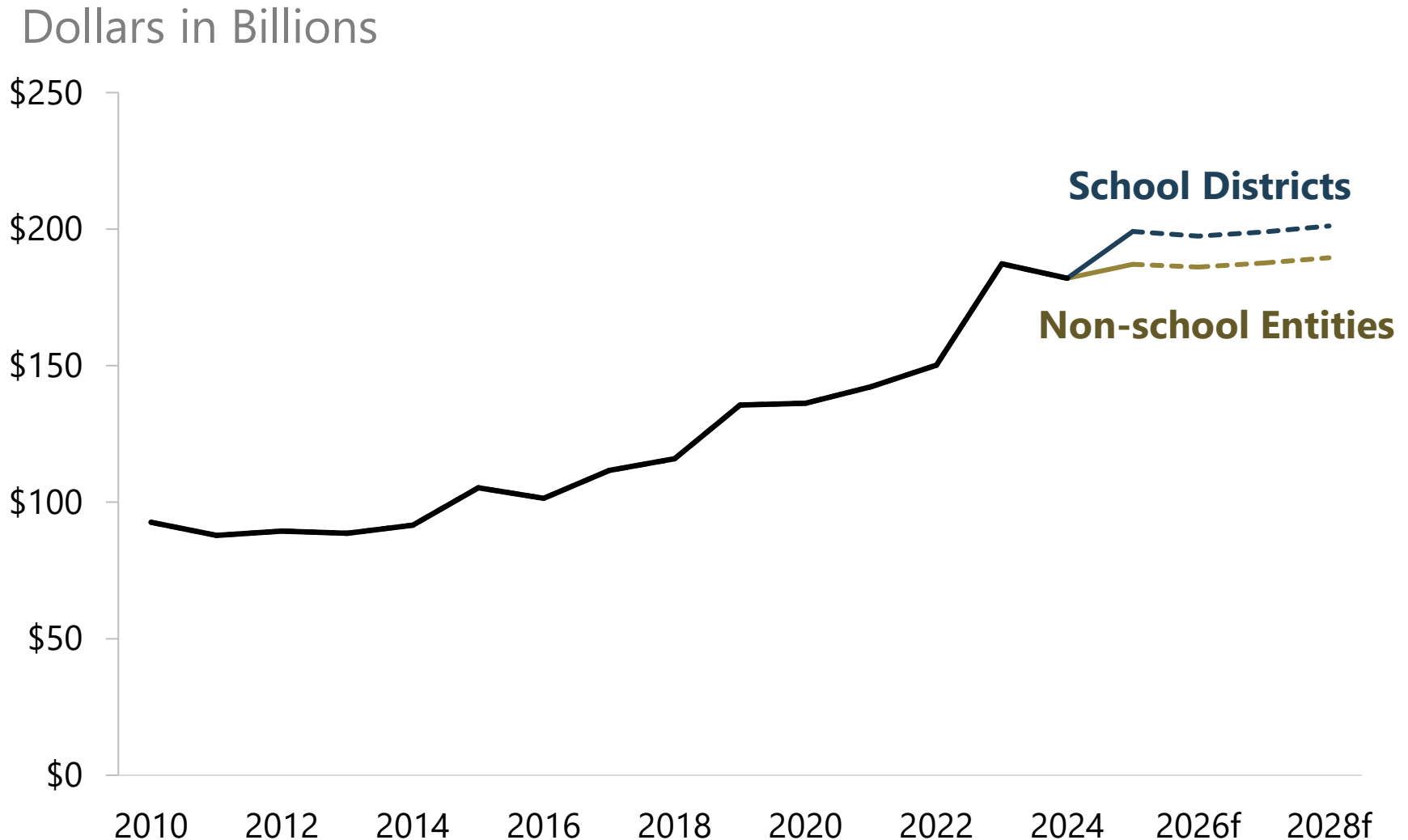
Dollars in Billions



## Assessment rate changes influencing nonresidential growth in the forecast period

| Property Class | PTY 2026     | PTY 2027    | PTY 2028    |
|----------------|--------------|-------------|-------------|
| Residential    | 0.9%         | 2.1%        | 1.0%        |
| Nonresidential | -2.9%        | -0.8%       | 1.2%        |
| <b>Total</b>   | <b>-0.9%</b> | <b>0.8%</b> | <b>1.1%</b> |

# Assessed value growth for schools and non-schools to increase at similar rates following PTY 2025



Source: Colorado Department of Local Affairs, Division of Property Taxation and Legislative Council Staff projections. f=forecast.



