



Economic & Revenue Forecast

June 2026



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

June 2026 | Economic & Revenue Forecast

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Contributors

Greg Sobetski, Chief Economist
Louis Pino
Elizabeth Ramey
David Hansen
Emily Dohrman
Amanda Liddle
Thomas Rosa
Debbie Grunlien

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Executive Summary

This report presents the budget outlook based on current law and the June 2026 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 discussion of the economic situation for nine regions of the state.

General Fund Budget Outlook

FY 2025-26

The General Fund is expected to end FY 2025-26 with a 13.4 percent reserve, \$116.0 million above the statutory requirement set in [House Bill 26-1363](#). General Fund revenue is expected to decline by 1.0 percent and total \$17.01 billion. With the decline, revenue is expected to fall short of the Referendum C cap by \$424.9 million. Revenue below the Referendum C cap will cause the substantive provisions in [House Bill 26-1419](#) to take effect, with consequences for the FY 2026-27 and FY 2027-28 budget outlook.

In addition to incorporating the aggressive budget balancing actions taken during the 2026 legislative session, the forecast upgrades current year General Fund revenue expectations by \$498.2 million. The unusually large revision reflects individual income tax final payments for the 2025 tax year that far exceeded previous forecast expectations, which may indicate a stronger underlying economy, less severe policy impacts from the 2025 federal One Big Beautiful Bill Act (OBBBA), or a combination of these. Upgrades to the individual income tax forecast are driving upgrades to the General Fund revenue outlook throughout the forecast period, more than offsetting downgrades to expectations for corporate income and insurance premium tax revenue. Finally, recent reporting on tax credits has caused an upward revision to the estimate for the level of taxable income in Colorado, therefore raising the expected level of diversions to the State Education Fund under Amendment 23 and the State Affordable Housing Fund under Proposition 123.

FY 2026-27

The forecast incorporates the [2026 Long Bill](#), the orbital package, and all other 2026 legislation. The General Fund is expected to end FY 2026-27 with a 13.6 percent reserve, \$147.9 million above the 13.0 percent statutory reserve requirement.

General Fund revenue is expected to grow at a robust 8.9 percent rate and total \$18.53 billion, with strong growth in individual and corporate income taxes and moderate growth in sales taxes. Revisions to revenue expectations are similar to those for FY 2025-26, with upgraded individual income tax revenue expectations more than offsetting downgrades to expected corporate income and insurance premium taxes. Total state revenue subject to TABOR is expected to exceed the Referendum C cap by \$483.0 million; however, the TABOR refund obligation is expected to be \$329.9 million, net of the adjustments in HB 26-1419.

FY 2027-28

General Fund revenue is expected to grow 5.5 percent and total \$19.54 billion, with state revenue subject to TABOR exceeding the Referendum C cap by \$674.1 million. Net of the adjustments in HB 26-1419, the TABOR refund obligation is expected to be \$521.0 million. The General Fund is projected to have \$872.7 million, or 4.7 percent, more available to spend or save than what is budgeted to be spent in FY 2026-27, after current law transfers and the return of the statutory reserve requirement to 15 percent as scheduled. This amount does not incorporate caseload growth, inflation, or other budgetary pressures.

The General Fund Budget Overview section presents an alternative scenario that projects additional FY 2027-28 budget obligations based on current law. Under this scenario (“Scenario B”), the year-end General Fund reserve could fall short of the reserve requirement by \$315.4 million. Additional explanation can be found in the discussion of the budget Scenario B (see Table 2 on page 12).

Risks to the Budget Outlook

Revenue far surpassed March 2026 forecast expectations and this forecast incorporates significant revisions to match the new data. However, the elevated forecast error exhibited during the spring tax filing season suggests that previously predictive models may not be well-calibrated to the changing economic and tax policy environment, presenting significant upside and downside risks to the revenue forecast and budget outlook. Additionally, the forecast assumes that executive branch accountants will change the accounting of certain revenue streams before the state’s FY 2025-26 books are closed; if these changes are not made, the budget picture will differ from the forecast. Finally, while the forecast anticipates continued economic growth, a recession would reverse the stabilizing budget trajectory.

Cash Fund Revenue

In FY 2025-26, cash fund revenue subject to TABOR is projected to increase by 6.7 percent compared to the previous year, reaching \$2.96 billion. This increase primarily results from one-time tax credit sales anticipated to generate just over \$200 million, as well as the temporary disqualification of the Health Insurance Affordability Enterprise, which makes its fee revenue subject to TABOR for FY 2025-26 only.

In FY 2026-27, cash fund revenue is projected to remain relatively stable, decreasing by 0.3 percent from the previous year to \$2.95 billion. A substantial decline in other cash funds revenue is expected to offset both the initial diversion to the Kids Matter Account within the State Education Fund and robust revenue growth from severance taxes. By FY 2027-28, cash fund revenue is projected to increase by 3.7 percent, reaching \$3.06 billion. Most major cash fund components are anticipated to contribute to this growth. However, severance tax revenue is expected to decline as larger ad valorem credits offset forecasted gains in taxable income. Discussion of the cash fund revenue outlook begins on page 45.

Economic Outlook

The U.S. and Colorado economies are undergoing a fundamental transition with accelerating investment in and adoption of AI. Economic output for the nation is expected to increase at a moderate pace through the forecast period, but employment growth has decelerated significantly over the past few years and has been concentrated in fewer industries. Although business investment in information processing equipment and software remains high, and corporate profits are strong, consumer spending is slowing with the stagnant labor market and inflationary pressures, and household finances are worsening.

Risks to the forecast remain elevated due to the war in Iran, a conflict that has impacted the trajectory of several indicators including energy prices, inflation, monetary policy, consumer spending, and personal income. Crude oil prices are now expected to recede at a much slower rate through 2026 and 2027 due to the length of the conflict. The forecast now anticipates the Federal Reserve will not lower interest rates in 2026. Inflation resulting from higher crude oil prices is expected to affect consumers as purchasing power erodes and savings rates continue to dip.

There are both upside and downside risks to the forecast. On the upside, resilient consumers, tariff reductions, and AI-related investment and productivity gains could result in better economic conditions than anticipated in this forecast. On the downside, the persistent effects of the Iran conflict, weakening household finances, and weak labor markets could derail growth expectations.

Discussion of the economic outlook begins on page 61, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 21 and 22 on pages 89 and 90.

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General Fund Budget Overview

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

- a budget scenario for FY 2027-28 that incorporates General Fund obligations expected under current law (Table 2);
- a summary of changes in expectations relative to the March 2026 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);
- General Fund rebates and expenditures (Table 6);
- the disposition of fiscal policies dependent on revenue conditions, including calculations for a housing development transfer required by law to appear in this June forecast (Table 7); and
- a complete list of cash fund transfers to and from the General Fund (Table 8), other than those included in Table 5.

Legislative Assumptions

This forecast is based on current law and incorporates all 2026 legislation that has become law or will become law if a referendum petition is not filed. Notably, the forecast incorporates the FY 2026-27 Long Bill and associated budget package. The forecast does not account for provisions that would take effect only if voters approve ballot measures at the 2026 General Election.

Table 11 on page 34 summarizes 2026 legislation affecting the General Fund revenue forecast. Legislation affecting TABOR accounting and TABOR refund mechanisms is discussed in the TABOR Outlook section. Legislation affecting the cash fund revenue forecast is discussed in the Cash Fund Revenue section.

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

Line	Funds Available	FY 2024-25 Actual	FY 2025-26 Estimate	FY 2026-27 Estimate	FY 2027-28 Estimate
1	Beginning Reserve	\$3,153.5	\$2,408.4	\$1,755.2	\$1,823.7
2	General Fund Revenue (Table 12)	\$17,181.3	\$17,014.9	\$18,525.5	\$19,544.1
3	Transfers from Other Funds (Table 8A)	\$519.9	\$617.2	\$149.4	\$50.3
4	Total Funds Available	\$20,854.7	\$20,040.5	\$20,430.0	\$21,418.1
5	Percent Change in Funds Available	5.5%	-3.9%	1.9%	4.8%

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

Table 1B
General Fund Expenditures
Dollars in Millions

Line	Expenditures	FY 2024-25 Actual	FY 2025-26 Budgeted	FY 2026-27 Budgeted	FY 2027-28 Estimate
6	General Fund Appropriations Subject to the Limit	\$15,621.8	\$16,772.6	\$17,053.8	*
7	Overexpenditure from General Fund	\$68.6			
8	TABOR Refund Obligation (Table 10)	\$306.1	\$0.0	\$329.9	\$521.0
9	Rebates and Expenditures (Table 6)	\$187.4	\$827.6	\$541.2	\$308.0
10	Transfers to Other Funds (Table 8B)	\$1,884.1	\$465.9	\$477.9	\$531.8
11	Transfers to the State Education Fund	\$146.0	\$0.0	\$0.0	\$0.0
12	Transfers to Transportation Funds (Table 5A)	\$117.5	\$42.7	\$50.5	\$96.4
13	Transfers to Capital Construction Funds (Table 5B)	\$254.1	\$176.5	\$152.9	\$17.5
14	Total Expenditures	\$18,585.6	\$18,285.3	\$18,606.3	*
15	Percent Change in Expenditures	10.2%	-1.6%	1.8%	*
16	Reversions and Accounting Adjustments	\$139.3	*	*	*

Asterisks ("*") indicate values not estimated.

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

Line 16, "Reversions and Accounting Adjustments," includes reversions of appropriated amounts and other accounting adjustments to arrive at the year-end balance published in the Annual Comprehensive Financial Report.

Table 1C
General Fund Reserve
Dollars in Millions

Line	Reserve	FY 2024-25 Actual	FY 2025-26 Estimate	FY 2026-27 Estimate	FY 2027-28 Estimate
17	Year-End Reserve in General Fund	\$2,408.4	\$1,755.2	\$1,823.7	*
18	Year-End Reserve in PERA	\$0.0	\$500.0	\$500.0	*
19	Total Year-End Reserve	\$2,408.4	\$2,255.2	\$2,323.7	*
20	Year-End Reserve as a Percent of Appropriations	15.4%	13.4%	13.6%	*
21	Statutorily Required Reserve	\$2,358.5	\$2,139.2	\$2,175.7	*
22	Amount in Excess or (Deficit) of Statutory Reserve	\$49.9	\$116.0	\$147.9	*
23	Excess Reserve as a Percent of Expenditures	0.3%	0.6%	0.8%	*

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

Line 21, "Statutorily Required Reserve," calculates the reserve as 15 percent (for FY 2024-25 and FY 2027-28) or 13 percent (for FY 2025-26 and FY 2026-27) of operating appropriations, minus \$41.25 million (in each year), plus \$56.5 million (for FY 2024-25 only).

Table 1D
Budget Scenario A: Holds FY 2026-27 Appropriations Constant
Dollars in Millions

Line	Projected Reserve Under Scenario	FY 2024-25 Actual	FY 2025-26 Estimate	FY 2026-27 Estimate	FY 2027-28 Estimate
24	Amount in Excess or (Deficit) of 15% Reserve Requirement				\$872.7
25	As a Percent of Prior-Year Expenditures				4.7%

This scenario holds appropriations in FY 2027-28 equal to appropriations in FY 2026-27 (line 6) to determine the total amount of money available relative to FY 2026-27 expenditures, net of the obligations in lines 8 through 13. Line 24 is presented relative to the 15% reserve requirement in law for FY 2027-28 and includes the year-end reserve amounts held in the both the General Fund and in PERA.

Table 1E
Budget Scenario B: Projected Obligations Based on Current Law
Dollars in Millions

Line	Projected Reserve Under Scenario	FY 2024-25 Actual	FY 2025-26 Estimate	FY 2026-27 Estimate	FY 2027-28 Estimate
26	Amount in Excess or (Deficit) of Reserve Requirement				-\$315.4
27	As a Percent of Proposed Current-Year Expenditures				-1.6%

This scenario includes annualized costs for 2026 legislation; assumed increases for Medicaid, school finance, higher education, and state employee compensation; out-year costs for capital construction and IT capital projects approved to date; and the State Architect's recommendation for controlled maintenance. See Table 2. Line 26 is presented relative to the 15% reserve requirement in law for FY 2027-28 and includes the year-end reserve amounts held both in the General Fund and in PERA.

Table 1F
General Fund Overview Addenda
Dollars in Millions

Line	Addendum Items	FY 2024-25 Actual	FY 2025-26 Estimate	FY 2026-27 Estimate	FY 2027-28 Estimate
28	Percent Change in GF Appropriations	13.0%	7.4%	1.7%	*
29	5% of Personal Income Appropriations Limit	\$22,433.8	\$23,655.2	\$24,739.9	\$25,908.4
30	Transfers to SEF per Amendment 23	\$1,060.6	\$1,188.8	\$1,172.9	\$1,242.1

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

FY 2025-26

The General Fund is expected to end FY 2025-26 with a 13.4 percent reserve, \$116.0 million above the statutory requirement (Table 1, line 22), which is set at 13.0 percent of appropriations, less \$41.25 million. The reserve amount for FY 2025-26 and all later years includes money located in both the General Fund and in PERA under [Senate Bill 25-310](#). Expectations for the year-end balance relative to the reserve requirement were revised up by \$1.13 billion relative to the March forecast, due to increased revenue expectations, legislatively-directed transfers into the General Fund, and the reduction in the reserve requirement from 15.0 percent to 13.0 percent under [House Bill 26-1363](#). These changes more than offset supplemental appropriations made via Long Bill add-ons. General Fund revenue collections are expected to fall by 1.0 percent relative to FY 2024-25, to \$17.01 billion. The decline is overwhelmingly due to falling corporate income tax collections, which this forecast attributes to a slowing economy and tax cuts in the federal One Big Beautiful Bill Act (OBBBA). State revenue subject to TABOR is expected to fall short of the Referendum C cap by \$424.9 million, causing the TABOR refund adjustment provisions in [House Bill 26-1419](#) to take effect.

FY 2026-27

Incorporating appropriations adopted in the Long Bill and other 2026 legislation, new transfers to and from the General Fund, as well as expectations for revenue, preexisting transfers, rebates and expenditures, and the TABOR refund obligation, the General Fund is expected to end FY 2026-27 with a 13.6 percent reserve, \$147.9 million above the statutory reserve requirement (Table 1, line 22), which is set at 13.0 percent of appropriations, less \$41.25 million. The actual General Fund reserve amount will change due to normal forecast revisions, ballot measures

approved at the November 2026 election, supplemental appropriations adopted during the 2027 legislative session and other legislative changes to appropriations and transfers.

General Fund revenue collections are expected to increase by 8.9 percent and total \$18.53 billion, with strong growth in both individual income and corporate income tax collections. Revenue is expected to exceed the Referendum C cap by \$483 million; however, the TABOR refund obligation is expected to be \$329.9 million, net of the adjustments in HB 26-1419.

FY 2027-28 (Unbudgeted)

General Fund revenue is expected to grow at a moderate 5.5 percent pace and total \$19.54 billion, with contributions from all major revenue streams. State revenue subject to TABOR is expected to exceed the Referendum C cap by \$674.1 million; however, the TABOR refund obligation is expected to be \$521.0 million, net of the adjustments in HB 26-1419. Because a budget has not yet been enacted for FY 2027-28, this forecast presents two scenarios for the General Fund budget outlook.

Scenario A: Holds appropriations constant from FY 2026-27

Scenario A, shown in Table 1D, presents the amount of revenue available to be spent or saved in FY 2027-28 assuming that appropriations equal the amount appropriated in FY 2026-27. Based on this forecast, the General Fund will have \$872.7 million, or 4.7 percent, more available to spend or save than in FY 2026-27. This amount assumes current law obligations for FY 2027-28, including transfers, rebates, and expenditures (Table 1, lines 9 through 13). It also assumes the current law reserve requirement, which is scheduled to return to 15 percent of appropriations, and the projected TABOR refund obligation. The estimate is a cumulative amount that reflects the FY 2025-26 and FY 2026-27 budget situations and projected year-end balances. Any adjustments made to the budget for FY 2026-27 will carry forward into FY 2027-28. This amount holds FY 2026-27 appropriations constant and therefore does not reflect any caseload, inflationary, or other budget pressures.

Scenario B: Projected obligations based on current law

Scenario B, shown in Table 1E and Table 2, compares anticipated funds available to the 15 percent statutory reserve requirement for FY 2027-28 based on a set of projected changes to appropriations and transfers to accommodate current law budget pressures. The inclusion of Scenario B is illustrative and is not an endorsement of any of the listed actions by Legislative Council Staff. Under Scenario B, the General Fund would end FY 2027-28 with a 13.2 percent reserve, \$315.4 million less than the statutory requirement.

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

Changes in General Fund appropriations. Scenario B shows how appropriations for the largest areas of General Fund expenditure may change in FY 2027-28 (Table 2, lines 2 through 7). The growth assumptions provided below are based on JBC Staff analysis of prior year budget actions and anticipated budgetary pressures, and may overstate or understate actual needed cost increases. Scenario B includes:

- \$462.5 million in increased General Fund appropriations for the Department of Health Care Policy and Financing (HCPF), including \$321 million for medical service premiums, \$66 million for the Office of Behavioral Health; \$39 million for the Office of Community Living; \$13 million for the Children’s Basic Health Plan, and \$24 million for other line items in HCPF;
- \$175.0 million in increased General Fund appropriations for school finance, which incorporates an upgrade to forecast expectations for Amendment 23 transfers to the State Education Fund and statutory transfers to the Kids Matter Account;
- \$33.0 million in increased General Fund appropriations for higher education, a 2.7 percent increase based on inflation expectations in this forecast;
- \$93.8 million in increased General Fund appropriations related to total compensation, including \$55.2 million for employee salaries reflecting a 1.25 percent across-the-board increase plus the step plan, and \$38.6 million for health, life, and dental insurance;
- no increase in community provider rates, following the JBC’s decision to cut rates in the FY 2026-27 budget; and
- \$4.8 million in decreased out-year General Fund appropriations associated with 2026 legislation, based on LCS fiscal notes.

On net, the changes in appropriations above total \$759.5 million. They increase the statutory reserve requirement by 15 percent of that amount, or \$113.9 million (Table 2, line 14).

Changes in General Fund transfers for capital projects. Scenario B shows a total of \$314.7 million in additional General Fund obligations for transfers to the Capital Construction Fund (Table 2, line 13). The amount includes out-year costs for capital construction (line 10) and IT capital (line 11) projects funded in FY 2026-27, alongside the State Architect’s recommended annual allocation for controlled maintenance spending (line 12), equal to 1 percent of the current replacement value of state buildings. The costs for new projects funded with General Fund transfers in FY 2027-28 would add to this amount.