# Risks to the Assessed Valuation Forecast

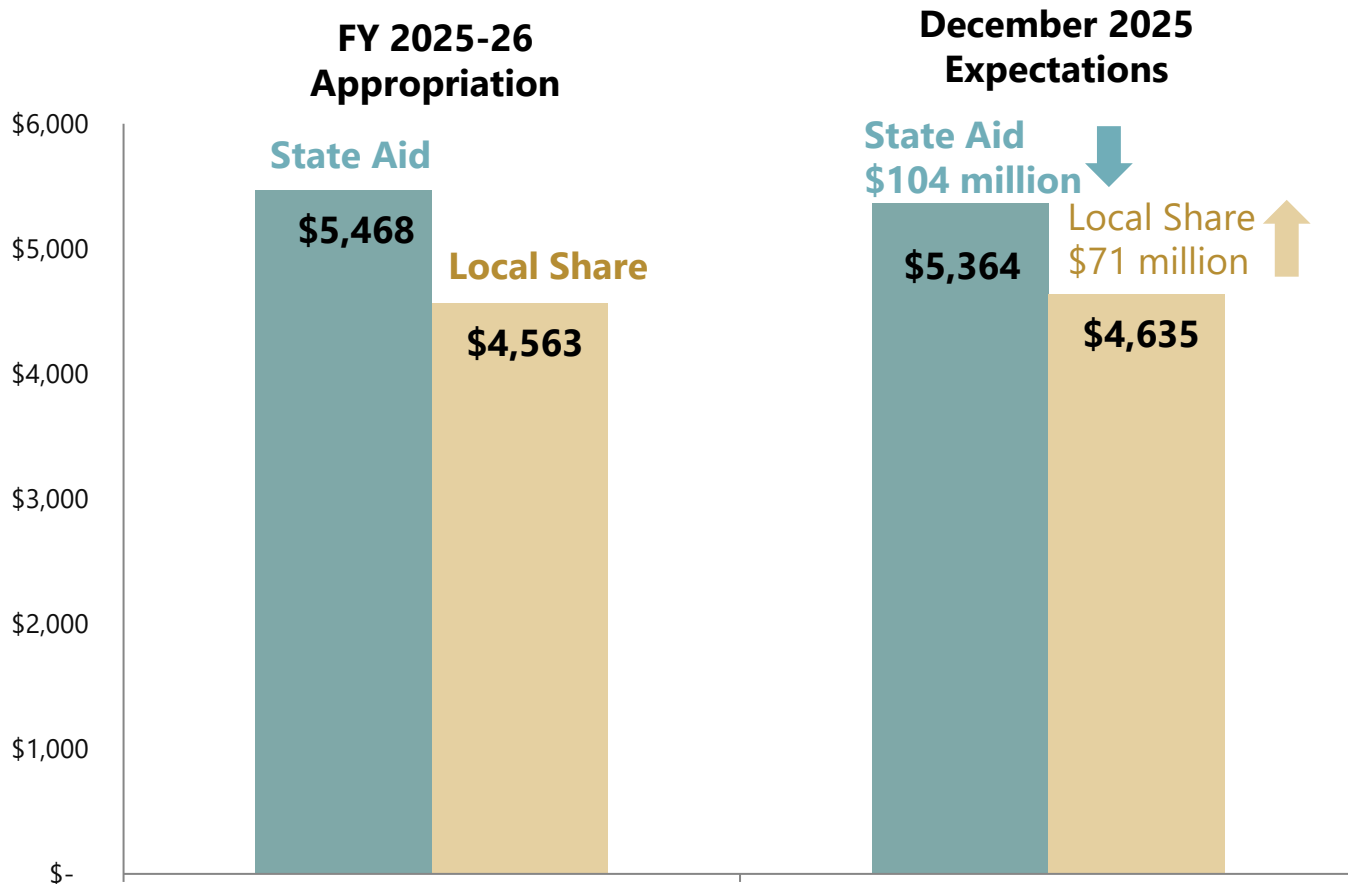
- Market conditions, including:
  - Ongoing real estate correction and impact on values for PTY 2027 reassessment
  - Value of oil and gas production through the forecast period
- Ongoing policy changes

# School Finance Outlook



# Change in Expectations for FY 2025-26 School Finance Funding

Dollars in Millions

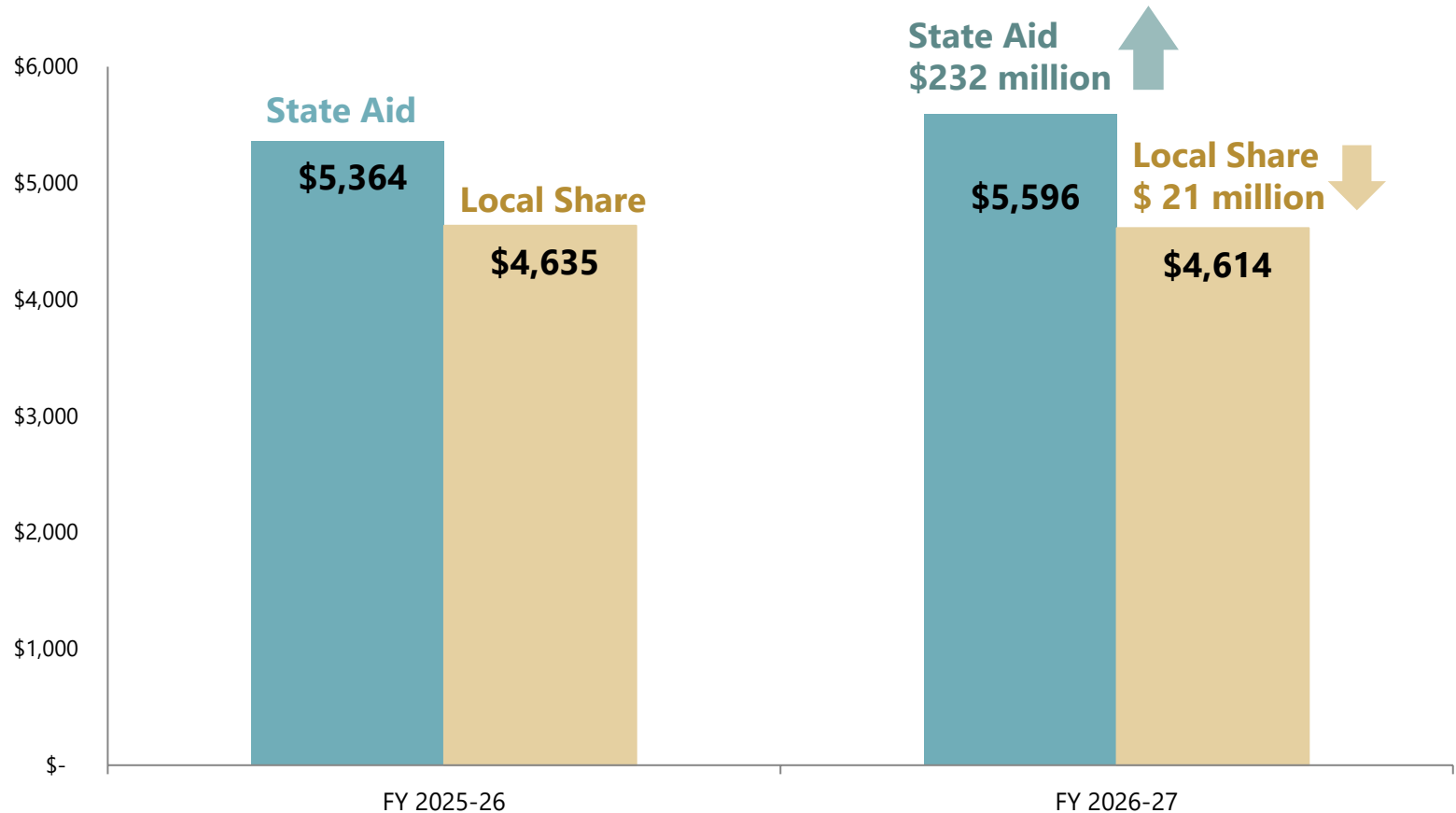


Source: Legislative Council Staff December 2025 forecast  
\*Current law appropriation uses December 2024 forecast