Table 2
FY 2027-28 Budget Scenario B
Projected Obligations Based on Current Law
Dollars in Millions

Line	Component	Amount
1	Excess Reserve Under Scenario A	\$872.7
2	HCPF (all decision items)	\$462.5
3	School Finance	\$175.0
4	Higher Ed. Institutions	\$33.0
5	Total Compensation	\$93.8
6	Provider Rates (no increase following FY 2026-27 committee decisions)	\$0.0
7	2026 Legislation Out-Year Cost Annualizations	-\$4.8
8	Total Change in Appropriations	\$759.5
10	Out-Year Costs of FY 2026-27 Funded Capital Const. Projects	\$6.8
11	Out-Year Costs of FY 2026-27 Funded IT Capital Projects	\$25.0
12	State Architect Recommendation for Controlled Maintenance	\$282.9
13	Total Increase in Capital Transfers	\$314.7
14	Change in Required Reserve (15% of Line 8)	\$113.9
15	Total Change in General Fund Obligations (Line 8 plus Line 13 plus Line 14)	\$1,188.2
16	Deficit Under Scenario B (Line 1 minus Line 15)	-\$315.4

Source: June 2026 LCS Forecast and Joint Budget Committee Staff.

Risks to the General Fund Budget Outlook

Revenue performance elevates bidirectional risks. Individual income tax final payments for the 2025 tax year greatly surpassed March forecast expectations, suggesting that household incomes in 2025 were much higher than previously anticipated, or that OBBBA impacts on individual income tax revenue were less strongly negative than previously expected, or some combination of these factors. Current data are insufficient to segment OBBBA impacts from underlying economic performance. Meanwhile, corporate income tax receipts underperformed March expectations.

This forecast contains significant revisions to match the new data. However, the elevated forecast error exhibited during the spring filing season suggests that previously predictive models may not be well-calibrated to the changing economic and tax policy environment, presenting both upside and downside risks to the current revenue forecast.

The forecast assumes late-breaking accounting changes for FY 2025-26 revenue. The current fiscal year ends on June 30, less than two weeks after the publication of this forecast. However, the forecast assumes that a few key sources of FY 2025-26 revenue will be accounted differently than currently presented in state accounting reports. If these changes are not made, the FY 2025-26 year-end General Fund balance will differ from this forecast, with impacts on FY 2026-27 and FY 2027-28.

- Insurance premium tax revenue grew 2.3 percent over the first 10 months of the fiscal year, with blistering 26.2 percent growth between July and December 2025 and a confounding 12.5 percent decline between January and April 2026. Falling revenue since January contradicts forecast expectations and widely-reported rising insurance premiums. The Division of Insurance in the Department of Regulatory Agencies has communicated that insurance premium tax payments may be delayed or underreported due to a tax reporting system change. This forecast assumes that insurance premium taxes will rally to increase 7.0 percent in the current fiscal year, well above the current revenue growth rate tracking.
- Revenue reporting through April 2026 does not show the receipt of revenue from insurance premium tax and corporate income tax credit sales under [House Bill 25B-1004](#) and [House Bill 25B-1006](#). This forecast assumes that \$200 million in credit sales will occur in FY 2025-26, and that this revenue will arrive as cash fund revenue subject to TABOR and be split between the General Fund and the Health Insurance Affordability Enterprise (HIAE).
- The forecast assumes that the HIAE will be disqualified as an enterprise for FY 2025-26, and requalify in FY 2026-27, with attendant changes to accounting for the state TABOR limit.
- Current accounting documents show General Fund appropriations to the Auraria Higher Education Center (AHEC) as cash fund revenue subject to TABOR. This forecast assumes that this accounting is incorrect, as the amounts appropriated to AHEC were already accounted as subject to TABOR when received in the General Fund (see [Senate Bill 25-316](#) and [House Bill 26-1372](#)), and that reports will be amended to remove the appropriations from TABOR revenue.

House Bill 26-1419 may or may not have a substantive impact on the budget. If the state does not collect a TABOR surplus in FY 2025-26, HB 26-1419 requires the State Controller to identify all or a portion of the FY 2024-25 TABOR refund obligation as an overrefund, and to reduce future refund obligations, including those expected for FY 2026-27 and FY 2027-28, until the obligations are reduced by the amount of the overrefund. This forecast anticipates that revenue will fall short of the Referendum C cap and HB 26-1419 will effectively increase the amounts available to be spent or saved in FY 2026-27 and FY 2027-28. However, if revenue exceeds the Referendum C cap in FY 2025-26, then the bill's impacts will not occur.

Recession risk is moderate. This forecast does not assume a recession, but an inconsistent national labor market, high inflation, and rising household debt all signal that the economy is in an uncomfortable position. Oil price shocks associated with the war in Iran have raised forecast uncertainty and recession risk. A recession would both reduce revenue and heighten demand for state services, pinching the budget from multiple angles.

Changes Between the March and June Forecasts

Table 3 presents revisions to the General Fund budget outlook relative to the March 2026 forecast. These changes are explained below.

FY 2025-26

The March forecast anticipated that the General Fund would end FY 2025-26 with a reserve \$1.01 billion below the statutory requirement. Expectations for the amount of the reserve were

increased by \$803.3 million, while the amount of the reserve requirement was decreased by \$324.3 million, such that the expected position of the year-end General Fund reserve relative to the requirement improved by \$1.13 billion.

The most significant changes to the current year budget outlook include:

- a \$498.2 million upgrade to **General Fund revenue** expectations, with upgrades to the outlook for individual income taxes more than offsetting downgrades to corporate income taxes and insurance premium taxes, and increased diversions to the State Education Fund under Amendment 23 and the State Affordable Housing Fund under Proposition 123;
- \$395.2 million in new expected **transfers from cash funds**, most notably including a \$130 million transfer from the Affordable Housing Financing Fund under [House Bill 26-1360](#), and assorted transfers totaling \$100.5 million under [House Bill 26-1405](#);
- \$74.1 million in increased **General Fund appropriations**, mostly via add-ons in the [Long Bill](#); and
- a \$324.3 million decrease in the **statutory reserve requirement**, reflecting additional appropriations and the reduction in the reserve requirement from 15.0 percent to 13.0 percent of appropriations under [House Bill 26-1363](#).

FY 2026-27

Because a budget for FY 2026-27 had not yet been enacted at the time of the March forecast, Table 3 presents changes in this forecast relative to March 2026 budget Scenario A, which showed the FY 2026-27 General Fund outlook if appropriations were held constant relative to FY 2025-26. Relative to that scenario, the expected amount of the FY 2026-27 year-end reserve was increased by \$666.8 million, while the amount of the reserve requirement was decreased by \$287.8 million, such that the expected position of the year-end General Fund reserve relative to the requirement improved by \$954.5 million.

The most significant changes to next year's budget outlook include:

- an \$803.3 million improvement in the **beginning balance**, reflecting the FY 2025-26 changes detailed above;
- a \$343.0 million upgrade to **General Fund revenue** expectations, with upgrades to the outlook for individual income taxes more than offsetting downgrades to corporate income taxes and insurance premium taxes, and increased diversions to the State Education Fund under Amendment 23 and the State Affordable Housing Fund under Proposition 123;
- \$82.5 million in new expected **transfers from cash funds**, most notably from the assorted transfers in HB 26-1405;
- \$355.3 million in increased **General Fund appropriations**, mostly via the Long Bill;
- \$132.9 million in **transfers to capital construction funds**, mostly via [House Bill 26-1402](#); and
- a \$287.8 million decrease in the **statutory reserve requirement**, reflecting additional appropriations and the reduction in the reserve requirement under HB 26-1363.

Table 3
Changes in the General Fund Budget Relative to the March 2026 Forecast (Scenario A)

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

Components of Change	FY 2025-26	FY 2026-27	Description of Changes
Funds Available	\$893.5	\$1,228.8	
Beginning Balance	\$0.0	\$803.3	Carries forward prior year end balances.
General Fund Revenue	\$498.2	\$343.0	See Table 12. Upgrade to individual income tax more than offset downgrade to corporate income tax.
Transfers from Other Funds	\$395.2	\$82.5	See Table 8A. Reflects 2026 legislation, particularly HB 26-1360 and HB 26-1405 .
Expenditures	\$90.2	\$562.0	
Operating Appropriations	\$74.1	\$355.3	Reflects FY 2026-27 Long Bill and supplemental appropriations in Long Bill add-ons, plus other appropriations in legislation.
TABOR Refund Obligation	\$0.0	\$53.5	See Table 10. Reflects upgrade to General Fund revenue forecast, more than offsetting decreased cash funds forecast and impact of HB 26-1419 .
Rebates and Expenditures	\$3.8	\$16.1	See Table 6. Largest change is to Old Age Pension expenditures.
SEF Transfers	\$0.0	\$0.0	
Transportation Transfers	\$0.0	-\$10.5	See Table 5A. Reflects HB 26-1399 .
Capital Const. Transfers	\$2.3	\$132.9	See Table 5B. Reflects HB 26-1402 , HB 26-1406 , and SB 26-149 .
Other Cash Fund Transfers	\$10.0	\$14.7	See Table 8B. Largest changes reflect increased expectations for marijuana and tobacco revenue.
Required Reserve	-\$324.3	-\$287.8	Reflects HB 26-1363, reducing the reserve requirement to 13 percent.
Accounting Adjustment	\$0.0	\$0.0	
Surplus Relative to Required Reserve	\$1,127.6	\$954.5	Nets the above changes.

Summary of Net Transfers Between the General Fund and Cash Funds

Statutory transfers to and from the General Fund are presented in lines 3 and 10 through 13 of Table 1. Table 4 groups these transfers and summarizes their impact on the net General Fund position. Detailed General Fund transfers for infrastructure are presented in Table 5 on page 18. Detailed transfers not included in Table 5 are presented in Table 8 on pages 24 through 26.

Table 4
Net Transfers Between the General Fund and Cash Funds

Dollars in Millions

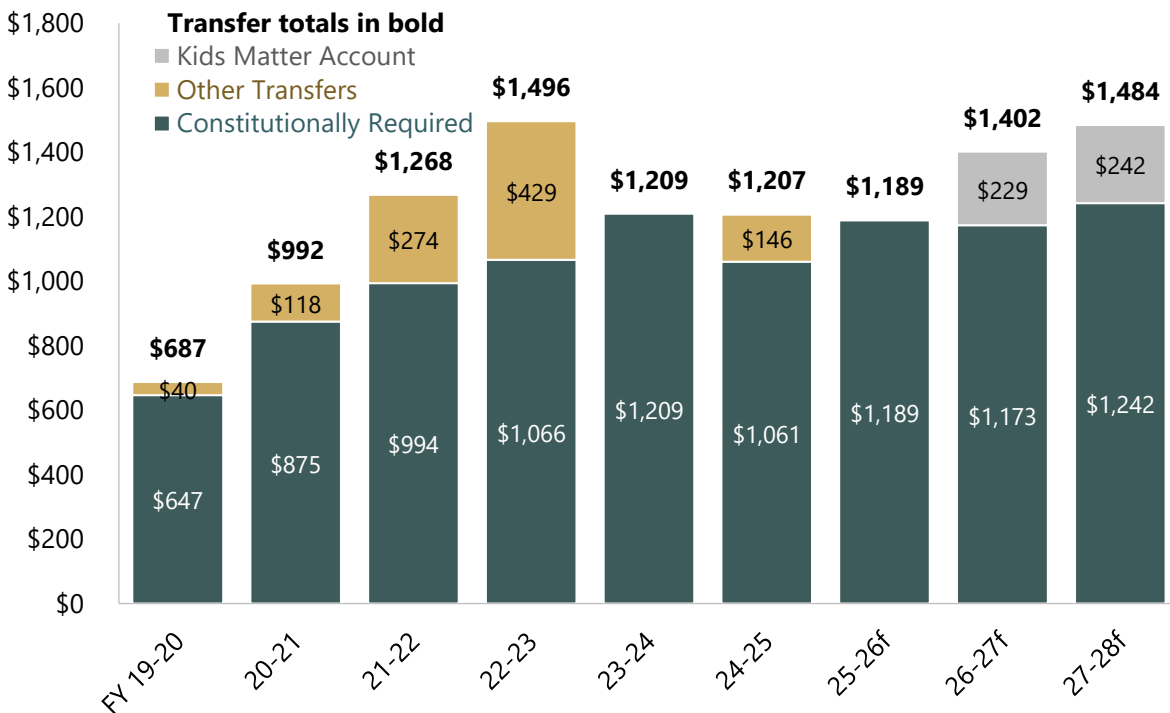
Transfer Category	2024-25	2025-26	2026-27	2027-28
Cash Fund Transfers to the General Fund (Table 8A)	\$519.9	\$617.2	\$149.4	\$50.3
General Fund Transfers to the State Education Fund (Table 1, Line 11)	-\$146.0	\$0.0	\$0.0	\$0.0
General Fund Transfers to Transportation Funds (Table 5A)	-\$117.5	-\$42.7	-\$50.5	-\$96.4
General Fund Transfers to Capital Funds (Table 5B)	-\$254.1	-\$176.5	-\$152.9	-\$17.5
General Fund Transfers to Other Cash Funds (Table 8B)	-\$1,884.1	-\$465.9	-\$477.9	-\$531.8
Net General Fund Transfers	-\$1,881.8	-\$67.9	-\$531.9	-\$595.4

State Education Fund Transfers

The Colorado Constitution (Amendment 23) requires the State Education Fund (SEF) to receive one-third of 1 percent of taxable income. In FY 2025-26, the SEF will receive \$1.19 billion as a result of this requirement. June 2026 reporting from the Department of Revenue indicates that the amount of income tax credits for tax year 2024 were significantly greater than estimated in the March 2026 forecast. Based on the new information, this forecast increases estimates of taxable income, and the amount of the transfer requirement, through the forecast period. The FY 2025-26 transfer includes a \$60.8 million adjustment to correct for estimated under-transfers in FY 2024-25.

The SEF transfer is estimated at \$1.17 billion in FY 2026-27, a slight decrease from FY 2025-26 because the FY 2025-26 amount includes the correction for under-transfers explained above. The transfer is estimated at \$1.24 billion in FY 2027-28, increasing with growth in taxable income. In addition, the newly created Kids Matter Account within the SEF is expected to receive \$229 million in FY 2026-27 and \$242 million in FY 2027-28. Figure 1 shows revenue to the State Education Fund.

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.

School Finance Formula Phase-In

[House Bill 24-1448](#) created a new formula for calculating total program funding for each of the state's 178 school districts ("new school finance formula"). Beginning in FY 2025-26, the new school finance formula is phased in incrementally as scheduled in HB 24-1448 and [House Bill 25-1320](#). In FY 2025-26, most districts receive the amount they would have received under the preexisting 1994 formula ("old school finance formula"), plus 15 percent of the difference in funding between the new formula and the old formula. In FY 2031-32, the phase in is scheduled to reach 100 percent, and all funding will be allocated under the new school finance formula.

Current state law specifies three fiscal conditions and requires that the phase-in stop if any of the conditions is satisfied. One of these conditions is if the March forecast selected by the JBC for budget balancing projects that the Amendment 23 diversion to the SEF will decrease by 5 percent or more, year-over-year, in either the current budget year or the next budget year. Based on the OSPB March 2026 forecast selected for balancing, and consistent with [Senate Bill 26-023](#), the phase-in will continue as scheduled for FY 2026-27, with the phase-in percentage increasing to 30 percent.

General Fund Transfers for Transportation and Capital Construction

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

Table 5A
General Fund Transfers to Transportation Funds

Dollars in Millions

Bill Number	2024-25	2025-26	2026-27	2027-28
SB 21-260	\$117.5	\$42.7	\$50.5	\$96.4
Total Transfers to Transportation Funds	\$117.5	\$42.7	\$50.5	\$96.4

Table 5B
General Fund Transfers to Capital Funds

Dollars in Millions

Bill Number	2024-25	2025-26	2026-27	2027-28
HB 15-1344	\$20.0	\$17.5	\$17.5	\$17.5
HB 24-1425	\$232.2			
SB 24-222	\$1.9			
SB 25-262		\$150.6		
HB 26-1179		\$3.6		
HB 26-1402			\$135.4	
SB 26-149		\$4.8		
Total Transfers to Capital Funds	\$254.1	\$176.5	\$152.9	\$17.5

Transfers for Transportation

[Senate Bill 21-260](#) directed annual transfers from the General Fund to the State Highway Fund (\$107.0 million) and the Multimodal Transportation and Mitigation Options Fund (“Multimodal Fund”; \$10.5 million) beginning in FY 2024-25. Over the past two sessions, three bills have reduced these transfers:

- [Senate Bill 25-257](#) reduced the State Highway Fund transfers in both FY 2025-26 and FY 2026-27;
- [House Bill 26-1399](#) eliminated the Multimodal Fund transfers for FY 2026-27 through FY 2028-29; and
- [House Bill 26-1289](#) reduces the State Highway Fund transfer to \$96.4 million in FY 2027-28 and ongoing; it also reduced the State Highway Fund transfer in FY 2026-27, but that reduction was reverted in [House Bill 26-1430](#).

Net of these adjustments, SB 21-260 transfers are \$42.7 million in FY 2025-26, including \$32.2 million to the State Highway Fund and \$10.5 million to the Multimodal Fund; and \$50.5 million in FY 2026-27 and \$96.4 million in FY 2027-28, all to the State Highway Fund.

Transfers for Capital Construction

[Senate Bill 25-262](#), last year's capital projects bill, made a one-time, \$150.6 million transfer to fund capital projects in FY 2025-26. [House Bill 26-1179](#) made a supplemental \$3.6 million transfer in FY 2025-26. [Senate Bill 26-149](#) makes an additional \$4.8 million transfer in FY 2025-26 to fund the addition of beds at the Colorado Mental Health Hospital in Pueblo.

[House Bill 26-1402](#), this year's capital projects bill, makes a one-time, \$135.4 million transfer to fund capital projects in FY 2026-27.

[House Bill 15-1344](#) funds transfers to the National Western Center Trust Fund to make lease payments related to certificates of participation for capital projects at the National Western Center. These transfers are in the amount of the lease payment, or \$17.5 million annually. In prior years, the Capital Development Committee had been authorized to request that the difference between the National Western Center lease payment and \$20.0 million, or \$2.5 million, be transferred annually to the Capitol Complex Master Plan Implementation Fund. The committee chose not to request this transfer for FY 2025-26. [House Bill 26-1406](#) ends the committee-requested transfers in FY 2026-27 and repeals that cash fund.

Other Cash Fund Transfers

Table 8 on pages 24 through 26 presents forecasted transfers between the General Fund and cash funds other than those shown in Table 5. Most transfers directly increase or decrease the amount available for the General Fund budget with no other impacts on the General Fund. However, because [House Bill 26-1401](#) transfers \$72.8 million in custodial funds from the Unclaimed Property Trust Fund to the General Fund, the transferred amount is expected to increase General Fund revenue subject to TABOR, and is added to the estimate of General Fund revenue subject to TABOR for FY 2025-26 in Table 10.

Rebates and Expenditures

Table 6 on page 20 presents the outlook for rebates and expenditures, which are amounts paid from the General Fund to meet specific constitutional or statutory requirements. While many of these amounts appear in the Long Bill, they are included there for informational purposes only, since state agencies are required by the constitution or statute to pay the full amount of the required expenditure regardless of the budgeted amount. These Long Bill amounts for these items do not contribute to the General Fund reserve requirement as they are not technically appropriations.

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

Table 6
General Fund Rebates and Expenditures
Dollars in Millions

Category	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Senior and Veterans Property Tax Exemptions	\$173.1	\$184.9	\$199.2	\$206.1
Portion Accounted as TABOR Refund Mechanism	-\$173.1	-\$184.9	\$0.0	-\$206.1
Percent Change in Property Tax Exemptions	7.4%	6.8%	7.7%	3.5%
Property Tax Assessed Value Reductions	\$0.0	\$1.6	\$4.1	\$0.0
Portion Accounted as TABOR Refund Mechanism	N/A	-\$1.6	\$0.0	\$0.0
Percent Change in Assessed Value Reductions	N/A	N/A	166.3%	-100.0%
Direct Distributions to PERA		\$664.6	\$163.7	\$138.2
Percent Change in Direct Distribution to PERA		N/A	-75.4%	-15.6%
Cigarette Rebate	\$6.4	\$5.2	\$4.9	\$4.4
Percent Change in Cigarette Rebate	-6.4%	-19.0%	-4.5%	-10.4%
Old Age Pension Fund	\$89.7	\$92.8	\$103.1	\$98.2
Percent Change in Old Age Pension Fund	-3.5%	3.5%	11.1%	-4.8%
Aged Property Tax and Heat Credit	\$16.4	\$11.3	\$11.7	\$11.9
Percent Change in Aged Property Tax and Heat Credit	35.5%	-31.3%	3.5%	2.1%
Older Coloradans Fund	\$10.0	\$10.0	\$10.0	\$10.0
Percent Change in Older Coloradans Fund	0.0%	0.0%	0.0%	0.0%
Interest Payments for School Loans	\$22.2	\$16.5	\$17.3	\$18.0
Percent Change in Interest for School Loans	-15.3%	-25.7%	5.1%	3.6%
Firefighter Pensions	\$4.0	\$4.3	\$4.2	\$4.2
Percent Change in Firefighter Pensions	-2.6%	6.3%	-2.6%	0.0%
Amendment 35 Distributions	\$0.6	\$0.6	\$0.5	\$0.5
Percent Change in Amendment 35 Distributions	-6.0%	-3.8%	-2.8%	-7.0%
Marijuana Sales Tax Transfer to Local Governments	\$18.6	\$6.2	\$6.1	\$6.2
Percent Change in Marijuana Tax to Local Gov'ts	-4.4%	-66.8%	-1.2%	1.7%
Business Personal Property Exemptions	\$19.5	\$16.2	\$16.3	\$16.3
Percent Change in Business Personal Prop. Exemptions	18.5%	-16.9%	0.9%	0.0%
Total Rebates and Expenditures	\$187.4	\$827.6	\$541.2	\$308.0
Percent Change in Total Rebates and Expenditures	-22.5%	341.6%	-34.6%	-43.1%

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

Local government reimbursements for property tax exemptions (line 1) and property tax assessed value reductions (line 4) are the first and second TABOR refund mechanisms, respectively, used to meet the prior year's refund obligation. Direct distributions to PERA (line 7) were removed from the General Fund reserve requirement and are first accounted as a rebate and expenditure in FY 2025-26. This line also includes a \$500 million warrant in FY 2025-26 only.

Fiscal Policies Dependent on Revenue Conditions

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

Tax Credit Availability and Amounts

Since 2023, the General Assembly has adopted legislation that create income tax credits for which availability and amounts depend on revenue forecasts. The tax credits in four of these bills are reduced in tax year 2026 as a result of revenue expectations.

With the exception of the expanded family affordability credit in House Bill 26-1223, discussed below, the availability and amounts of each tax credit are determined by expectations for growth in revenue subject to TABOR. At the same time, the availability and amounts of these tax credits also influence expectations for revenue subject to TABOR by impacting individual income tax revenue. As a result, the order in which the tax credits are evaluated to determine whether revenue conditions are satisfactory to allow the credit to be offered in full can be significant.

This forecast evaluates the revenue growth criteria for each tax credit in the order that the actual amounts of the tax credits will be determined throughout the year. Forecast assumptions for each credit are described in more detail below.

Tax credits related to decarbonization in [House Bill 23-1272](#). The bill extends and expands preexisting 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. For tax year 2026, credit amounts are reduced by half based on the June 2025 LCS forecast, which anticipated that FY 2025-26 state revenue subject to TABOR would grow by less than 4 percent.

[House Bill 26-1289](#) removes the conditionality of these credits in future years. Accordingly, the credits are available in their full amounts in tax years 2027 through 2032 and do not depend on this or future revenue forecasts.

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

Based on the September 2025 LCS forecast, the revenue cap for the tax credit is reduced to \$7.5 million in tax year 2026. This forecast anticipates that the cap will return to \$15 million in tax years 2027 and 2028.

Expanded earned income tax credit in [House Bill 24-1134](#) and family affordability tax credit in [House Bill 24-1311](#). These bills expand the state earned income tax credit (“expanded EITC”; HB 24-1134) and create a family affordability income tax credit (“FATC”; HB 24-1311). Both credits applied unconditionally in tax year 2024. For tax year 2025 and later tax years, the credits in the bills may be reduced based on revenue projections for the fiscal year that begins during the tax year, as projected in the December forecast that is prepared by the agency whose forecast was selected by the Joint Budget Committee (JBC) to balance that fiscal year’s budget. Based on the December 2024 OSPB forecast, both credits are allowed in full for tax year 2025. Based on the December 2025 OSPB forecast, both credits will be unavailable for tax year 2026. The same result would occur if the availability of the credits depended on this December 2025 LCS forecast instead.

This forecast expects that both tax credits will be unavailable for tax year 2027 and tax year 2028. Actual amounts will depend on future December forecast expectations.

Expanded family affordability credit in [House Bill 26-1223](#). Beginning in 2027, the bill significantly narrows the sales and use tax exemption for downloadable software. It also creates two sales tax deductions for retail food establishments, one for gas and electricity, and one for limited amounts of taxable sales in specific months during 2027 and 2028. On net, the bill is expected to increase state sales and use tax revenue by \$73.9 million in calendar year 2027.

The bill creates an expanded family affordability credit, similar to the FATC in HB 24-1311, targeted to reduce income tax revenue by the same amount as the sales and use tax increase. The bill requires that the June 2027 LCS forecast, and subsequent June LCS forecasts, calculate expanded family affordability credit amounts based on expectations for the bill’s sales and use tax impacts. Credit calculations will be included in future June forecasts. This forecast anticipates that the 2027 expanded family affordability credit will equal \$73.9 million, realized as refunds on income tax returns for tax year 2027 in the spring 2028 tax filing season.

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. In prior years, the transfers have depended 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. Based on the June 2023, June 2024, and June 2025 LCS forecasts, no transfers were made for FY 2022-23 through FY 2024-25.

[House Bill 26-1401](#) reduces the potential amount of the FY 2025-26 transfer to \$2.2 million, and ends the transfers after FY 2025-26.

Statute requires that each June forecast report estimates of state revenue subject to TABOR and the cutoff amount, and the calculated transfer amount based on these estimates for the current fiscal year. Table 7 presents these amounts for FY 2025-26.

Table 7
Transfer from the Unclaimed Property Trust Fund
to the Housing Development Grant Fund

Dollars in Millions

<u>Component</u>	<u>FY 2025-26</u>
Revenue Subject to TABOR	\$19,553.7
TABOR Limit (Referendum C Cap)	\$19,980.8
Transfer Cutoff Amount	\$19,950.8
Excess/(Deficit) of Cutoff Amount	-\$397.1
FY 2025-26 Transfer Amount	\$2.2

Revenue subject to TABOR must be below the transfer cutoff amount for a transfer to be made.

Because this forecast projects that revenue subject to TABOR will be less than the cutoff amount, **\$2.2 million will be transferred in FY 2025-26.**

Partial Refundability of the Conservation Easement Tax Credit

Through tax year 2026, the conservation easement income tax credit is available as a nonrefundable credit in tax years when the state does not refund a TABOR surplus. In tax years when the state refunds a TABOR surplus, taxpayers may claim an amount up to \$50,000, less their income tax liability, as a refundable credit. The state collected a TABOR surplus in FY 2024-25; therefore, partial refundability of the credit will be available for tax year 2025. The state is not expected to collect a TABOR surplus in FY 2025-26; therefore, partial refundability of the credit is not expected to be available for tax year 2026.

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

Table 8A
Cash Fund Transfers to the General Fund
Dollars in Millions

Bill Number	Transfers to the General Fund	2024-25	2025-26	2026-27	2027-28
HB 92-1126	Land and Water Management Fund	\$0.1	\$0.0	\$0.0	\$0.0
HB 05-1262	Amendment 35 Tobacco Tax	\$0.6	\$0.6	\$0.5	\$0.5
HB 08-1216	Consumer Outreach and Education Program	\$0.0	\$0.0	\$0.0	\$0.0
SB 13-133 & HB 20-1400	Limited Gaming Fund	\$22.4	\$28.5	\$27.0	\$29.0
HB 20-1427	2020 Tax Holding Fund	\$4.1	\$4.1	\$4.1	\$4.1
SB 21-213 & HB 26-1367	Use of Increased Medicaid Match	\$7.4	\$1.3		
HB 23-1041	Prohibit Greyhound Wagering			\$0.1	
HB 23-1272	Decarbonization Tax Credits Administration	\$23.5	\$32.0		
SB 23-205	Universal High School Scholarship Program			\$0.03	
HB 24-1413	Severance Tax Cash Funds	\$69.3			
HB 24-1414	COVID Heroes Collaboration Fund	\$3.6			
HB 24-1426	Controlled Maintenance Trust Fund	\$48.9			
SB 25-114	Financial Literacy and Exchange Fund	\$0.6			
SB 25-260	Household Financial Recovery Pilot Program	\$5.2			
SB 25-264	Various Cash Funds	\$171.2	\$53.9		
SB 25-293	License Plate Cash Fund	\$4.2			
SB 25-312	American Rescue Plan Act Funds	\$96.8			
SB 25-317	Cash Fund Investment Earnings	\$62.1			
HB 25B-1004	Sale of Tax Credits		\$100.0		
HB 26-1332	Legislative Department Cash Fund		\$14.8	\$2.2	\$2.2
HB 26-1350	Start Smart Cash Fund		\$0.5		
HB 26-1360	Affordable Housing Financing Fund		\$130.0		
HB 26-1361	Pay for Success Contracts Fund		\$1.6		
HB 26-1378	High Risk Families Cash Fund		\$0.02		
HB 26-1381	Commission on Judicial Discipline Special Cash Fund		\$0.4		
HB 26-1382	Support of Coloradans with Disabilities		\$21.0		
HB 26-1383	Employment Support Program Cash Fund		\$0.0		
HB 26-1387	Severance Tax Operational Fund			\$14.2	\$14.2
HB 26-1388	Bond Assistance Program Cash Fund		\$1.8		
HB 26-1395	Wildfire Resilient Homes Grant Program		\$0.1		
HB 26-1396	Disaster Emergency Fund			\$0.0	\$0.0
HB 26-1401	Unclaimed Property Trust Fund		\$72.8		
HB 26-1405	Various Cash Funds		\$100.5	\$99.5	\$0.4
HB 26-1406	Capitol Complex Renovation Fund		\$15.3	\$1.8	
HB 26-1407	ARPA-Related Cash Funds		\$35.7		
HB 26-1416	Universal High School Scholarship Program		\$2.6		
All Bills	Total Transfers to the General Fund	\$519.9	\$617.2	\$149.4	\$50.3

Table 8B
General Fund Transfers to Other Cash Funds
Dollars in Millions

Bill Number	Transfers from the General Fund	2024-25	2025-26	2026-27	2027-28
SB 11-047 & HB 13-1001 & SB 23-066 & HB 24-1396	Bioscience Income Tax Transfer to OEDIT	\$22.0	\$23.1	\$23.9	\$25.2
SB 14-215 & SB 25-268	Marijuana Tax Cash Fund	\$119.9	\$123.1	\$127.8	\$130.0
SB 17-267	State Public School Fund	\$21.0	\$20.0	\$19.8	\$20.1
HB 20-1116 & HB 24-1398	Procurement Technical Assistance Program	\$0.2	\$0.2	\$0.2	\$0.2
HB 20-1427	2020 Tax Holding Fund	\$243.6	\$252.4	\$252.6	\$281.0
SB 22-191	Procurement of Information Technology Resources	\$0.0	\$0.0	\$0.0	\$0.0
SB 22-195	Conservation District Grant Fund	\$0.1	\$0.1	\$0.1	\$0.1
HB 23-1041	Prohibit Greyhound Wagering	\$0.03	\$0.05		
HB 23-1305	Continue Health Benefits in Work-Related Death	\$0.2	\$0.2		
SB 23-005	Forestry and Wildfire Mitigation Workforce	\$1.0	\$1.0	\$1.0	\$1.0
SB 23-255	Wolf Depredation Compensation Fund	\$0.4	\$0.4	\$0.4	\$0.4
HB 24-1043	Death and Disability Payment Cash Fund		\$2.1	\$2.1	\$2.1
HB 24-1152	ADU Fee Reduction and Encouragement Program	\$8.0			
HB 24-1176	Behavioral and Mental Health Cash Fund	\$4.0			
HB 24-1237	Child Care Facility Development Cash Fund	\$0.3			
HB 24-1280	Welcome, Reception, and Integration Cash Fund	\$2.5			
HB 24-1313	Transit-Oriented Communities Infrastructure Fund	\$35.0			
HB 24-1349	Firearms and Ammunition Excise Tax Cash Fund	\$3.0	\$19.2	\$26.9	\$31.8
HB 24-1364	Longitudinal Data System Cash Fund	\$5.0			
HB 24-1365	Opportunity Now Grants	\$4.0			
HB 24-1379	Clean Water Cash Fund			\$0.2	\$0.2
HB 24-1386	Broadband Infrastructure Cash Fund	\$4.6			
HB 24-1390	Healthy School Meals for All Program Cash Fund	\$0.0			
HB 24-1397	Creative Industries Cash Fund	\$0.5			
HB 24-1420	Crime Victim Services Fund	\$4.0			
HB 24-1421	Multidisciplinary Crime Prevention Crisis Intervention	\$3.0			
HB 24-1439	Apprenticeship Programs	\$4.0			
HB 24-1466	ARPA Recipient Cash Funds	\$1,394.6			

SB 22-191 directs transfers of unspent prior year General Fund appropriations for IT procurement. In FY 2024-25, \$9.3 million was transferred under this bill. The transfer amount is already included in General Fund appropriations and not counted again here.

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

Table 8B (Cont.)
General Fund Transfers to Other Cash Funds
Dollars in Millions

Bill Number	Transfers from the General Fund	2024-25	2025-26	2026-27	2027-28
SB 24-170	America 250 - Colorado 150 Cash Fund	\$0.3			
SB 24-214	State Agency Sustainability Revolving Fund	\$0.4			
SB 24-218	Lineworker Apprenticeship Grant Program Cash Fund	\$0.8			
SB 24-221	Rural Hospital Cash Fund	\$1.7			
HB 25-1209	Marijuana Entrepreneur Fund		\$0.3	\$0.3	
SB 25-007	Prescribed Fire Claims Cash Fund		\$0.3		
SB 25-213	Broadband Infrastructure Cash Fund		\$0.8		
SB 25-254	Stationary Sources Control Fund		\$5.0		
SB 25-255	Hazardous Substance Response Fund		\$6.0		
SB 25-268	Marijuana Cash Fund		\$2.6	\$2.6	\$2.7
SB 25-269	Infrastructure Investment & Jobs Act Cash Fund		\$4.0		
SB 25-308	Health-Related Social Needs		\$0.0	\$0.0	\$0.0
SB 25-310	Death Benefit Fund		\$5.0	\$5.0	\$2.0
SB 25-310	Peace Officer Training and Support Fund			\$15.0	\$35.0
All Bills	Total General Fund Transfers to Other Cash Funds	\$1,884.1	\$465.9	\$477.9	\$531.8

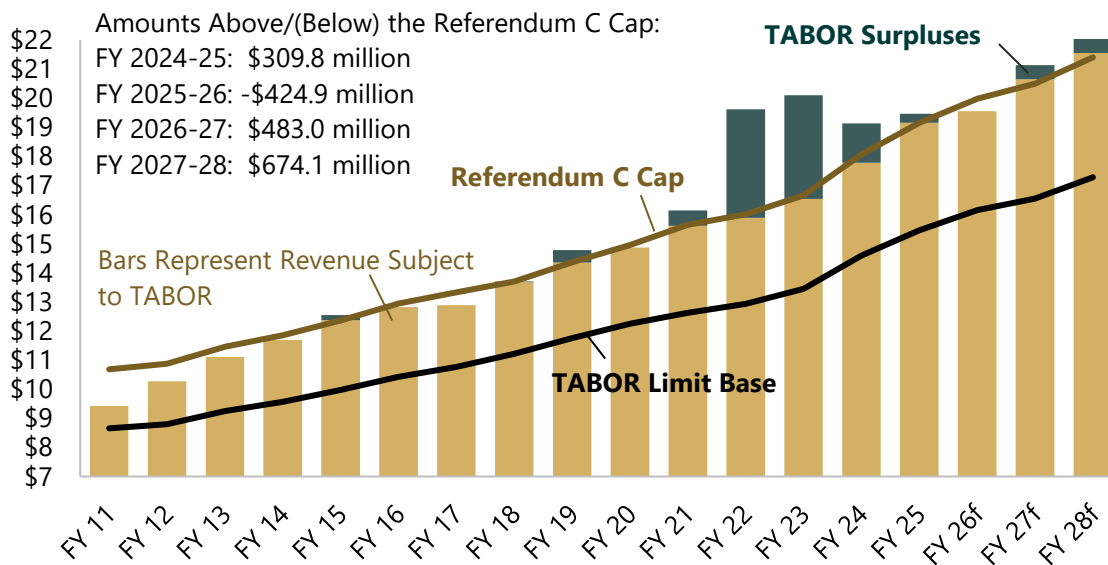
SB 24-214 increased the amount of a transfer to the Energy Fund that occurred in June 2022. The additional amount, \$125,000, was deposited in the Energy Fund in FY 2023-24.