# Year-over-Year Change in School Finance Funding

## FY 2025-26 to FY 2026-27\*

Dollars in Millions



Source: Legislative Council Staff December 2025 forecast

\*Assumes the new formula is phased in as specified under current law in FY 2026-27

# State Education Fund Scenarios

GF Increase Needed for \$100 M SEF ending balance in FY 2029-30  
(JBC Briefing Revisited)

- **S1 (Current Law):** GF increases by 3% (\$135 million) annually.
- **S2 (1 Year Pause):** GF increases \$50 million in FY 2026-27, \$275 million in FY 2027-28.
- **S3 (2 Year Averaging):** GF increases \$50 million in FY 2026-27, \$275 million in FY 2027-28.
- Scenarios are highly dependent on local share revenue:
  - assumes 1.0% increase in 2027 reassessment year;
  - assumes 5.8% increase in 2029 reassessment year.

# State Education Fund Ending Balances Under Three Scenarios

| <b>Scenario</b> | <b>Scenario 1</b>  | <b>Scenario 2</b>        | <b>Scenario 3</b>        |
|-----------------|--------------------|--------------------------|--------------------------|
| GF Contribution | 3.0% Annual Growth | \$50 M, \$275 M, varying | \$50 M, \$275 M, varying |
| FY 2025-26      | \$632 million      | \$632 million            | \$632 million            |
| FY 2026-27      | \$523 million      | \$443 million            | \$443 million            |
| FY 2027-28      | \$341 million      | \$314 million            | \$375 million            |
| FY 2028-29      | \$133 million      | \$144 million            | \$173 million            |
| FY 2029-30      | \$100 million      | \$100 million            | \$100 million            |

# New School Finance Formula Implementation

## Formula Pause Thresholds

|                                                                                            | FY 2025-26     | FY 2026-27     |
|--------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Local Share</b><br><b>(Reassessment Year)</b><br>Changes by $\leq$ inflation<br>less 2% | <b>10.9% ✓</b> |                |
| <b>Local Share</b><br><b>(NR Year)</b><br>Decreases by $\geq$ 2%                           |                | <b>-0.5% ✓</b> |
| <b>SEF Transfers</b><br>Decrease $\geq$ 5%<br>In March forecast                            | <b>-3.9% ✓</b> | <b>9.8% ✓</b>  |

# Questions?

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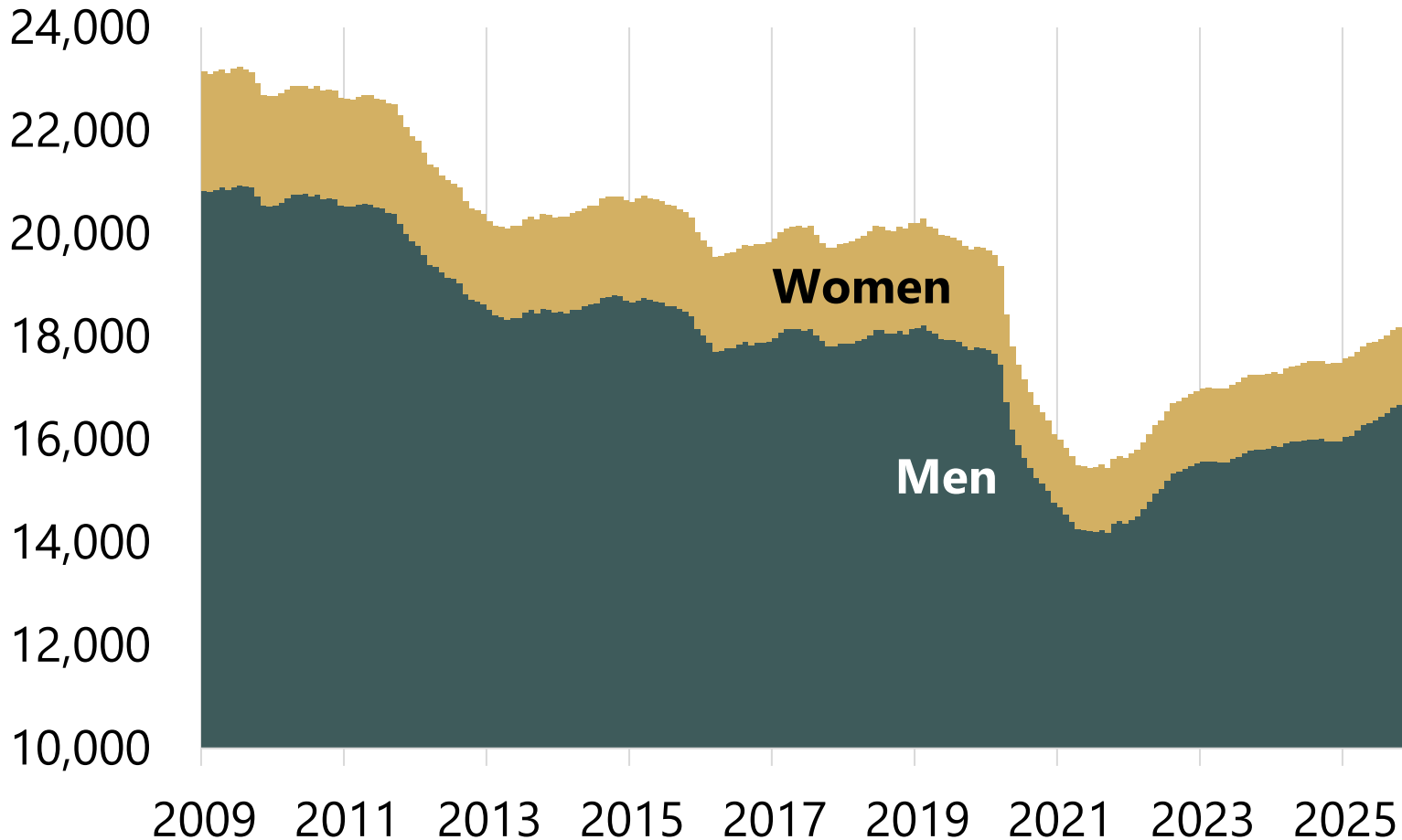