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

TABOR Outlook

The state TABOR outlook is presented in Table 10 and illustrated in Figure 2, which also provides a history of the TABOR limit base and the Referendum C cap. Revenue subject to TABOR exceeded the Referendum C cap in FY 2024-25, creating a state obligation for TABOR refunds to taxpayers in FY 2025-26. Revenue is expected to fall short of the cap in FY 2025-26 before exceeding the cap in FY 2026-27 and FY 2027-28, creating a state obligation for TABOR refunds to be paid to taxpayers in each of FY 2027-28 and FY 2028-29.

Figure 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 2024-25 differs from the surplus amount because it subtracts \$3.7 million in over-refunds from prior TABOR surpluses. The refund amounts for FY 2026-27 and FY 2027-28 differ from the surplus amount because they include a reduction of \$153.1 million in each year under HB 26-1419.

Forecasts for FY 2025-26 through FY 2027-28

In **FY 2025-26**, state revenue subject to TABOR is projected to fall below the Referendum C cap by \$424.9 million, and the state will not incur an obligation for TABOR refunds. As a result, no refunds to taxpayers are expected to be made via property tax exemptions and assessed value reductions, or refunds using the income tax form. The state obligation to reimburse counties for homestead exemptions and assessed value reductions, estimated at \$203.3 million, will be paid from General Fund revenue rather than TABOR surplus dollars in FY 2026-27.

The forecast for FY 2025-26 and all later years incorporates adjustments for [Senate Bill 26-042](#), which classifies certain state revenue as either damage awards or collections for another government beginning in FY 2025-26. It also includes adjustments for [House Bill 26-1401](#). That bill makes one-time FY 2025-26 transfers from the Unclaimed Property Trust Fund (UPTF) of \$72.8 million to the General Fund and \$2.2 million to the Housing Development Grant Fund,

causing the revenue to become subject to TABOR, and ends ongoing transfers from the UPTF to the Adult Dental Fund, causing that money to no longer become subject to TABOR.

Revenue is projected to exceed the Referendum C cap by \$483.0 million in **FY 2026-27**, and by \$674.1 million in **FY 2027-28**. Under [House Bill 26-1419](#), these amounts are expected to be adjusted downward by \$153.1 million in each fiscal year. Refunds of \$329.9 million and \$521.0 million 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 also include adjustments for any over- or under-refund of prior year surpluses. Forecasts for FY 2026-27 and FY 2027-28 include adjustments for [House Bill 26-1364](#), which changes how inflation is calculated for the purpose of the TABOR limit in these two years only.

Relative to the March forecast, expectations for revenue subject to TABOR were increased by about \$489 million in FY 2025-26 and \$218 million in FY 2026-27. Expectations for General Fund revenue were increased throughout the forecast period, with upward revisions to the sales, excise and individual income tax revenue forecasts more than offsetting downward revisions to the corporate income and insurance premium tax revenue forecasts. Expectations for cash fund revenue were decreased in all three years. In FY 2027-28, these revisions offset increased expectations for General Fund revenue so that expectations for revenue subject to TABOR were decreased by \$88 million.

The forecast includes adjustments for **enterprise qualification and disqualification**. The Waste Tire Management Enterprise is created as an enterprise starting in FY 2025-26 by [Senate Bill 24-123](#), and moves fee revenue collected from the sale of new tires into the enterprise. The forecast assumes the disqualification of the Healthy Insurance Affordability Enterprise also for FY 2025-26, and its requalification for FY 2026-27, as a result of [House Bill 25B-1006](#). The Road Enterprise is created as an enterprise starting in FY 2025-26 by [House Bill 26-1430](#), and moves fee revenue from oversize and overweight vehicles into the enterprise starting in FY 2026-27. When a state program is disqualified as an enterprise, its fee revenue becomes subject to TABOR, and an upward adjustment is made to the TABOR limit base and the Referendum C cap. Likewise, when an institution is requalified or newly qualified as an enterprise, its existing fee revenue is subtracted from the TABOR limit base and the Referendum C cap. Enterprise qualification and disqualifications resulted in year-over-year adjustments of \$133.1 million in FY 2025-26, and -\$131.3 million in FY 2026-27.

Risks to the Forecast

Estimates of the TABOR surplus and TABOR refund obligation represent the amount by which state revenue subject to TABOR is expected to exceed the Referendum C cap. Therefore, any error in the General Fund or cash funds revenue forecasts will result in an error of an equal amount in the TABOR refund forecast. Any forecast error for inflation or population growth will also impact the TABOR situation by resulting in higher or lower allowable growth in the Referendum C cap.

TABOR surpluses mitigate risks to the General Fund budget from the impacts of lower-than-expected General Fund revenue. Currently projected TABOR surpluses in FY 2026-27 and FY 2027-28 are 2.3 and 3.1 percent of revenue subject to TABOR, respectively, which is well within normal error for forecasts beyond the current fiscal year. A reduction in General Fund

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

As revenue subject to TABOR is currently projected to fall below the Referendum C cap in FY 2025-26, any reduction in General Fund revenue will impact the budget, while an increase in revenue from cash fund sources will not reduce available budget space if total revenue remains below the Referendum C cap. If revenue exceeds the Referendum C cap in FY 2025-26, then HB 26-1419 will not affect the refund obligation for FY 2026-27 and FY 2027-28.

Estimates of the state population have emerged as a new risk to the forecast. Methodological changes forthcoming for the Census Bureau's December 2026 estimates of state populations may result in a lower estimate for the state's July 1, 2026, population, which would slow the TABOR limit growth rate for FY 2027-28.

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 2025-26 and beyond. There are additionally two refund mechanisms established in [Senate Bill 24-228](#) for FY 2023-24 through FY 2033-34, and one additional temporary refund mechanism established in [Senate Bill 24-111](#) for FY 2024-25 and FY 2025-26. These refund mechanisms are discussed below.

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

Senate Bill 24-111 established a new refund mechanism used to refund the TABOR surplus collected for FY 2024-25 and FY 2025-26 through reductions in the assessed value of owner-occupied senior primary residences for those who have previously qualified for the existing senior homestead exemption but who are currently ineligible because they moved. Local governments' foregone property tax revenue as a result of the bill is reimbursed by the state government.

As discussed above, revenue subject to TABOR is expected to fall below the Referendum C cap in FY 2025-26. This means that under current law the homestead property tax reimbursements, which are expected to total \$199.2 million, and the additional property tax reimbursements under SB 24-111, which are expected to total \$4.1 million, will be paid from General Fund revenue rather than the TABOR refund obligation in FY 2026-27.

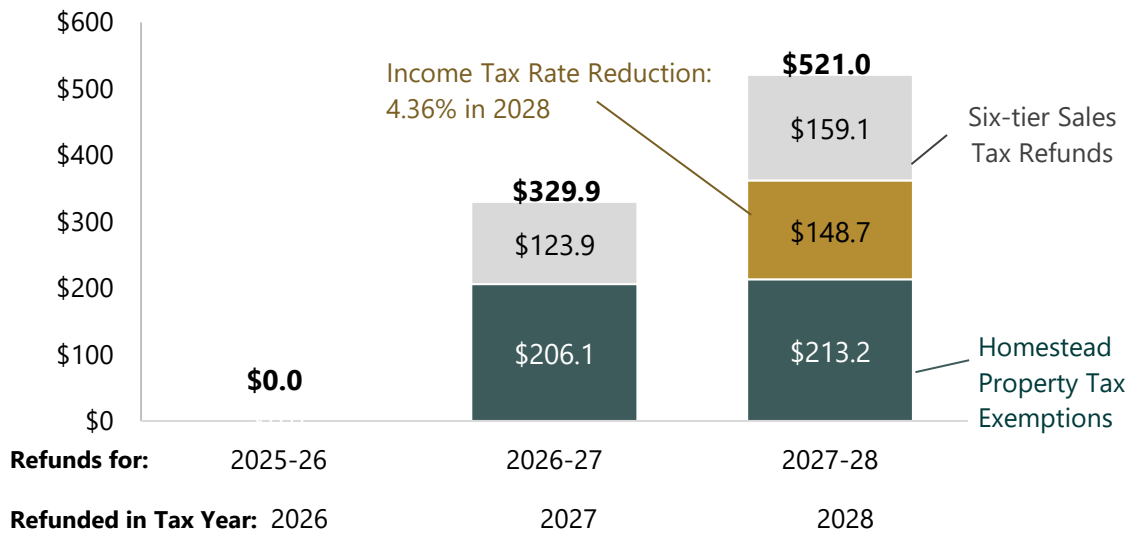
The **temporary income tax rate reduction** is expected to apply for tax year 2028 as the second TABOR refund mechanism after property tax refunds. The income tax rate will be reduced from 4.40 percent to 4.36 percent in tax year 2028, based on the expected amounts of the TABOR surplus remaining after property tax refunds in FY 2027-28.

This forecast anticipates that the income tax rate reduction mechanism will not be triggered in tax years 2026 or 2027. In subsequent years, the amount of the income tax rate reduction that is triggered depends on the amount of the TABOR surplus remaining after reimbursements to local governments for property tax exemptions.

The **six-tier sales tax refund mechanism** is expected to apply for tax years 2027 and 2028 with refund amounts based on taxpayer incomes. Table 9 presents estimated six-tier sales tax refund amounts for tax years 2027 and 2028.

Figure 3
Expected TABOR Refunds and Refund Mechanisms

Dollars in Millions



Source: Legislative Council Staff June 2026 forecast.

Refunds made via property tax reductions reduce obligations that would otherwise be paid from General Fund revenue. Refunds made via the income tax rate reduction or sales tax refunds are paid to taxpayers when they file their state income tax returns. TABOR refund mechanisms are accounted for as an offset against the amount of surplus revenue restricted to pay TABOR refunds, rather than as a revenue reduction. Therefore, the General Fund revenue forecast does not incorporate downward adjustments as a result of refund mechanisms being activated.

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

Tax Year 2026

Refunds from FY 2025-26 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$56,000	\$0	\$0
\$56,001 to \$115,000	\$0	\$0
\$115,001 to \$184,000	\$0	\$0
\$184,001 to \$260,000	\$0	\$0
\$260,001 to \$343,000	\$0	\$0
\$343,001 and up	\$0	\$0

Tax Year 2027

Refunds from FY 2026-27 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$58,000	\$21	\$42
\$58,001 to \$119,000	\$28	\$56
\$119,001 to \$189,000	\$32	\$64
\$189,001 to \$268,000	\$38	\$76
\$268,001 to \$353,000	\$41	\$82
\$353,001 and up	\$65	\$130

Tax Year 2028

Refunds from FY 2027-28 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
up to \$60,000	\$26	\$52
\$60,001 to \$122,000	\$35	\$70
\$122,001 to \$194,000	\$40	\$80
\$194,001 to \$275,000	\$48	\$96
\$275,001 to \$362,000	\$52	\$104
\$362,001 and up	\$83	\$166

AGI = Adjusted gross income.

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

Table 10A
State Revenue Subject to TABOR
Dollars in Millions

Line	TABOR Revenue	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
1	General Fund Revenue (see Table 12)	\$16,693.1	\$16,600.4	\$18,040.1	\$19,025.2
2	Cash Fund Revenue (see Table 13)	\$2,770.1	\$2,955.5	\$2,947.4	\$3,055.5
3	Total TABOR Revenue	\$19,463.2	\$19,555.9	\$20,987.5	\$22,080.7

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

Table 10B
TABOR Revenue Limit
Dollars in Millions

Line	Revenue Limit	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
4	Allowable TABOR Growth Rate	5.9%	3.6%	3.3%	4.4%
5	Inflation (from Prior Calendar Year)	5.2%	2.3%	2.4%	4.2%
6	Population Growth (from Prior Calendar Year)	0.6%	1.4%	0.9%	0.2%
7	TABOR Limit Base	\$15,462.7	\$16,157.2	\$16,554.7	\$17,283.1
8	Voter Approved Revenue Change (Referendum C)	\$3,690.7	\$3,398.7	\$3,949.8	\$4,123.6
9	Total TABOR Limit/Referendum C Cap	\$19,153.4	\$19,980.8	\$20,504.5	\$21,406.7
10	TABOR Revenue Above or Below Referendum C Cap	\$309.8	-\$424.9	\$483.0	\$674.1

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

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

Line	Retained/Refunded Revenue	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
11	Revenue Retained under Referendum C	\$3,690.7	\$3,398.7	\$3,949.8	\$4,123.6
12	Fiscal Year Spending (revenue available to be spent or saved)	\$19,153.4	\$19,555.9	\$20,504.5	\$21,406.7
13	Prior Year Overrefund Amount	-\$3.7		-\$153.1	-\$153.1
14	Revenue Refunded to Taxpayers	\$306.1	\$0.0	\$329.9	\$521.0

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

Line 13, "Prior Year Overrefund Amount," represents over-refunds from prior years. For FY 2026-27 and FY 2027-28, the amounts on this line are the overrefund adjustment designated in [HB 26-1419](#).

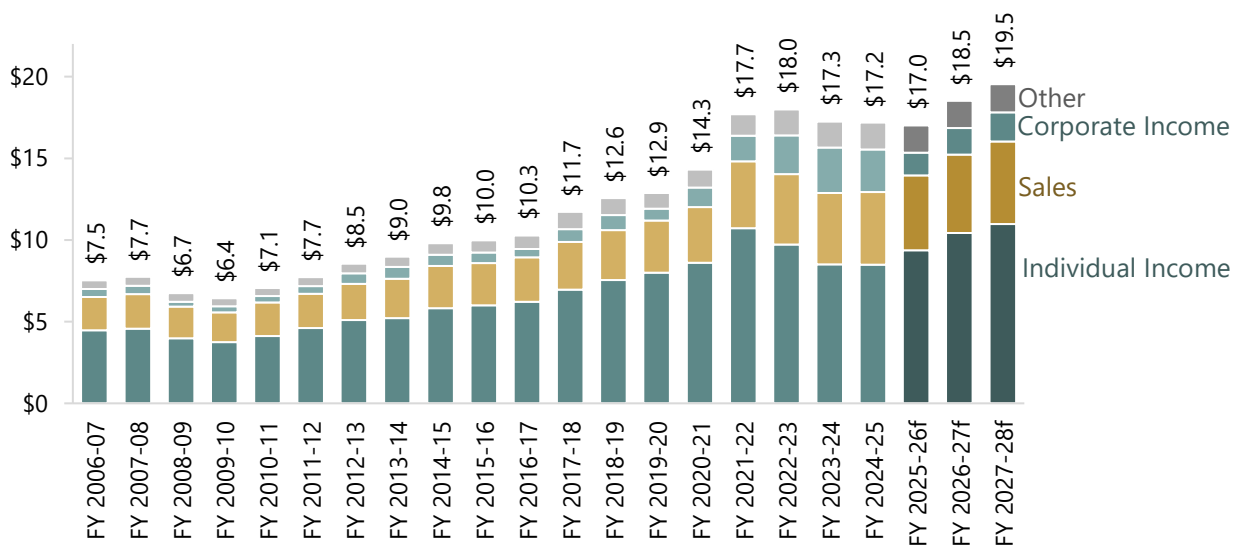
Table 10D
TABOR Reserve Requirement
Dollars in Millions

Line	Reserve Requirement	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
15	TABOR Reserve Requirement	\$574.6	\$586.7	\$615.1	\$642.2

General Fund Revenue

This section provides the outlook for General Fund revenue, which is the state’s main source of funding for discretionary operating appropriations. The primary sources of General Fund revenue are individual income tax, corporate income tax, and sales tax collections. Additional sources of General Fund revenue include excise taxes (retail marijuana, tobacco, and liquor), insurance premium tax, pari-mutuel tax, court receipts, and investment income. Table 12 on pages 42 and 43 summarizes General Fund revenue collections for FY 2024-25 and projections for FY 2025-26 through FY 2027-28; these are also illustrated in Figure 4, below.

Figure 4
General Fund Revenue Sources
 Billions of Dollars



Amounts shown for FY 2025-26 through FY 2027-28 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 forecasted independently.

Source: Office of the State Controller and Legislative Council Staff June 2026 forecast.

FY 2025-26

General Fund revenue is projected to decline by 1.0 percent in FY 2025-26 as the OBBBA tax provisions take effect, reducing total income tax revenue. Growth in sales and use tax and individual income tax will be offset by a decrease in corporate income taxes. Individual income tax revenue is expected to rise significantly in FY 2025-26, a departure from March 2026 forecast expectations as discussed below. Corporate income taxes are forecast to drop significantly this fiscal year after reaching record highs. Sales tax revenue growth is expected to remain modest in FY 2025-26 due to weaker consumer sentiment, which will be partially offset by expected increases from [House Bill 25B-1005](#).

Compared to the March forecast, total General Fund revenue has been revised upward by \$498.2 million. This increase is driven by higher expectations for individual income and sales taxes, which offset lower projections for corporate income and insurance premium taxes.

FY 2026-27 and FY 2027-28

General Fund revenue is expected to increase 8.9 percent in FY 2026-27 and 5.5 percent in FY 2027-28, reaching \$19.54 billion by the end of the forecast period. Growth is expected from all major General Fund revenue components.

Expectations for FY 2026-27 General Fund revenue were revised upward by \$343.0 million from the March forecast, mainly due to higher projected individual income tax revenue in the current fiscal year, which continues throughout the forecast period, while projections for corporate income taxes and insurance premium taxes were revised downward.

The forecast includes adjustments for legislation enacted during the 2026 session. Table 11 shows the impact of these laws on General Fund revenue. The forecast also reflects changes from [H.R. 1 - the One Big Beautiful Bill Act \(OBBBA\)](#).

Table 11
2026 Legislation Affecting General Fund Revenue

Dollars in Millions

Bill Number	Bill Title	FY 2025-26	FY 2026-27	FY 2027-28
HB 26-1065	Transit and Housing Zones	\$0	-\$0.63	-\$5.42
HB 26-1289	Modifications of Certain Tax Expenditures	\$0	\$1.30	-\$4.90
HB 26-1223	Modifying Certain Tax Expenditures	\$0	\$0	\$0
Total		\$0	\$0.67	-\$10.32

HB 26-1065 has larger revenue impacts in years after FY 2027-28 that grow over time.

HB 26-1289 makes various, bidirectional changes to tax policy, affecting individual, corporate and sales and use taxes.

HB 26-1223 has both positive and negative impacts on state revenue that net to zero. The bill modifies certain sales and use tax expenditures and creates an expanded family affordability.

Risks to the forecast. While most 2025 income tax filings have been received and responses to federal tax law changes are now reflected in actual collections, significant risks to the General Fund revenue forecast remain due to ongoing economic uncertainty and outstanding extension filings. Amended returns, complex tax situations among higher-income taxpayers, and business pass-through income may continue to affect final liabilities. Income tax credits tied to revenue conditions also pose risks, as small changes in projected growth can significantly impact credit amounts and availability. Stronger-than-expected wage gains could increase sales and income tax collections above forecasted levels. However, a weak labor market or reduced household spending due to uncertainty and financial strain could lower General Fund collections.

Income Tax

Taxable income earned by all Colorado individuals and corporations is taxed at one flat rate. Income tax revenue is credited to the General Fund and is subject to TABOR, except that:

- an amount equal to one third of one percent of taxable income is transferred to the State Education Fund (SEF) and exempt from TABOR under **Amendment 23**, approved by voters in 2000;

- an amount equal to one-tenth of one percent of taxable income is transferred to the State Affordable Housing Fund and exempt from TABOR under **Proposition 123**, approved by voters in 2022;
- an amount equal to 65 percent of one-tenth of one percent of federal taxable income is diverted to the **Kids Matter Account** in the SEF under [House Bill 25-1320](#), starting in FY 2026-27; this amount remains subject to TABOR; 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 food and nutrition support programs, as approved by voters in **Proposition FF** in November 2022 and **Proposition MM** in November 2025.

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

Individual Income Tax

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

Forecast for FY 2025-26. Individual income tax revenue is expected to increase by 11.6 percent in FY 2025-26, to total \$11.15 billion before the SEF and affordable housing transfers. On a cash basis through May, withholding is up by 4.9 percent, estimated payments are up by 20.3 percent, and cash with returns is up by 15.0 percent, compared with the same period last year. Growth has more than offset a 15.2 percent increase in refunds.

Expectations for revenue were increased by \$1.0 billion relative to the March forecast. The upgrade primarily reflects increased expectations for withholding and cash with returns, and a decreased amount of refunds accrued to the current fiscal year due to triggered income tax credits being unavailable in tax year 2026. The March forecast was informed by limited preliminary data for 2025 final payments, with significant uncertainty about the bulk of final payments for the filing season. With a much larger portion of final payments now complete, the data suggest that the upside risks to the forecast materialized, indicating a combination of one or more of the following: that economic activity supported higher income tax revenue than was suggested by lackluster labor market performance in 2025; that the impacts of the OBBBA on state individual income tax revenue were less severe than anticipated; and/or that unusually elevated refunds in February were the result of earlier filings and not a significant increase in the total amount of filing season refunds.

Forecasts for FY 2026-27 and FY 2027-28. Individual income tax collections are expected to grow by 12.4 percent in FY 2026-27 to \$12.54 billion, and by 4.9 percent in FY 2027-28 to \$13.16 billion. Relative to the March forecast, this represents an upward revision of \$628.0 million in FY 2026-27, and \$318.3 million in FY 2027-28. With economic expectations relatively unchanged in the out years of the forecast period since March, the individual income

tax forecast was increased primarily due to increased revenue expectations for the current fiscal year carrying forward through the forecast period.

Legislative adjustments. This forecast includes downward adjustments for future impacts of legislation on individual income tax revenue enacted by the General Assembly during the 2026 legislative session, including the creation of a new Expanded Family Affordability Credit (EFAC) in [House Bill 26-1223](#), and the expansion of the state Earned Income Tax Credit and the Wildfire Mitigation Tax Credit included in [House Bill 26-1289](#). See Table 11.

This forecast assumes that revenue for tax year 2025 incorporates initial impacts of the OBBBA. Additional adjustments to refunds forecasts to account for ongoing impacts of the OBBBA have been incorporated.

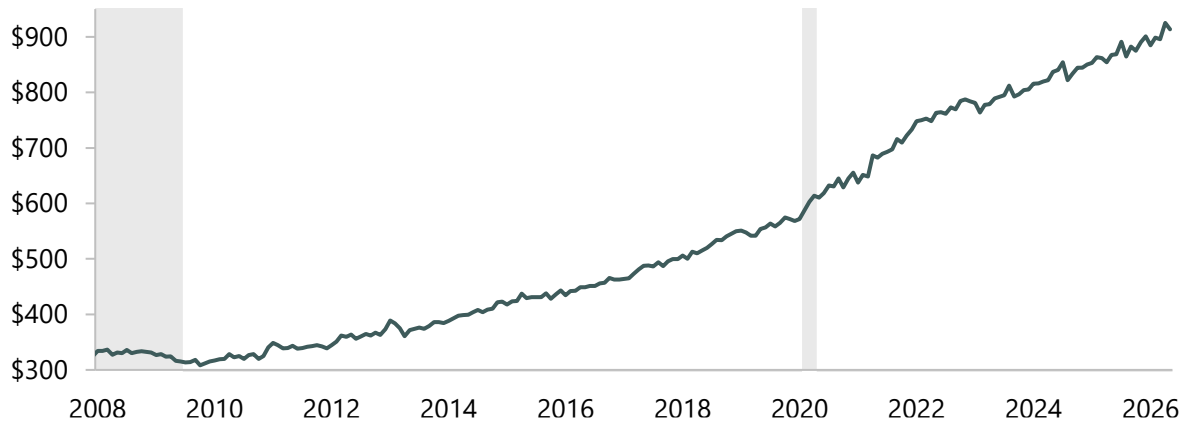
Triggered tax credits. Neither the Family Affordability Tax Credit established in [House Bill 24-1311](#), nor the expanded Earned Income Tax Credit established in [House Bill 24-1134](#), will be available for tax year 2026, as determined by the December 2025 OSPB forecast.

In addition, as in the March 2026 LCS forecast, neither credit is projected to be available in tax years 2027 or 2028 under this June forecast. If the credits become fully available, LCS estimates they would reduce individual income tax revenue by a combined \$1.2 billion per year.

The workforce shortage tax credit established in [House Bill 24-1365](#) will be reduced by half in tax year 2026, as determined by the September 2025 forecast. Additionally, the innovative motor vehicle and innovative truck credit, the heat pump and thermal energy network tax credit, and the electric bicycle tax credit established in [House Bill 23-1272](#) will only be partially available in tax year 2026, as determined by the June 2025 forecast. [House Bill 26-1289](#) removed the triggers for the HB 23-1272 tax credits, so that they are expected to be fully available in future tax years regardless of revenue expectations.

Wage withholding. As shown in Figure 5, wage withholding—by far the largest component of income tax revenue—has grown at rates consistent with a moderate expansion. Growth has slowed, from 6 percent in 2024 to 4 percent in 2025, as employment growth has faltered. Wage withholding is expected to pick up slightly in 2026 and 2027, reflecting expectations for employment growth, inflation, and wages.

Figure 5
Monthly Individual Income Tax Withholding Collections
 Millions of Dollars



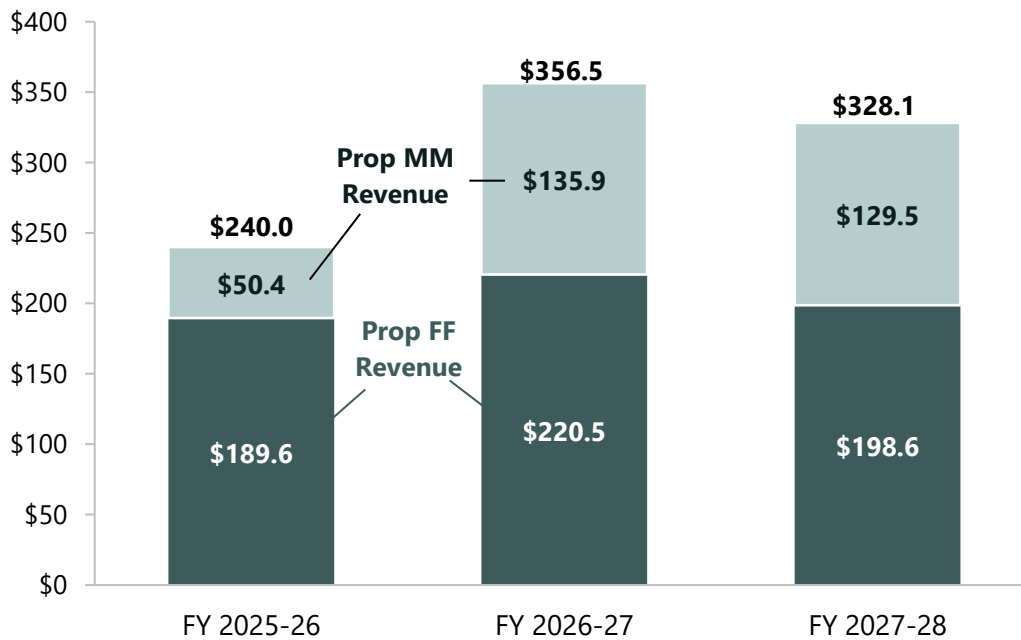
Source: Office of the State Controller with Legislative Council Staff seasonal adjustments. Data are shown as a three-month moving average on a cash basis. May 2026 collections are preliminary data from the Department of Revenue.

Healthy School Meals for All. Revenue attributable to Proposition FF for the Healthy School Meals for All Program is deposited into the Healthy School Meals for All Cash Fund. Proposition FF revenue for tax year 2024 totaled \$142.2 million, an increase of 30.5 percent over the amount collected for tax year 2023.

Preliminary data on collections for tax year 2025 indicate that about 146,000 tax returns with Proposition FF revenue totaling \$114.2 million had been filed through June 1, 2026. This represents a 26 percent increase over the amount of revenue collected during the same time period for tax year 2024.

Starting in tax year 2026, the forecast incorporates upward adjustments for Proposition LL and Proposition MM, which were approved by voters in November 2025. Tax year 2025 collections are assumed to incorporate impacts of the OBBBA, which expanded federal standard and itemized deductions, thereby increasing the amount that taxpayers are required to add back to calculate their state income tax liability.

Figure 6
Healthy School Meals for All Revenue Forecast
 Millions of Dollars



Source: Legislative Council Staff forecast. Proposition FF revenue includes anticipated impacts of the OBBBA and Proposition LL.

On an accrual basis, Proposition FF revenue totaled \$132.3 million in FY 2024-25. Proposition FF revenue and Proposition MM revenue are expected to come in as shown in Figure 6. Reflecting collections data through June 1, 2026, as well as the OSPB accrual adjustment, the forecast has been revised downward by \$63.0 million for FY 2025-26, upward by \$22.3 million for FY 2026-27, and downward by \$16.4 million for FY 2027-28. Proposition MM revenue is forecast at \$135.9 million in FY 2026-27, which would exceed the \$95.0 million amount printed in the ballot question and could necessitate either approval of another ballot question to retain the excess, or that the excess be refunded to taxpayers.

The amount of revenue remaining in the Healthy School Meals for All Cash Fund after administrative costs and payments of reimbursements for school meals in FY 2026-27 is expected to be at least 35 percent, the threshold to fully fund the grant programs for technical assistance, wages or stipends for food service workers, and local food purchasing included in Proposition FF, as well as expenditures related to the Supplemental Nutrition Assistance Program (SNAP) included in Proposition MM.

Corporate Income Tax

The corporate income tax forecast covers collections from C corporations and partnerships with property, payroll, or sales in Colorado. These taxes are volatile due to economic conditions and changes in federal and state policies. Corporations also strategically time credits and deductions, complicating revenue estimates.

Corporate income tax revenue for FY 2025-26 is projected to be \$1.39 billion, a 46.9 percent decline from FY 2024-25. The decrease is mainly attributed to the OBBBA business provisions, which expanded bonus depreciation for most qualified property. The OBBBA provisions are expected to significantly reduce Colorado corporate income tax revenue in FY 2025-26, with reduced impacts in later years. Revenue is expected to rebound to \$1.62 billion in FY 2026-27, a 16.4 percent increase, and to \$1.79 billion in FY 2027-28, a 10.4 percent increase from the prior year.

Compared to the March forecast, corporate income tax revenue was revised down by \$237.5 million in FY 2025-26 and \$121.3 million in FY 2026-27. Ongoing uncertainty and the unwinding of the OBBBA business tax provisions continue to impact the corporate income tax forecast.

Since Colorado's corporate income tax is based on federal taxable income, the OBBBA is expected to reduce state revenue by \$336.3 million in FY 2025-26, \$151.3 million in FY 2026-27, and \$149.7 million in FY 2027-28. Additionally, [House Bill 25B-1002](#) creates a state income tax addition equal to the federal deduction for foreign-derived deduction-eligible income (FDDEI) beginning for tax year 2026. The bill is expected to increase corporate income tax revenue by \$35.6 million in FY 2025-26, \$72.2 million in FY 2026-27, and \$73.0 million in FY 2027-28.

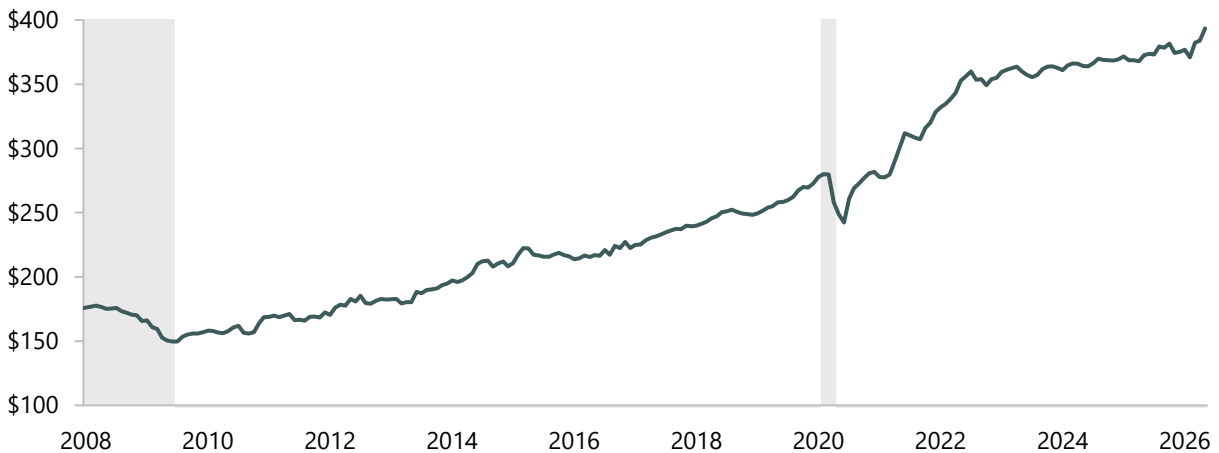
Sales Tax

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 collections grew at a slow 1.8 percent in FY 2024-25 and are expected to post another year of slow-to-moderate growth at 3.3 percent in FY 2025-26. Growth in the current fiscal year is buoyed by [House Bill 25B-1005](#), which disallowed retailers from retaining a portion of sales tax revenue to cover the costs of collecting sales tax revenue on behalf of the state beginning January 1, 2026.

While consumer spending in Colorado continues to underperform the nation, straining state sales tax revenue growth, changes to the sales tax base made during the 2026 legislative session will boost collections. Sales tax revenue growth is expected to accelerate, increasing by 4.6 percent in FY 2026-27 and another 5.4 percent in FY 2027-28.

The forecast incorporates legislative adjustments for [House Bill 26-1223](#) and [House Bill 26-1289](#). Provisions narrowing the software exemption and temporarily disallowing the space flight exemption beginning January 1, 2027, are expected to increase sales tax revenue. These provisions are only partially offset by provisions that are expected to reduce sales tax revenue, including the reinstatement of the special sales tax deduction for food establishments, the expansion of the retail food establishment sales tax deduction for gas and electricity, and the extension of the sales tax exemption for wood from salvaged trees killed or infested by certain beetles.

Figure 7
Monthly Sales Tax Collections
 Millions of Dollars



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. May 2026 collections are preliminary data from the Department of Revenue.

Use Tax

The 2.9 percent state use tax is due when sales tax is owed, but is not collected at the point of sale. Use tax revenue is largely driven by capital investment among manufacturing, energy, and mining firms. Manufacturing activity has remained slow as input costs are elevated, leading to a 7.1 percent decline in FY 2024-25 and slow-growing collections through May 2026.

The war in the Middle East’s effects on energy prices and inflation has contributed to downgrades in the use tax forecast, while investment in industries contributing to use tax revenues such as oil and gas, construction, and manufacturing remains sensitive to elevated interest rates. With short-term interest rates expected to remain steady or even rise, use tax collections are expected to remain dampened through most of the forecast period, growing by a slow 1.8 percent in FY 2025-26 before declining -0.2 percent in FY 2026-27. In addition to higher input costs and interest rates, labor supply constraints and a downgraded construction outlook will weigh on growth. Use tax revenue is expected to grow at a slightly faster 4.2 percent in FY 2027-28 as easing inflationary pressures boost activity.

Insurance Premium Tax

A portion of insurance premium tax revenue is retained in the Division of Insurance Cash Fund to pay administrative costs for the division, and the remainder is credited to the General Fund. The General Fund portion of the tax is expected to increase 7.0 percent to \$705.4 million, and at slower rates of 5.9 percent in FY 2026-27 and 2.5 percent in FY 2027-28. By the end of the forecast period, insurance premium tax revenue is estimated to be near \$765 million.

Insurance premium tax revenue grew 2.3 percent over the first 10 months of FY 2025-26, with blistering 26.2 percent growth between July and December 2025 and a confounding 12.5 percent decline between January and April 2026. Falling revenue since January contradicts

March forecast expectations and widely-reported rising insurance premiums. The division has communicated that insurance premium tax payments may be delayed or underreported due to a tax reporting system change. Accordingly, while the forecast expects a rebound to 7.0 percent growth for the year, revenue could come in below forecast if returns are not received before the fiscal year is closed.

[House Bill 25B-1004](#) and [House Bill 25B-1006](#) authorized the sale of insurance premium tax credits during FY 2025-26. These bills are expected to generate \$200 million in proceeds, which will initially be deposited in a cash fund before being distributed to the General Fund (see Table 8A) and to the Health Insurance Affordability Enterprise. The forecast for FY 2026-27 and FY 2027-28 anticipates a slowdown in the rapid pace of premium tax revenue growth as the credits are applied.

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 will be increased beginning on July 1, 2027.

The revenue forecast for FY 2025-26 increased slightly compared to March due to higher-than-expected nicotine collections, which were partially offset by lower cigarette and tobacco tax collections. Table 12 shows expected revenue collections, while equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 8B on page X.

Cigarette revenue is the largest portion of Proposition EE, making up 54 percent of total Proposition EE revenue in FY 2024-25. Cigarette use tends to decline over time, but consumption has fallen more steeply than normal in the past few years since the Proposition EE taxes went into effect and continue to increase. Proposition EE cigarette revenue is expected to decrease by 3.6 percent in the current fiscal year after high collections in FY 2024-25.

Nicotine is the next largest revenue stream, with revenue increasing throughout the forecast period due to higher tax rates and rising prices on nicotine products. Nicotine sales have increased by about 10 percent year-over-year on average since Proposition EE went into effect. Revenue is projected to grow by 17.4 percent in FY 2025-26 reflecting strong collections throughout the year. Revenue is expected to grow by only 5.7 percent in FY 2026-27 due to increased federal enforcement against flavored e-cigarettes, before increasing by 11.4 percent in FY 2027-28 as higher tax rates go into effect.