# Adult Corrections Populations



# Prison population growth was 2.3 percent in FY 2024-25, and has accelerated in 2025

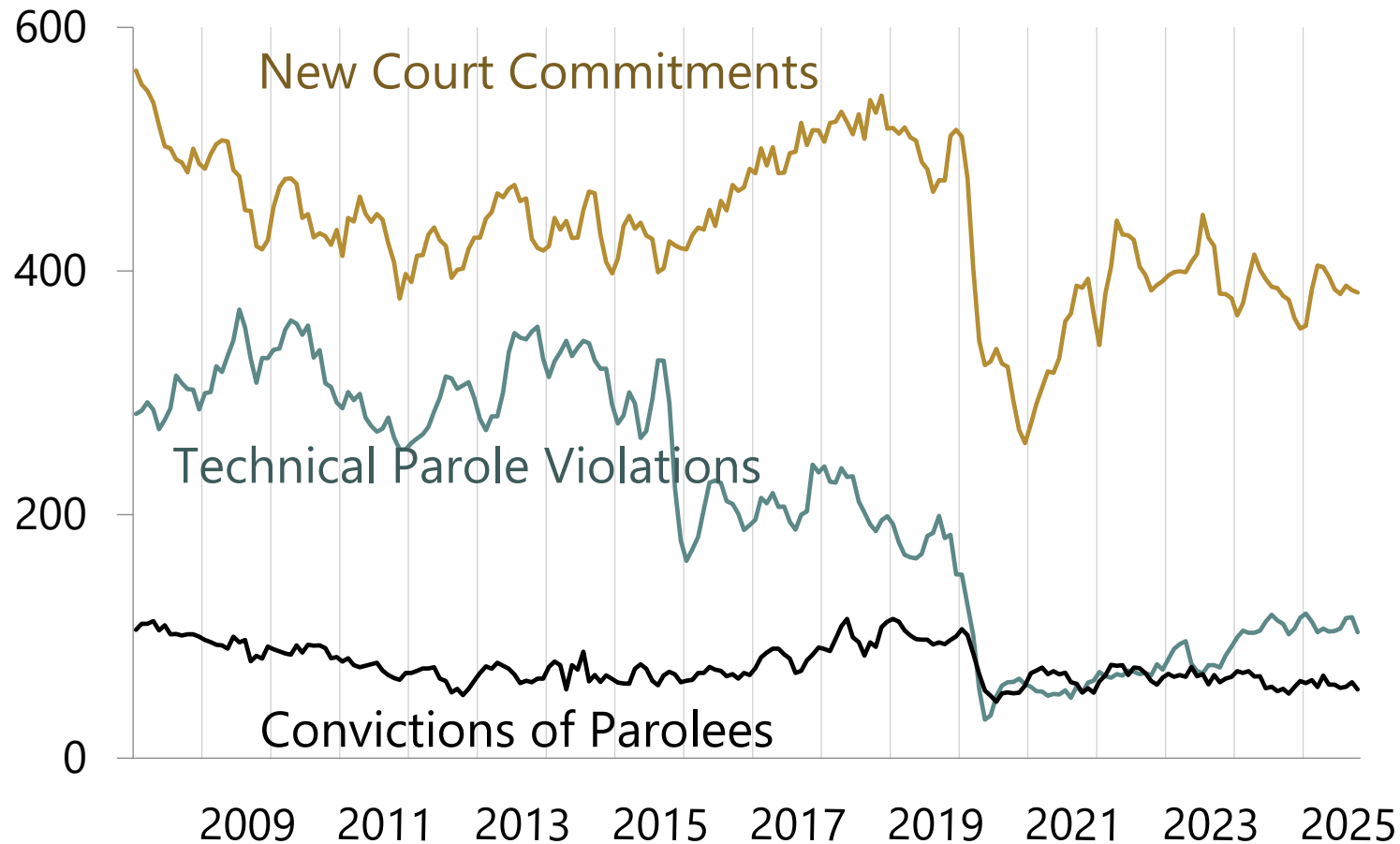
## Prison Population by Sex



Source: Department of Corrections, Office of Planning and Analysis. Monthly data through November 2025.