Tobacco makes up the rest of the Proposition EE revenue, bringing in \$20.4 million in FY 2024-25. Tobacco revenue is expected to decrease by 11.8 percent to \$18.0 million in the current fiscal year as many tobacco products, such as cigars, are imported and consumption may be reduced due to increased tariffs. Total consumption of tobacco is projected to be modest throughout the rest of the forecast period, with revenue increasing in FY 2027-28 due to an increase in the tax rate.

Table 12A
Total General Fund Revenue Estimates

Dollars in Millions

Category	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Sales, Use, and Excise Taxes	\$5,188.9	\$5,351.5	\$5,567.7	\$5,870.8
Percent Change in Sales, Use, and Excise Taxes	1.8%	3.1%	4.0%	5.4%
Income Tax to the General Fund	\$11,107.4	\$10,760.0	\$12,048.0	\$12,760.6
Percent Change in Income Tax to the General Fund	-1.7%	-3.1%	12.0%	5.9%
Other General Fund Revenue	\$885.0	\$903.3	\$909.7	\$912.7
Percent Change in Other General Fund Revenue	4.1%	2.1%	0.7%	0.3%
Gross General Fund Revenue	\$17,181.3	\$17,014.9	\$18,525.5	\$19,544.1
Percent Change in Gross General Fund Revenue	-0.4%	-1.0%	8.9%	5.5%

Table 12B
Sales, Use, and Excise Taxes

Dollars in Millions

Category	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Sales Tax	\$4,441.1	\$4,585.6	\$4,797.6	\$5,054.6
Percent Change in Sales Tax	1.8%	3.3%	4.6%	5.4%
Use Tax	\$216.6	\$220.4	\$220.1	\$229.4
Percent Change in Use Tax	-7.1%	1.8%	-0.2%	4.2%
Retail Marijuana Sales Tax	\$186.4	\$176.7	\$174.7	\$177.6
Percent Change in Retail Marijuana Sales Tax	-4.4%	-5.2%	-1.2%	1.7%
Cigarette Tax	\$19.5	\$18.4	\$17.6	\$15.8
Percent Change in Cigarette Tax	-4.6%	-5.8%	-4.5%	-10.4%
Tobacco Products Tax	\$23.7	\$22.2	\$22.1	\$22.3
Percent Change in Tobacco Products Tax	9.8%	-6.2%	-0.8%	1.3%
Liquor Tax	\$54.0	\$56.4	\$56.3	\$58.3
Percent Change in Liquor Tax	-3.6%	4.5%	-0.2%	3.5%
Proposition EE Tobacco Taxes	\$243.6	\$252.4	\$252.6	\$281.0
Percent Change in Proposition EE Tobacco Taxes	17.2%	3.6%	0.1%	11.3%
Firearms and Ammunition Tax	\$3.9	\$19.2	\$26.9	\$31.8
Percent Change in Firearms and Ammunition Tax	N/A	388.8%	39.7%	18.3%
Total Sales, Use, and Excise Taxes	\$5,188.9	\$5,351.5	\$5,567.7	\$5,870.8
Percent Change in Sales, Use, and Excise Taxes	1.8%	3.1%	4.0%	5.4%

Table 12C
Income Taxes
Dollars in Millions

Category	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Net Individual Income Tax	\$9,997.9	\$11,153.0	\$12,537.6	\$13,157.0
Percent Change in Net Individual Income Tax	-0.5%	11.6%	12.4%	4.9%
Net Corporate Income Tax	\$2,619.5	\$1,391.9	\$1,620.5	\$1,788.7
Percent Change in Net Corporate Income Tax	-6.3%	-46.9%	16.4%	10.4%
Total Income Taxes	\$12,617.4	\$12,544.9	\$14,158.0	\$14,945.7
Percent Change in Total Income Taxes	-1.7%	-0.6%	12.9%	5.6%
Less: Portion Diverted to the SEF	-\$1,060.6	-\$1,188.8	-\$1,172.9	-\$1,242.1
Percent Change in SEF Diversion	-12.3%	12.1%	-1.3%	5.9%
Less: Portion Diverted to Kids Matter Account	\$0.0	\$0.0	-\$228.7	-\$242.2
Percent Change in Kids Matter Diversion			N/A	5.9%
Less: Portion Diverted for Affordable Housing	-\$317.0	-\$356.1	-\$351.9	-\$372.6
Percent Change in Affordable Housing Diversion	-3.1%	12.3%	-1.2%	5.9%
Less: Portion Diverted for Healthy School Meals	-\$132.3	-\$240.0	-\$356.5	-\$328.1
Percent Change in School Meals Diversion	N/A	81.3%	48.5%	-7.9%
Income Tax to the General Fund	\$11,107.4	\$10,760.0	\$12,048.0	\$12,760.6
Percent Change in Inc. Tax to the General Fund	-1.7%	-3.1%	12.0%	5.9%

Table 12D
Other General Fund Revenue
Dollars in Millions

Category	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Insurance Premium Tax to General Fund	\$659.5	\$705.4	\$747.1	\$765.9
Percent Change in Insurance Premium Tax	21.7%	7.0%	5.9%	2.5%
Pari-Mutuel Wagering Tax	\$0.3	\$0.2	\$0.2	\$0.2
Percent Change in Pari-Mutuel Wagering Tax	-20.4%	-18.0%	-9.4%	-3.6%
General Fund Investment Income	\$166.7	\$156.0	\$118.7	\$102.1
Percent Change in Investment Income	-33.7%	-6.5%	-23.9%	-14.0%
Court Receipts to General Fund	\$2.1	\$1.1	\$1.2	\$1.2
Percent Change in Court Receipts	-35.3%	-44.9%	4.6%	-1.9%
Other General Fund Income	\$56.5	\$40.6	\$42.5	\$43.4
Percent Change in Other General Fund Income	6.4%	-28.0%	4.5%	2.1%
Total Other General Fund Revenue	\$885.0	\$903.3	\$909.7	\$912.7
Percent Change in Other General Fund Revenue	4.1%	2.1%	0.7%	0.3%

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Cash Fund Revenue

This section forecasts cash fund revenue subject to TABOR and selected exempt sources. Revenue subject to TABOR determines the state's TABOR refund obligation, paid from the General Fund. Although exempt cash fund revenue does not directly impact the General Fund budget, some expenditures may offset General Fund spending.

Cash Fund Revenue Subject to TABOR

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

Table 13
Cash Fund Revenue Subject to TABOR

Dollars in Millions

Line	Revenue Source	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28	CAAGR
1	Transportation-Related	\$1,494.0	\$1,461.1	\$1,490.8	\$1,552.9	
2	Transportation-Related Percent Change	4.8%	-2.2%	2.0%	4.2%	1.3%
3	Severance Tax	\$66.9	\$93.7	\$207.5	\$183.5	
4	Severance Tax Percent Change	-69.4%	40.0%	121.5%	-11.5%	40.0%
5	Gaming Revenue	\$94.4	\$92.3	\$96.3	\$98.7	
6	Gaming Revenue Percent Change	1.6%	-2.2%	4.3%	2.5%	1.5%
7	Insurance-Related	\$28.3	\$24.6	\$27.3	\$27.4	
8	Insurance-Related Percent Change	-0.8%	-13.0%	10.8%	0.7%	-1.0%
9	Regulatory Agencies	\$116.2	\$123.7	\$128.1	\$131.6	
10	Regulatory Agencies Percent Change	20.9%	6.4%	3.6%	2.7%	4.2%
11	2.9% Sales Tax on Marijuana	\$4.7	\$4.4	\$4.4	\$4.6	
12	2.9% Marijuana Tax Percent Change	-13.0%	-6.6%	1.2%	3.4%	-0.8%
13	Housing Development Grant Fund	\$34.8	\$41.8	\$42.2	\$45.8	
14	HDGF Percent Change	-54.8%	20.1%	1.1%	8.5%	9.6%
15	Kids Matter Account in SEF			\$228.7	\$242.2	
16	Kids Matter Account Percent Change			N/A	5.9%	
17	Other Cash Funds	\$930.9	\$1,113.9	\$722.0	\$768.7	
18	Other Cash Funds Percent Change	8.8%	19.7%	-35.2%	6.5%	-6.2%
19	Total Cash Fund Revenue Subject to the TABOR Limit	\$2,770.1	\$2,955.5	\$2,947.4	\$3,055.5	
20	Total CF Revenue Percent Change	-1.0%	6.7%	-0.3%	3.7%	3.3%

Totals may not sum due to rounding.

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

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

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

FY 2025-26

Cash fund revenue subject to TABOR is projected to increase 6.7 percent from FY 2024-25 and reach \$2.96 billion.

This growth mainly reflects one-time tax credit sales recorded under other cash funds. [House Bills 25B-1004](#) and [25B-1006](#) authorize the sale of state insurance premium tax and corporate income tax credits, with proceeds deposited into the new Tax Credits Sale Proceeds Cash Fund. These bills are expected to generate just over \$200 million in state revenue for FY 2025-26. After administrative costs, HB 25B-1006 requires the next \$100 million in proceeds to be transferred to the Health Insurance Affordability (HIA) Fund within the Health Insurance Affordability Enterprise (HIAE). This transfer will disqualify the HIAE as an enterprise, making fees and interest earnings in the cash fund subject to TABOR for FY 2025-26 only. Any proceeds above \$100 million in the Tax Credits Sale Proceeds Cash Fund after the credit to the HIAE must be transferred to the General Fund as required by HB 25B-1004.

These one-time proceeds from the sale of income tax credits and the enterprise disqualification are expected to more than offset revenue reductions from 2025 and 2026 legislation and transportation-related cash fund revenue.

Total cash fund revenue expectations for FY 2026-26, subject to TABOR, decreased by \$90.4 million compared to the March forecast. Lower severance tax collections and the reclassification of aviation fuel as TABOR exempt under [Senate Bill 26-042](#) offset higher projections for other cash funds. Additionally, [House Bill 26-1401](#) reduced the transfer from the UPTF to the HDGF from \$30.0 million to \$2.2 million. The transfer amount is subject to TABOR because it originates as custodial funds and is being transferred for use by the state government.

FY 2026-27

Cash fund revenue is projected to remain relatively flat in FY 2026-27, decreasing by 0.3 percent from the prior year to \$2.95 billion. A significant decline in other cash funds revenue is expected to offset both the initial diversion to the Kids Matter Account within the State Education Fund and stronger revenue growth from severance taxes. [House Bill 25-1320](#) requires that, starting July 1, 2026, income tax revenue equaling 65 percent of one-tenth of one percent of federal taxable income be deposited into the account. Funds must be used exclusively for school finance total program funding and categorical programs, subject to annual appropriation by the General Assembly. Expectations for cash fund revenue subject to TABOR have been revised downward by \$144.9 million compared to the March forecast.

FY 2027-28

Cash fund revenue is projected to rise by 3.7 percent in FY 2027-28, reaching \$3.06 billion. Most major cash fund components are expected to contribute to this growth. However, severance tax revenue is expected to decline as larger ad valorem credits offset forecasted gains in taxable income.

Transportation-Related Revenue

Transportation-related revenue subject to TABOR is expected to decline 2.2 percent in FY 2025-26 to \$1.46 billion, then increase by 2.0 percent in FY 2026-27 and 4.2 percent in FY 2027-28. This is about a \$50 million annual downgrade from the March 2026 forecast, largely attributable to Senate Bill 26-042, which reclassified aviation fuel revenues as TABOR-exempt collections for another government, thus removing their impact from the transportation-related revenue subject to TABOR forecast.

Current year collections are additionally dampened by [Senate Bill 25-258](#), which temporarily reduces the road safety surcharge by \$3.70 from September 1, 2025, to September 1, 2027. Additionally, [Senate Bill 25-317](#) diverts interest earnings from certain Highway Users Tax Fund (HUTF) accounts to the General Fund for FY 2025-26, further slowing revenues. See Table 14 for the transportation-related revenue forecast.

Besides changes to how aviation fuel revenue is classified, 2026 legislative session impacts on net are expected to decrease transportation-related revenue subject to TABOR by \$2.0 million in FY 2026-27 and \$4.0 million in FY 2027-28.

Motor fuel revenue is the largest source of transportation funding, accounting for nearly half of total collections, with vehicle registrations as the next largest contributor. Despite [House Bill 26-1289](#), which reduced the percent of taxes owed that fuel tax filers can deduct from their tax liability to cover losses, motor fuel collections are expected to decline for a third consecutive year. Revenue will fall by 1.7 percent following national trends as increased vehicle fuel efficiency and ongoing shifts to remote or hybrid work are expected to limit long-term growth in motor fuel collections. Motor fuel revenue is expected to remain stagnant in FY 2026-27, declining just 0.2 percent, before accelerating slightly to 1.5 percent growth in FY 2027-28 as recovering consumer confidence strengthens demand.

Projections for collections from **vehicle registrations, including the road safety surcharge** were downgraded by \$9.7 million in FY 2025-26, \$12.7 million in FY 2026-27, and \$13.9 million in FY 2027-28. The late February 2026 closure and update of the statewide registration system contributed to short-term, double-digit year-over-year declines. In addition, [House Bill 26-1102](#) diverts certain registration fee revenue from the HUTF to the DRIVES Fund, resulting in declines to the HUTF registration revenue forecast but no change to the total transportation-related revenue forecast.

Other registration-related legislative changes include [House Bill 26-1306](#), which creates the wild horse license plate and accordingly increases expected special plate fee revenue to the License Plate Cash Fund.

Finally, various transportation-related fees are deposited into the **State Highway Fund**, including oversize-overweight permit fees. Beginning January 1, 2027, [House Bill 26-1430](#) requires these fees to be collected under the newly created Road Enterprise, resulting in a decrease in transportation revenues subject to TABOR of \$3.8 million in FY 2026-27 and \$7.5 million in FY 2027-28 and future years.

Table 14A
Transportation Revenue by Source
Dollars in Millions

Line	Revenue Source	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28	CAAGR
1	Highway Users Tax Fund (HUTF)	\$1,289.1	\$1,296.8	\$1,318.1	\$1,390.6	1.8%
2	Non-HUTF	\$205.0	\$164.3	\$172.7	\$162.4	-0.3%
3	Total Transportation Funds	\$1,494.1	\$1,461.1	\$1,490.8	\$1,552.9	1.5%
4	Total Transportation Percent Change	4.8%	-2.2%	2.0%	4.2%	

Totals may not sum due to rounding.

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

Table 14B
Highway Users Tax Fund Revenue
Dollars in Millions

Line	Revenue Source	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28	CAAGR
5	Motor and Special Fuel Taxes	\$644.3	\$633.1	\$631.8	\$641.0	0.3%
6	Motor and Special Fuel Taxes Percent Change	-0.7%	-1.7%	-0.2%	1.5%	
7	Road Usage Fees	\$120.1	\$150.7	\$173.3	\$205.2	8.0%
8	Road Usage Fees Percent Change	29.2%	25.5%	15.0%	18.4%	
9	Total Registrations	\$434.8	\$421.9	\$418.1	\$444.2	1.3%
10	Total Registrations Percent Change	11.6%	-3.0%	-0.9%	6.2%	
11	<i>Total Registrations - Registrations</i>	<i>\$244.5</i>	<i>\$248.5</i>	<i>\$248.4</i>	<i>\$253.1</i>	<i>0.5%</i>
12	<i>Total Registrations - Road Safety Surcharge</i>	<i>\$145.1</i>	<i>\$128.0</i>	<i>\$123.5</i>	<i>\$145.3</i>	<i>3.2%</i>
13	<i>Total Registrations - Late Registration Fees</i>	<i>\$45.1</i>	<i>\$45.4</i>	<i>\$46.2</i>	<i>\$45.7</i>	<i>0.2%</i>
14	Retail Delivery Fees	\$22.6	\$25.3	\$27.7	\$31.4	5.6%
15	Retail Delivery Fees Percent Change	6.4%	11.9%	9.5%	13.4%	
16	Other HUTF Receipts	\$67.3	\$65.9	\$67.3	\$68.8	1.1%
17	Other HUTF Receipts Percent Change	3.1%	-2.2%	2.1%	2.3%	
18	Total HUTF	\$1,289.1	\$1,296.8	\$1,318.1	\$1,390.6	1.8%
19	Total HUTF Percent Change	5.8%	0.6%	1.6%	5.5%	

Totals may not sum due to rounding.

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

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

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

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

Line	Revenue Source	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28	CAAGR
20	State Highway Fund (SHF)	\$35.2	\$33.7	\$31.9	\$29.2	-3.6%
21	SHF Percent Change	26.5%	-4.1%	-5.5%	-8.5%	
22	Other Transportation Funds	\$169.8	\$130.6	\$140.8	\$133.2	0.5%
23	Other Percent Change	-5.3%	-23.1%	7.8%	-5.4%	
24	<i>Other - Aviation Fund</i>	\$43.8	\$0	\$0	\$0	-100%
25	<i>Other - Multimodal Transp. Options Fund</i>	\$15.0	\$16.8	\$18.4	\$20.9	5.6%
26	<i>Other - Law Enforcement-Related</i>	\$6.7	\$6.5	\$6.3	\$6.1	-1.4%
27	<i>Other - Registration-Related</i>	\$104.3	\$107.3	\$116.1	\$106.2	-0.3%
28	Total Non-HUTF	\$205.0	\$164.3	\$172.7	\$162.4	-0.3%
29	Total Non-HUTF Percent Change	-1.0%	-19.8%	5.1%	-6.0%	

Totals may not sum due to rounding.

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

Line 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. Beginning FY 2025-26, this revenue is exempt from TABOR and not counted here.

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, the 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. Revenue is distributed based on multiple formulas that differ between revenue streams. [Senate Bill 25-258](#) temporarily adjusted the formula for Funding Advancements for Surface Transportation and Economic Recovery Act of 2009 (FASTER) revenue streams, decreasing the amount distributed to the HUTF and increasing the amount distributed to counties and municipalities from September 1, 2025 to September 1, 2027. Impacted revenue streams include the unregistered vehicle fine, daily rental fee, road safety surcharge, late registration fees, and oversize/overweight fees. The estimated distributions from the HUTF are shown in Table 15 below.

Table 15
Highway Users Tax Fund Distributions
Dollars in Millions

Line	HUTF Distribution Forecast	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
1	Department of Public Safety	\$206.9	\$220.3	\$234.0	\$234.0
2	Department of Revenue	\$4.4	\$5.6	\$4.9	\$4.9
3	Department of Natural Resources	\$0.3	\$0.3	\$0.3	\$0.3
4	State Highway Fund	\$657.1	\$644.1	\$646.7	\$698.2
5	Counties	\$244.7	\$246.4	\$248.6	\$261.0
6	Municipalities	\$177.0	\$180.0	\$183.5	\$192.1
7	Total HUTF Distributions	\$1,290.5	\$1,296.8	\$1,318.1	\$1,390.6
8	Total Nonexempt Revenue	\$1,289.1	\$1,296.8	\$1,318.1	\$1,390.6
9	Assumed Exempt Revenue	\$1.4	\$0.0	\$0.0	\$0.0
10	Transfers to HUTF	\$0.0	\$0.0	\$0.0	\$0.0

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

Line 2, "Department of Revenue," revenue is appropriated to the Department of Revenue in the Long Bill. The actual amount distributed to the department is often different from the amount appropriated due to differences in revenue collections. The amounts estimated in FY 2025-26 and FY 2026-27 reflect full appropriations.

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

Severance Tax

In FY 2025-26, severance tax revenue subject to TABOR is expected to increase to \$65.4 million. However, the FY 2025-26 outlook has been significantly downgraded since the March forecast with collections data through May. In May, there were \$59.6 million in oil and gas severance tax refunds issued. Prior to the large refunds, oil and gas severance tax collections for the fiscal year totaled about \$103 million. In May, collections for the fiscal year dropped to \$58.9 million.

The Department of Revenue is not able to disclose the nature of the refunds, number of companies, or other confidential information related to tax filings, therefore the exact nature of the refunds is not known. However, a factor that may be contributing to depressed collections over the past couple of years is the possibility that oil and gas is being produced in areas that have higher property tax mill levies than in previous years, leading to ad valorem credits comprising a larger offset against tax liability. Data from the Department indicate ad valorem taxes as a percent of gross income on oil and gas has increased since 2008. Required withholding may ultimately be significantly higher than effective tax rates may warrant after credits are accounted for. Further, forecasts have expected that higher natural gas prices would largely offset declines in the value of oil production due to a sustained dip in prices over 2025. It is possible that gas producers in the state received less income from natural gas than predicted and therefore had lower tax liabilities. Lastly, 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.

Severance tax collections from **oil and natural gas** are expected to increase from the low in FY 2024-25 over the forecast period (Table 16). In FY 2025-26, oil and gas revenue is forecast to grow to \$65.4 million. In FY 2026-27, oil prices are expected to remain elevated and contribute to oil and gas severance tax revenue increasing 168.5 percent to \$175.6 million. Due to weak collections and large refunds, the outlook for FY 2026-27 has been revised down despite improved oil market conditions for producers. Further weighing on collections will be a return to a higher ad valorem credit percent for the 2027 tax year. In FY 2027-28, oil and gas collections are expected to fall by 14.2 percent with larger ad valorem credits.

Table 16
Severance Tax Revenue Forecast by Source

Dollars in Millions

Revenue Source	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28	CAAGR
Oil and Gas Taxes	\$28.0	\$65.4	\$175.6	\$150.6	
Oil and Gas Percent Change	-84.3%	133.7%	168.5%	-14.2%	75.2%
Coal Taxes	\$6.9	\$8.1	\$5.4	\$5.2	
Coal Percent Change	5.4%	16.8%	-33.2%	-3.9%	-9.2%
Molybdenum and Metallics Taxes	\$2.1	\$4.1	\$3.0	\$2.3	
Molybdenum and Metallics Percent Change	28.2%	88.8%	-25.4%	-22.4%	3.0%
Total Severance Tax Revenue	\$37.1	\$77.6	\$184.1	\$158.2	
Total Severance Tax Revenue Pct. Change	-80.1%	109.2%	137.3%	-14.0%	62.2%
Interest Earnings	\$29.8	\$16.1	\$23.4	\$25.3	
Interest Earnings Percent Change	-6.8%	-46.1%	45.6%	8.2%	-5.3%
Total Severance Tax Fund Revenue	\$66.9	\$93.7	\$207.5	\$183.5	
Severance Tax Fund Revenue Pct. Change	-69.4%	40.0%	121.5%	-11.5%	40.0%

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

Coal severance tax revenue increased by 5.4 percent in FY 2024-25 to \$6.9 million. Through the forecast period, shifting market dynamics are expected to result in declining collections. In the next few years, the coal-fired Craig Station is set to close. Along with the closure, the Colowyo Mine in Moffat County was reported to end its coal production in December 2025. The mine ramped up production and storage prior to closing to fuel power plant operations for the next few years, a factor that may have contributed to strong coal severance tax collections in FY 2025-26. Coal severance tax revenue is expected to end FY 2025-26 up 16.8 percent. With less demand from the electric power sector in future years, collections are expected to decrease 33.2 percent in FY 2026-27. Collections are expected to normalize in FY 2027-28 at lower levels of production and decrease by 3.9 percent.

Metal and molybdenum tax collections rose 28.2 percent to \$2.1 million in FY 2024-25, increasing for the second-consecutive year after a large decline in FY 2022-23. Based on collections year-to-date, collections are expected to increase 88.1 percent in FY 2025-26 due to \$2.5 million in net collections in April, the highest recorded since 2006. Through the forecast period, collections are expected to fall back to levels closer to those of the last few years.

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

Limited Gaming Revenue

Limited gaming revenue includes taxes, fees, and interest earnings collected in the Limited Gaming Fund and the State Historical Fund. The state's 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), and revenue that is distributed to local governments by a constitutional requirement, which was reclassified as exempt from TABOR as a collection for another government under [House Bill 24-1469](#).

Total gaming revenue is expected to increase 3.7 percent to \$187.8 million in FY 2025-26. The forecast was upgraded by \$1.6 million as the new casino in Cripple Creek boosted activity in the area, more than offsetting temporary declines in interest revenue for FY 2025-26. Statute only allows for pre-Amendment 50 revenue (subject to TABOR) to grow by 3 percent annually, so in years such as FY 2025-26 where projected gaming revenue growth is above that threshold, extended limited gaming revenue (TABOR-exempt) grows faster than total gaming revenue. This is not expected to happen again through the forecast period.

Collections from gaming are expected to grow a slower but still-healthy 2.8 percent in FY 2026-27 and 3.0 percent in FY 2027-28. Accelerations from the new casino are forecasted to wane in FY 2026-27, but sluggish tourist activity is expected to rebound in the out year, boosting gaming activity in the state.

Other Cash Funds

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

FY 2025-26. Other cash funds revenue in FY 2025-26 is projected to increase by 19.7 percent to about \$1.11 billion. Revenue growth is principally from House Bills 25B-1004 and 25B-1006, which permit the sale of insurance premium and corporate income tax credits. For FY 2025-26 only, the bills are expected to raise just over \$200 million. The proceeds are first credited to the

nonexempt Tax Credits Sale Proceeds Cash Fund and then transferred to the HIA Fund and the General Fund, respectively.

Of the anticipated \$200 million in proceeds, about \$100 million will be transferred to the HIA Fund within the HIAE. This transfer will cause more than 10 percent of HIAE's revenue to come from state support, disqualifying it as an enterprise and making fee and interest revenue, currently estimated at \$143 million, subject to TABOR for FY 2025-26 only. Federal funds and prior year surpluses will remain exempt. The HIAE will requalify as an enterprise in FY 2026-27. Any proceeds above \$100 million in the Tax Credits Sale Proceeds Cash Fund, after the HIAE credit, must be transferred to the General Fund as required by HB 25B-1004.

Relative to the March forecast, the forecast for other cash funds revenue in FY 2025-26 now incorporates [House Bill 26-1377](#) and [House Bill 26-1384](#), which reroute certain payments from state agencies that had previously been re-received by the state as cash fund revenue to other agencies. Compared to the March forecast, revenue expectations for other cash funds were increased by \$98.8 million due to higher year-to-date collections.

FY 2026-27. Other cash funds revenue is projected to decrease by 35.2 percent, totaling approximately \$722.0 million. This decline is due to the absence of one-time revenue from the prior fiscal year and changes in 2026 legislation. Tax credit sales under HB 25B-1004 and HB 25B-1006 will end after FY 2025-26. The HIAE is expected to requalify as an enterprise in FY 2026-27, which will exempt fee and interest revenue from TABOR. Additionally, [House Bill 26-1401](#) repealed a \$63.5 million transfer from the UPTF to the Adult Dental Fund in FY 2026-27. This is expected to reduce other cash funds revenue by \$70.6 million in FY 2027-28 and by similar amounts in future years.

[House Bill 26-1372](#) continues to provide appropriations to the Auraria Higher Education Center (AHEC) directly from the General Fund, rather than through reappropriated funds from individual higher education institutions. Since AHEC is a state entity, these payments were counted as revenue against the state's TABOR limit, even though the same amount was previously counted when placed in the General Fund. This change is expected to reduce other cash funds by \$31.4 million in FY 2026-27. Compared to the March forecast, revenue expectations for other cash funds have been reduced by \$43.7 million due to these legislative adjustments.

FY 2027-28. Other cash funds revenue is expected to increase 6.5 percent and total \$768.7 million. The forecast was decreased by \$24.8 million relative to March, reflecting lower expectations for FY 2025-26 and FY 2026-27 as discussed above.

Cash Fund Revenue Exempt from TABOR

Key sources of TABOR-exempt cash fund revenue are presented below due to their importance as budget factors. A few of the areas discussed include revenue subject to TABOR, such as the 2.9 percent sales tax on marijuana products, sports betting fee revenue, and unemployment support surcharges. This section is not comprehensive, as many other sources of TABOR-exempt cash fund revenue are not included.

Marijuana Tax Revenue

Marijuana tax revenue continues to decline, although the rate of decrease has slowed. The primary factors contributing to this trend include lower prices, diminished demand resulting from legalization in other states, and expanded access to intoxicating hemp. Revenue is projected to decrease through FY 2026-27, followed by a modest rebound in FY 2027-28.

The state's 15 percent excise tax and 15 percent special sales tax, which constitute the majority of marijuana-related revenue, are voter-approved and exempt from TABOR. In contrast, the 2.9 percent general state sales tax applies to medical marijuana and non-marijuana products sold at marijuana retailers and is subject to TABOR. The marijuana tax revenue forecast is presented in Table 17.

Table 17A
Tax and Interest Revenue from the Marijuana Industry

Dollars in Millions

TABOR Status	Actual FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Exempt	\$230.0	\$219.7	\$217.5	\$222.0
Nonexempt	\$4.7	\$4.4	\$4.4	\$4.6
Total	\$234.7	\$224.1	\$221.9	\$226.6
Percent Change in Total Revenue	-7.0%	-4.5%	-1.0%	2.1%

Table 17B
Exempt Revenue from the Marijuana Industry

Dollars in Millions

Revenue Source	Actual FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Special Sales Tax	\$186.4	\$176.7	\$174.7	\$177.6
Percent Change in Special Sales Tax	-4.4%	-5.2%	-1.2%	1.7%
Excise Tax	\$40.2	\$39.8	\$39.7	\$41.2
Percent Change in Excise Tax	-16.1%	-1.0%	-0.1%	3.7%
Interest	\$3.4	\$3.2	\$3.1	\$3.2
Percent Change in Interest	-17.0%	-5.8%	-3.7%	3.2%
Total Exempt Revenue	\$230.0	\$219.7	\$217.5	\$222.0
Percent Change in Total Exempt	-6.9%	-4.5%	-1.0%	2.1%

Table 17C
Nonexempt Revenue from the Marijuana Industry

Dollars in Millions

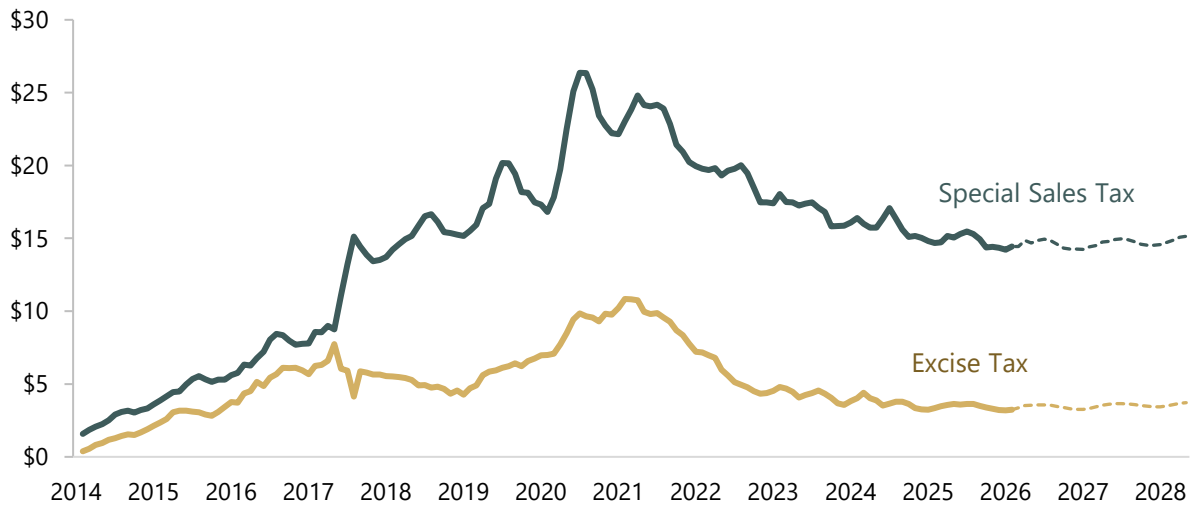
Revenue Source	Actual FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
Sales Tax on Medical Marijuana	\$3.0	\$2.0	\$1.4	\$1.1
Percent Change in Medical Marijuana	-23.3%	-34.1%	-28.0%	-21.6%
Sales Tax on Non-Marijuana Products	\$1.5	\$2.3	\$2.9	\$3.3
Percent Change in Non-Marijuana Sales	23.3%	48.0%	27.2%	15.2%
Interest Income	\$0.1	\$0.1	\$0.1	\$0.1
Percent Change in Interest	-15.7%	-15.0%	-11.0%	15.0%
Total Nonexempt Revenue	\$4.7	\$4.4	\$4.4	\$4.6
Percent Change in Nonexempt Revenue	-12.2%	-6.6%	1.2%	3.4%

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 Marijuana Cash Fund. [House Bill 26-1409](#) modified the distribution of special sales tax revenue by eliminating the distribution to local governments and increasing the distribution to the MTCF.

Special sales tax revenue continues to fall, but at a slowing rate compared to prior years. Special sales tax revenue is expected to continue to fall in the current fiscal year and the next, then begin recovering in FY 2027-28 as consumption and prices start to rebound. A federal ban on most intoxicating hemp products is scheduled to take effect November 2026, which is expected to modestly boost marijuana tax collections. As a result, revenue is expected to stabilize in 2027, before posting slight increases in FY 2027-28. Additionally, 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. Persistently low prices have contributed to lower 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. Wholesale prices for bud are 7.3 percent lower year-over-year, and the number of licensed cultivators has fallen by 12.1 percent. Revenue is expected to be 1.0 percent lower in FY 2025-26 than the prior year and then decrease by another 0.1 percent in FY 2026-27.

Figure 8
Adult-Use Marijuana Revenue Forecast
 Millions of Dollars, 3-Month Moving Average



Source: Colorado Department of Revenue and Legislative Council Staff 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 \$3.0 million in FY 2024-25, a 23.3 percent decline compared to the year prior. The number of medical marijuana card holders continues to decline significantly, and is expected to result in falling tax revenue throughout the forecast period. Retail marijuana dispensaries also remitted \$1.5 million in 2.9 percent general sales tax in FY 2024-25. Collections are expected to grow throughout the rest of the forecast period.

Table 18
Distributions of Marijuana Revenue
 Dollars in Millions

Marijuana Revenue Distribution	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Marijuana Tax Cash Fund	\$128.6	\$130.7	\$135.3	\$137.7
BEST Fund	\$40.2	\$39.8	\$39.7	\$41.2
General Fund	\$26.1	\$24.7	\$24.5	\$24.9
State Public School Fund	\$21.0	\$20.0	\$19.8	\$20.1
Marijuana Cash Fund	\$0.0	\$2.6	\$2.6	\$2.7
Local Distributions	\$18.6	\$6.2	\$0.0	\$0.0
Total Distributions	\$234.6	\$224.1	\$221.9	\$226.6
Percent Change in Total Distributions	-7.0%	-4.5%	-1.0%	2.1%

Federal Mineral Lease

Federal mineral lease (FML) revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of mineral production on federal land and royalty rates negotiated between the federal government and mining companies. FML revenue is exempt from TABOR.

In FY 2024-25, FML revenue decreased for the second-consecutive year, falling by 12.3 percent. As shown in Table 19, FML revenue is forecast to increase about 15.3 percent to \$98 million in FY 2025-26 as natural gas prices improve from last year. Although gas prices spiked in January 2026, prices have quickly receded and have been revised down through the forecast period. Natural gas prices are forecast remain subdued through the rest of 2026 and into 2027, and remain flat on average. Gas prices are forecast to increase through the latter half of 2027 and into 2028, and increase non-bonus lease revenue.

Provisions in the OBBBA are expected to modestly increase FML revenue on net over the forecast period. The OBBBA decreases royalty rates for natural gas and coal, which will decrease revenue. However, lease sale requirements, noncompetitive bidding, and other incentives in the OBBBA for natural gas are expected to increase production overall and offset the effect of reduced royalty rates. Over the forecast period, the state is expected to benefit from lease sales conducted in September 2025 and March 2026. Coal production is still expected to decline in the state through the forecast period, and offset some growth.

Table 19
Federal Mineral Lease Revenue Distribution
Dollars in Millions

Item	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Total FML Revenue	\$85.0	\$98.0	\$102.3	\$115.4
Bonus Payments (portion of total revenue)	\$0.2	\$1.5	\$1.5	\$1.7
Local Government Permanent Fund	\$0.08	\$0.7	\$0.8	\$0.9
Higher Education FML Revenue Fund	\$0.08	\$0.7	\$0.8	\$0.9
Other FML Payments (non-bonus revenue)	\$84.8	\$96.5	\$100.8	\$113.7
State Public School Fund	\$41.0	\$46.6	\$48.7	\$54.9
Colorado Water Conservation Board	\$8.5	\$9.7	\$10.1	\$11.4
DOLA Grants	\$17.0	\$19.3	\$20.2	\$22.7
DOLA Direct Distribution	\$17.0	\$19.3	\$20.2	\$22.7
School Districts	\$1.4	\$1.6	\$1.7	\$1.9
Higher Education FML Revenue Fund	\$0.1	\$0.7	\$0.8	\$0.9

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. 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. 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 revenue is subject to TABOR.

TABOR-exempt sports betting revenue, which consists of taxes and interest, is expected to grow 34.9 percent in FY 2025-26 and reach \$50.6 million. New entrants continue to fuel increases in total wagers, while riskier bets result in higher holds for sports betting operators, the amount of revenue that is kept by the operator after payouts to players. Revenue is expected to grow another 30.6 percent to \$66.1 million in FY 2026-27 before slowing to 3.6 percent growth in FY 2027-28.