# New court commitments declined in FY 2024-25, offset by technical parole violations

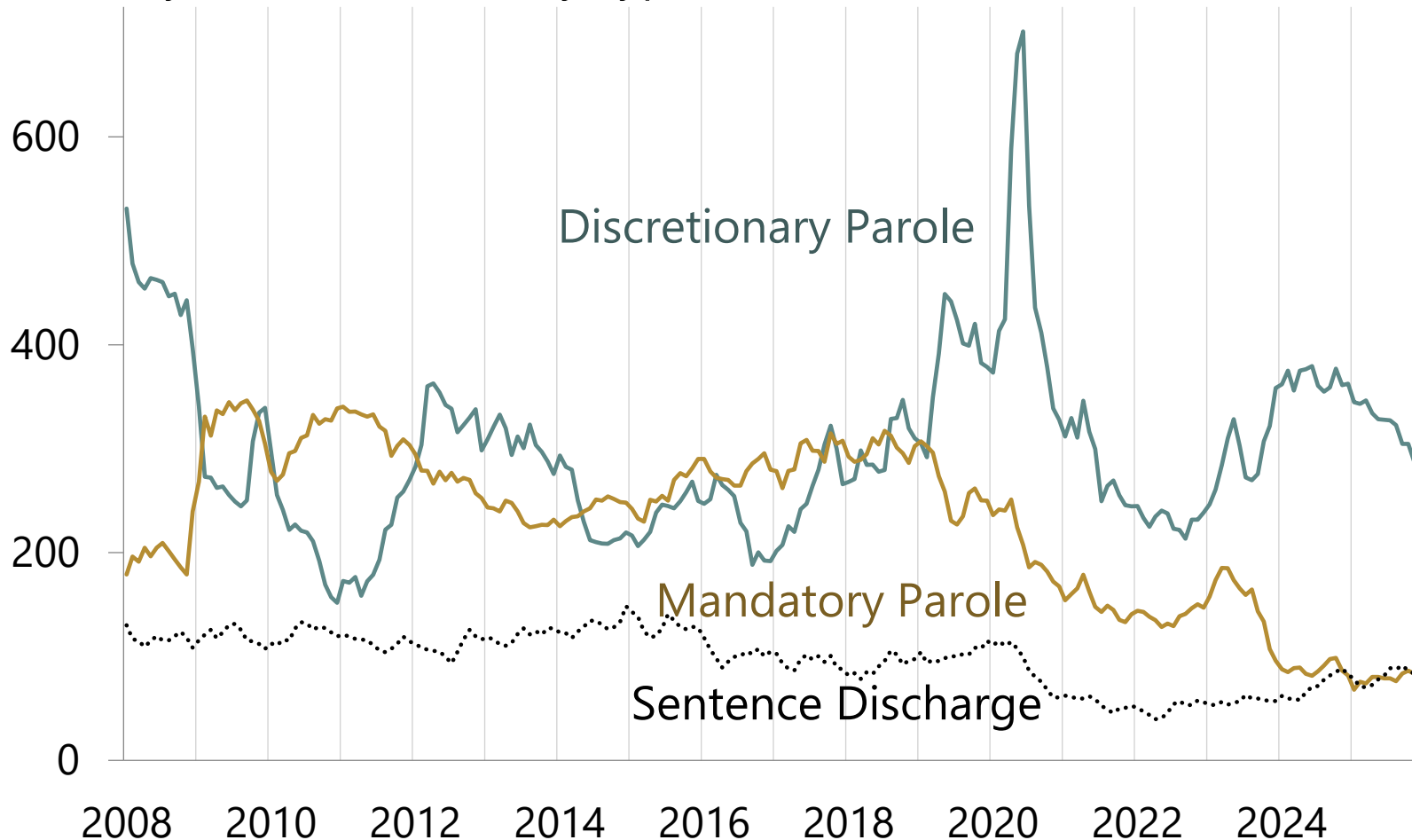
Monthly Prison Admissions by Type



Source: Department of Corrections, Office of Planning and Analysis. Monthly data through November 2025.

# Discretionary releases are declining, only partially offset with an uptick in sentence discharges

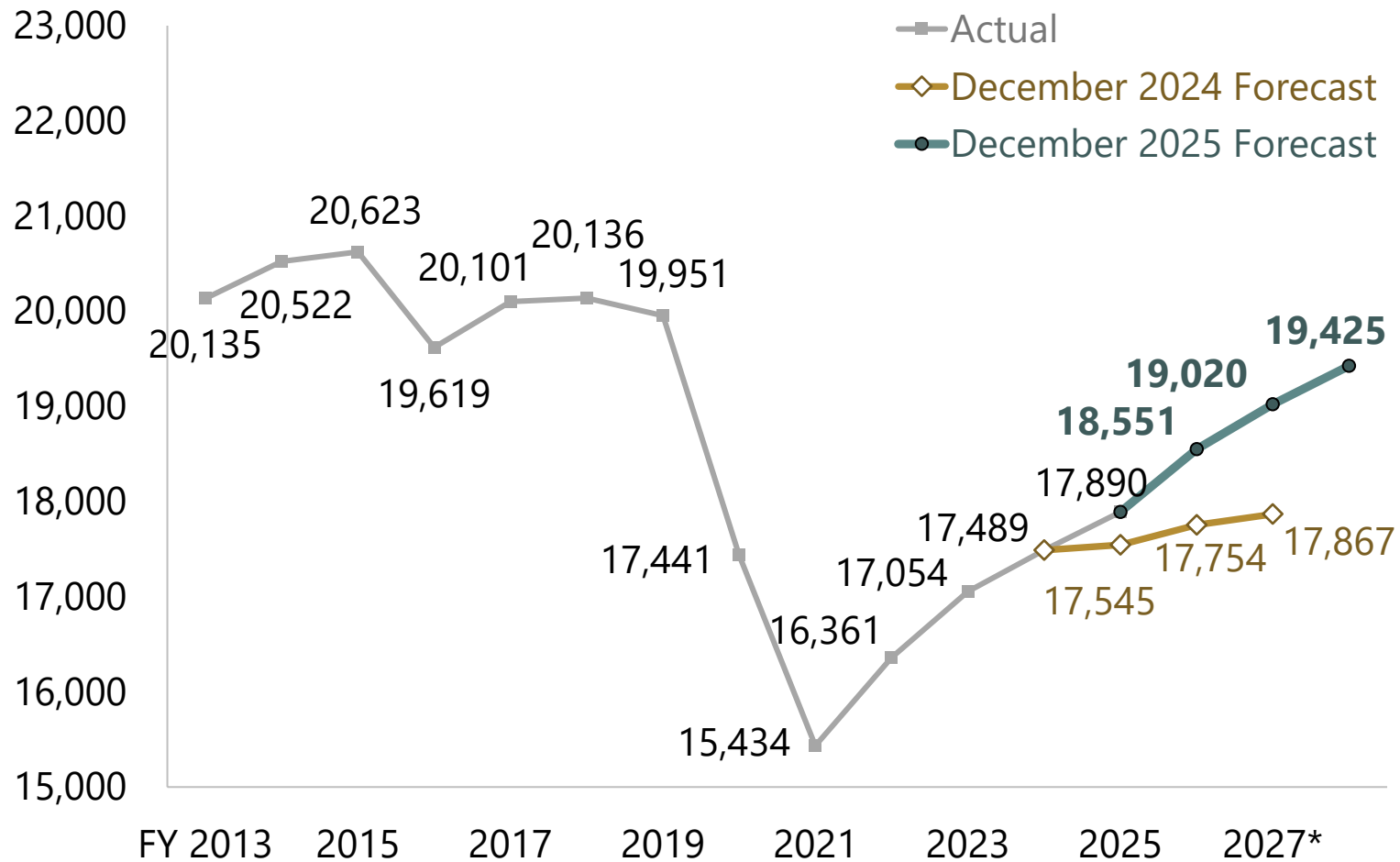
Monthly Prison Releases by Type



Source: Department of Corrections, Office of Planning and Analysis. Data through November 2025.

# Prison population expected to rise

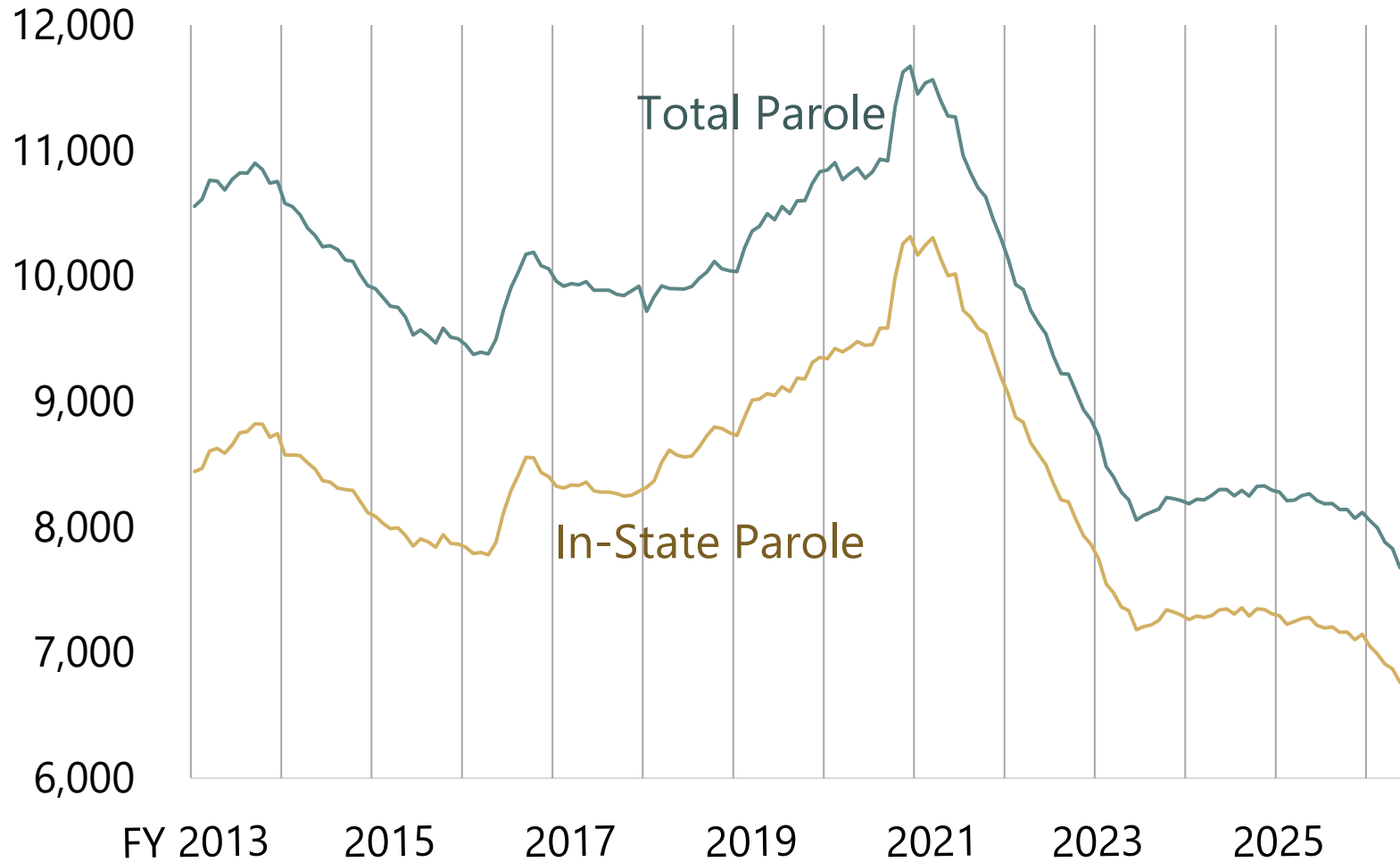
## Adult Inmate Population Forecasts as of June 30



Source: Department of Corrections, Office of Planning and Analysis and \*Legislative Council Staff December 2025 forecast.

# Parole population resumes decline

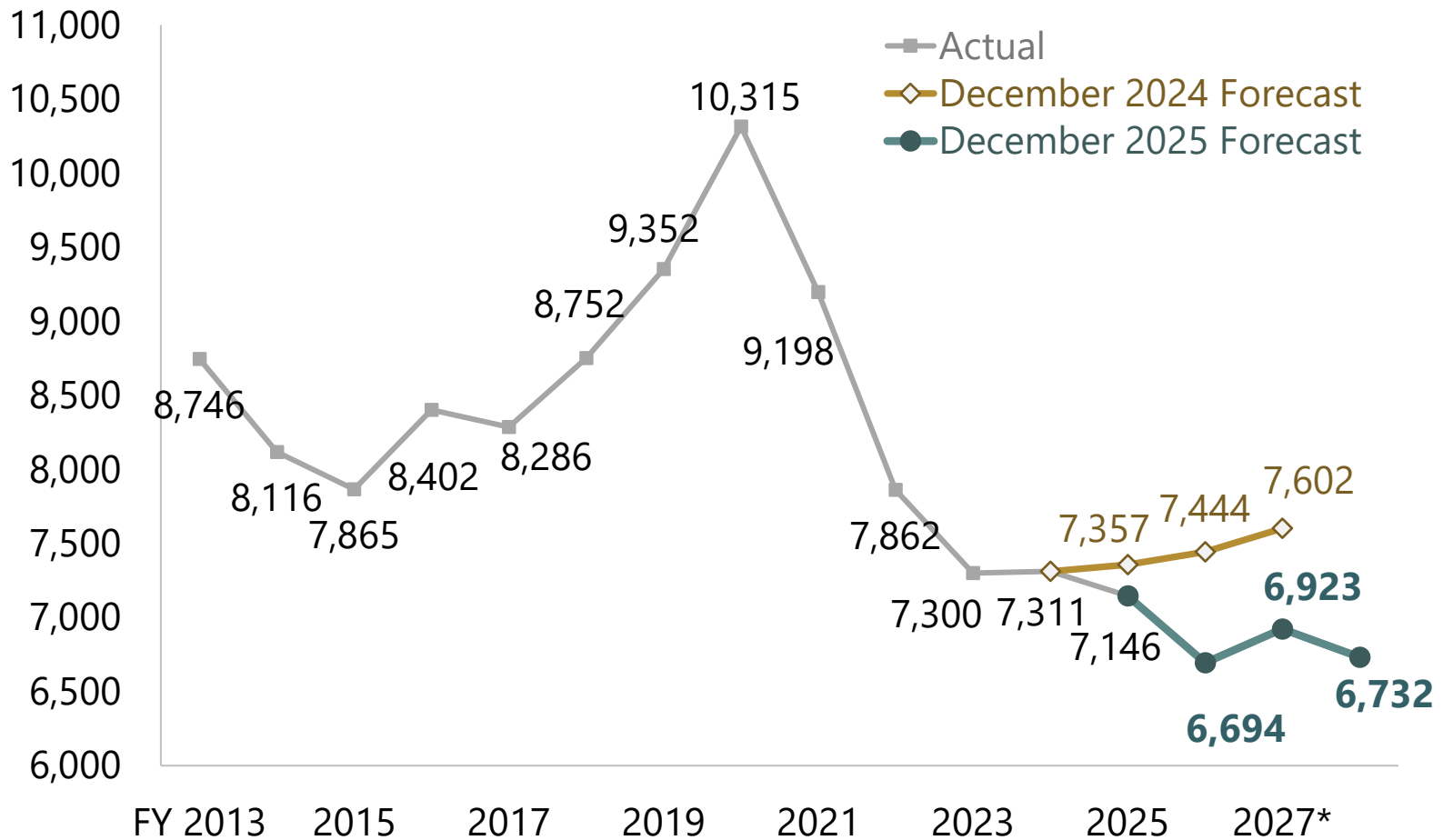
## Colorado Monthly Parole Caseload



Source: Department of Corrections, Office of Planning and Analysis. Data through November 2025.

# Parole caseload expected to fluctuate

## Adult Parole Caseload Forecasts as of June 30



Source: Department of Corrections, Office of Planning and Analysis and \*Legislative Council Staff December 2025 forecast.

# Forecast expects current patterns to persist

- **This forecast always contains (bidirectional) error**

- Before 2020, current year forecast error averaged about 1.7 percent, or 328 inmates
- Forecast error from the 2024 forecast was 1.9 percent, or 345 inmates on June 30

- **Prison and parole populations have shifted to a new trajectory, raising risks to the forecast**

- The forecast assumes that current patterns will persist
- The possibility of unforeseen disruptors raises risk
- Small deviations in the timing and extent of assumed adjustments can contribute to large population changes

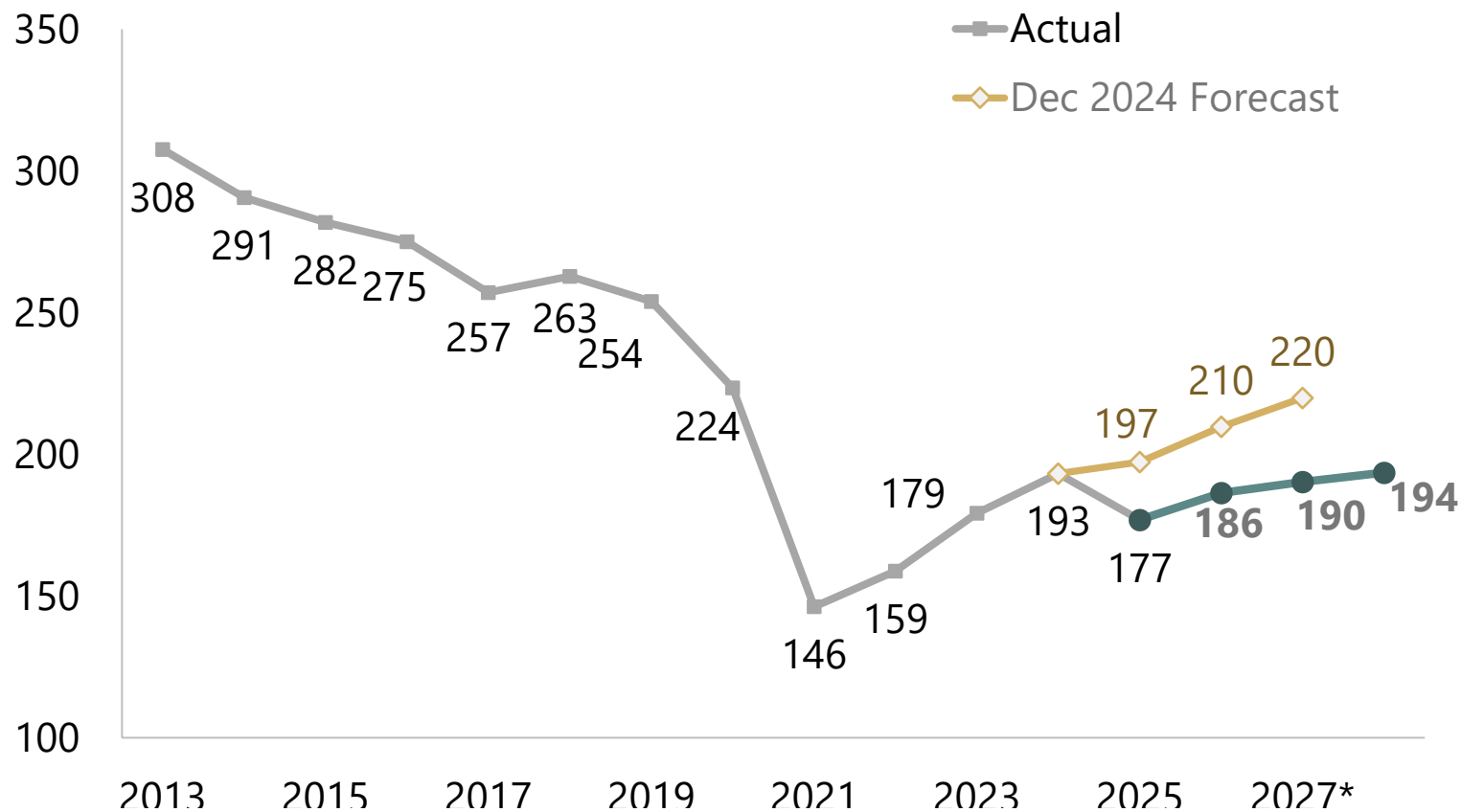


# Youth Corrections Population Forecast



# After decline, growth expected in DYS detention population

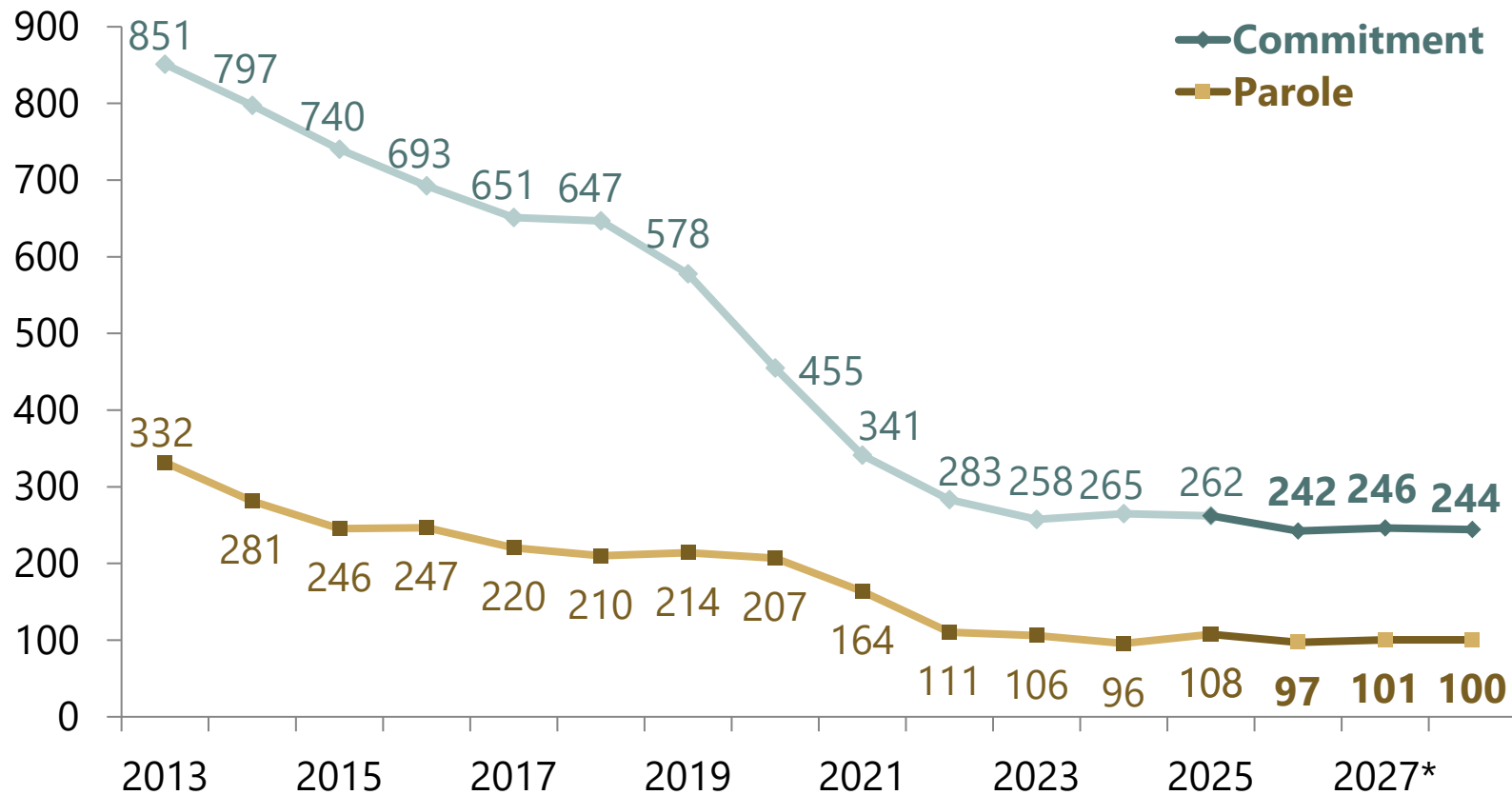
## Detention Forecast Fiscal Year Average Daily Population



Source: CDHS Division of Youth Services and \*Legislative Council Staff December 2025 forecast.

# DYS commitment and parole populations expected to increase, reversing long term trends

## Commitment and Parole Forecasts Fiscal Year Average Daily Populations



Source: CDHS Division of Youth Services and \*Legislative Council Staff December 2025 forecast.

# Questions?

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