Growth in FY 2026-27 will be fueled by [House Bill 25-1311](#), which decreases the amount of free bets sports betting operators may deduct from their taxes owed beginning in FY 2025-26, and disallows free bet deductions in FY 2026-27 onwards. Growth will be minimally offset by [Senate Bill 26-131](#), which disallows sports betting deposits from credit cards and places advertisement limitations on sports betting operators.

Sports betting fee revenue subject to TABOR—which includes gaming licenses, operations fees, interest, and other charges for service—is expected to decline for a second-consecutive year by 25.7 percent to \$1.4 million in FY 2025-26, indicative of turnover from smaller sports betting operators. Sports betting revenue subject to TABOR is expected to decline another 5.3 percent in FY 2026-27 before increasing back to \$1.4 million in FY 2027-28 as new exits and entrants continue.

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 servicepersons. Implementation of the new tax began on April 1, 2025. Revenue from the tax is TABOR exempt as a voter-approved revenue change, while interest earned on the tax revenue is subject to TABOR.

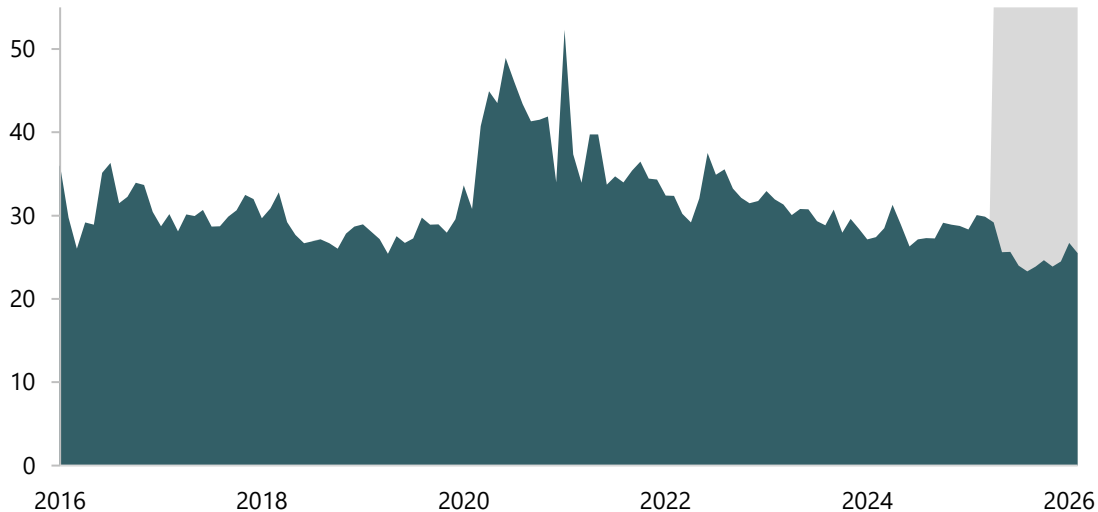
Proposition KK revenue is deposited in the General Fund, transferred to the new Firearms and Ammunition Excise Tax Cash Fund then distributed as follows after paying administrative costs:

- 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.

Based on current firearms tax and inflation projections, revenue received will result in only distributions to the first stream of funding through the forecast period. Firearms tax revenue is expected to total \$19.2 million in FY 2025-26, before growing to \$26.9 million in FY 2026-27 and \$31.8 million in FY 2027-28. Compared to the March 2026 forecast, this is a \$0.3 million upgrade in FY 2025-26, but a downgrade of \$1.2 million in FY 2026-27 and \$0.3 million in FY 2027-28.

Rebounding firearm sales, inflationary pressures, and increased compliance are expected to contribute to growth in firearms tax revenue through the forecast period. While state and national firearm sales have been on a general decline since the pandemic, approved firearms transactions in Colorado spiked in the months prior to implementation of the firearms tax, followed by accelerated declines in transactions through the remainder of 2025 (Figure 9). As a result, lower firearms tax revenue in the current year is likely attributable to firearms purchases that were pulled forward in response to the tax, resulting in lower-than-expected firearm sales in the short-run. Consumer spending patterns are expected to normalize somewhat throughout the forecast period.

Figure 9
Monthly Approved Firearm Transactions in Colorado
 Thousands of Transactions, Seasonally Adjusted



Source: Colorado Bureau of Investigation; monthly approved firearm transactions. Data seasonally adjusted by Legislative Council Staff through February 2026. Gray shading indicates implementation of the firearms excise tax.

Unemployment Insurance Trust Fund

The Unemployment Insurance Trust Fund (UITF) is funded by the UI standard premium, the employer support surcharge, and interest. A solvency surcharge may also be applied when the trust fund balance is low. Premium and surcharge rates are based on the previous fiscal year's reserve ratio, which is the fund balance as a percentage of total wages. A higher fund balance corresponds to lower premium and surcharge rates in the following calendar year. The fund pays unemployment insurance benefits to Coloradans who have lost a job through no fault of their own. Benefit payments are determined by an individual's prior wages.

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

Table 20A
Unemployment Insurance Trust Fund Balance
 Dollars in Millions

Component	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
Beginning Balance	\$726.1	\$1,231.5	\$1,633.3	\$1,853.9
Total Revenue	\$1,315.3	\$1,409.3	\$1,272.8	\$1,143.7
Less: Benefits Paid	\$796.6	\$1,007.5	\$1,052.1	\$1,094.9
Other Net Changes	-\$13.3	\$0.0	\$0.0	\$0.0
Ending Balance	\$1,231.5	\$1,633.3	\$1,853.9	\$1,902.7
Ending Reserve Ratio	0.65%	0.80%	0.83%	0.81%

Table 20B
Unemployment Insurance Trust Fund Revenue

Dollars in Millions

Source	Actual FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27	Estimate FY 2027-28
UI Premium	\$1,018.6	\$1,049.5	\$1,058.3	\$1,080.5
UI Premium Percent Change	26.1%	3.0%	0.8%	2.1%
Solvency Surcharge	\$242.2	\$273.0	\$151.2	\$0.0
Solvency Surcharge Percent Change	87.9%	12.7%	-44.6%	N/A
Interest	\$20.9	\$35.5	\$42.1	\$40.5
Interest Percent Change	159%	70.1%	18.4%	-3.8%
Employer Support Surcharge Diversions	\$33.6	\$51.2	\$21.2	\$22.7
Employer Support Surcharge Percent Change	109.8%	52.7%	-58.6%	7.2%
Total Revenue	\$1,315.3	\$1,409.3	\$1,272.8	\$1,143.7
Percent Change in Total Revenue	28.1%	7.1%	-9.7%	-10.1%

Totals may not sum due to rounding.

FY 2025-26. UITF revenue is expected to increase by 7.1 percent in FY 2025-26, driven by a higher wage base in 2026. The UI premium and employer support surcharge rates were reduced in calendar year 2026 due to an improved reserve ratio in FY 2024-25. Additionally, as a result of the fund balance exceeding \$1 billion in FY 2024-25, the forecast also anticipates an increase in benefits paid pursuant to [Senate Bill 22-232](#), which repeals the requirement that a person wait one week before becoming eligible for unemployment compensation once the balance reaches at least \$1 billion. Claimants began receiving their first week of benefits beginning in July 2025.

Benefit payments are expected to increase through FY 2025-26 as unemployment increases. The number of continued claims fiscal year-to-date is 10.1 percent higher compared to the same period in the prior year, and is expected to continue to increase. Average weekly benefits have also posted strong growth in the current fiscal year. The fund balance is expected to reach \$1.67 billion by the end of the fiscal year due to higher revenue, increasing the reserve ratio to 0.83 percent.

FY 2026-27. UITF revenue is projected to fall in FY 2026-27 as the solvency surcharge turns off and the UI premium rate falls again due to the rising reserve ratio in FY 2025-26. The solvency surcharge is directed to be turned off in the calendar year following the fiscal year when the reserve ratio exceeds 0.7 percent. As a result, the solvency surcharge is expected to turn off in calendar year 2027. Interest revenue is projected to reach \$42.1 million, while employer support surcharge diversions are expected to fall. Benefits payments are expected to increase only slightly, about 4 percent, as growth in the number of unemployed people is expected to slow. The UITF is projected to end the year with a balance of \$1.85 billion.

FY 2027-28. UITF revenue is expected to decline again in FY 2027-28 as solvency surcharge revenue falls to zero. Standard premium revenue is projected to increase to \$1.08 billion, a 2.1 percent increase, as the premium rate remains unchanged in 2028 relative to 2027. Benefits payments are expected to increase primarily due to rising wages causing higher benefits payments. The UITF is projected to end the year with a balance of \$1.90 billion.

Economic Outlook

The U.S. and state economies are undergoing a fundamental transition with the accelerating investments and adoption of AI, and are forecast to continue to expand over the next few years. However, risks are elevated due to the spike in oil prices and the war in Iran. In addition to other indicators, this forecast includes an updated outlook for the trajectory of energy prices and inflation, and their potential impacts on monetary policy, consumer spending, and personal income.

In the first quarter of 2026, real gross domestic product (GDP) increased at an annualized rate of 1.6 percent after dipping to 0.5 percent in the fourth quarter of 2025. Lifted in large part because of the surge in investments on computers and peripheral equipment related to data centers and AI, real GDP growth is expected to accelerate modestly in 2026. However, consumer spending, the largest component of GDP, is set to slow in 2026 as rising energy prices, a stagnant labor market, and worsening finances weigh on the purchases of households.

Despite the explosion of business investment in data infrastructure that has accompanied ongoing strength in corporate profits, employment growth is expected to slow to a crawl in 2026. The market appears to be on hold in what has been characterized as a “low hire, low fire” job market. Nationally, job openings have declined over the past few years, and employment growth continues to decelerate. In Colorado, employment contracted in 2025. Yet, the unemployment rate remains low both statewide and nationally. Concerningly, the labor force participation rate in both the state and nation has simultaneously dropped over the past year with lower international migration, the aging population, and discouraged workers.

Another concern is the disparate employment growth among industries. In Colorado, most industries continue to struggle, and employment in many has contracted. If not for surging employment in health care services, employment losses in the state would have been significantly worse. Industries in the state that remain challenged include the information sector, where a post-pandemic correction and AI-related disruptions will continue to weigh on workers.

The inflation forecast since March has been revised up significantly as a large portion of the world’s oil production remains tied up in Middle East. Crude oil prices are now expected to recede at a much slower rate through 2026 and into 2027 as the war lengthens and global strategic reserves and inventories are drawn down. The forecast now anticipates the Federal Reserve will not lower interest rates in 2026. Inflationary pressures are expected to affect consumers as purchasing power erodes and savings rates continue to dip.

There are both upside and downside risks to the forecast. On the upside, resilient consumers, tariff reductions, and AI-related investment and productivity gains headline upside risks. On the downside, the persistent Iran conflict, weakening household finances, and weak labor markets could derail the growth forecast.

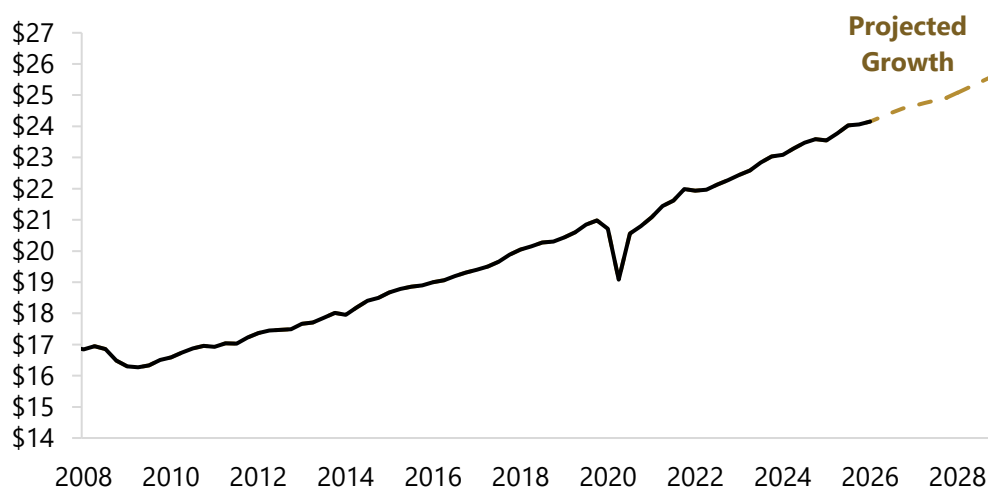
Tables 21 and 22 on pages 89 and 90 present the June 2026 Legislative Council Staff forecasts for the U.S. and Colorado economies, respectively. The tables in the Appendix, beginning on page 128, present historical data for the U.S. and Colorado economies.

Gross Domestic Product

U.S. real Gross Domestic Product (GDP), which measures the inflation-adjusted value of all goods and services produced within the country, expanded in the first quarter of 2026 at an annual rate of 1.6 percent. This was up from 0.5 percent in the last quarter of 2025 but slower than the 2025 annual average of 2.1 percent. Consumer spending increased at a slower pace than in previous quarters. Business investment was strong, led by robust spending in technology and equipment. U.S. exports accelerated, but were not enough to offset accelerating imports, so that overall trade weighed on GDP growth. Finally, after declining in the last quarter of 2025, total government spending rose in the first quarter of 2026, contributing to economic growth.

- Real U.S. GDP growth is projected to pick up slightly in 2026, rising at an annual rate of 2.3 percent. Economic activity will be supported by strong business investment, especially in AI-related spending, and modest consumer spending growth. In 2027, growth is projected to slow to 1.7 percent as business investment growth normalizes and the weak labor market strains household finances. GDP is expected to accelerate in 2028, growing 2.1 percent.

Figure 10
U.S. Real Gross Domestic Product
2017 Dollars in Trillions, Seasonally Adjusted, Annualized



Source: U.S. Bureau of Economic Analysis and Legislative Council Staff June 2026 Forecast.

Consumer spending slowed in the first quarter of 2026. Spending on goods and services rose at an annual rate of 1.4 percent in the first quarter, down from 1.9 percent in the last quarter of 2025. Spending was mainly on services, increasing by 1.8 percent with financial services and insurance as the largest contributor to growth from the fourth quarter. Outlays on durable and nondurable goods were relatively flat.

Consumer spending is the largest component of U.S. GDP, accounting for nearly 70 percent of total economic output. The economic outlook depends heavily on consumer activity. Growth will continue as long as consumers keep spending. This forecast projects positive U.S. consumer contributions through 2028 despite weakening labor markets, high tariffs, and rising prices.

Business investment grew at a strong pace in the first quarter of the year, led by AI-related spending. Business spending rose at an annual rate of 7.0 percent in the first quarter of 2026 as businesses remained optimistic about AI-related technology. In the first quarter, business investment was the largest contributor to real GDP growth from the fourth quarter. Businesses invested heavily in hardware, software, research, and development for AI systems and the construction of data centers. Equipment spending increased by 17.2 percent as firms expanded computing capacity, and intellectual property rose by 11.6 percent. These gains offset declines in factory, office, and other commercial building investments, as well as residential property investments.

Total government spending picked up in the first quarter of the year. After declining in the last quarter of 2025 due to the federal government shutdown, public sector contributions rebounded in the first quarter of 2026, increasing at an annual rate of 4.4 percent. Federal spending rose 9.5 percent from the prior quarter, while state and local government spending increased at a slower 1.5 percent pace. This increase was mainly due to nondefense spending, which includes basic government operating expenses. Public sector contributions, especially at the federal level, are expected to be minimal or negative in 2026 and beyond.

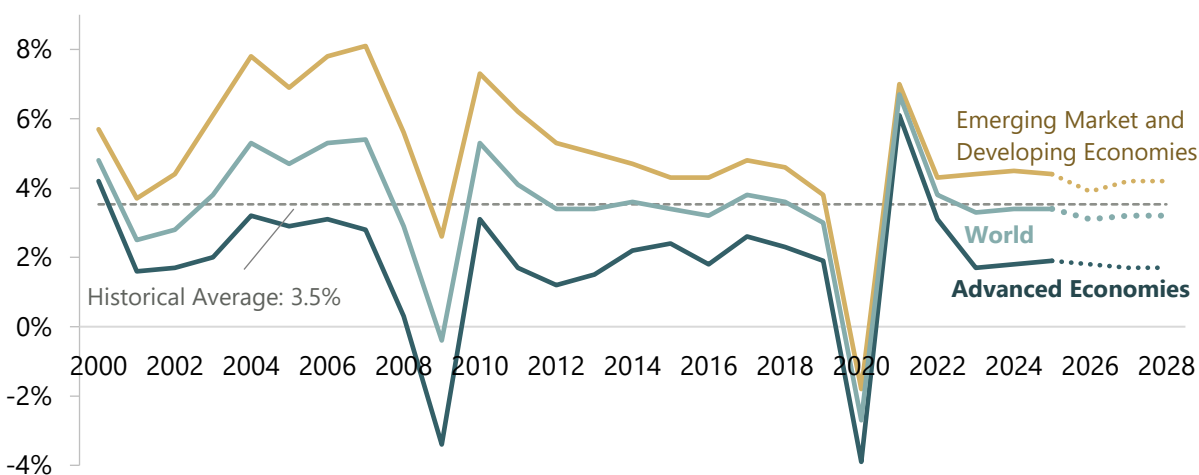
Exports and imports both bounced back in the first quarter, but imports rose more quickly. U.S. exports increased by 13.1 percent in the first quarter of 2026 after a 3.2 percent drop the previous quarter, mainly due to strong goods exports. Imports also picked up, rising 21.1 percent after a 1.0 percent decline, driven by strong demand for machinery and computer technology. Overall, imports grew faster, subtracting from U.S. economic growth. Potential returns to high tariffs cloud the trade outlook.

Colorado's economy continued to expand at a moderate pace in 2025. Colorado's economy grew at an annual rate of 2.1 percent in 2025, ranking 18th in the country and matching the U.S. rate. In 2024, it grew at 2.0 percent. Due to Colorado's dependence on service-based industries, the professional, scientific, and health care sectors contributed to growth, while construction, educational services, and the federal government weighed on the economy. In 2025, Colorado's GDP reached \$458.1 billion, making it the 15th-largest state economy.

Global Economy and International Trade

The International Monetary Fund downgraded its baseline projection for 2026 global GDP growth to a slow-to-moderate 3.1 percent in April 2026, with risks weighted heavily to the downside. Growth in the short-run is expected to be boosted by defense spending, but stymied by rising inflation and tighter monetary policy amid war in the Middle East. These expectations assume the war largely resolves in 2026 and does not escalate further; however, the actual trajectory of the conflict is rapidly evolving, marking the global economy with increased uncertainty in the short run.

Figure 11
Actual and Projected Real GDP Growth
 Year-over-year Percent Change



Source: International Monetary Fund (IMF); data through 2025, projections from 2026 through 2028.

The war in the Middle East leaves lower-income and importing countries most vulnerable.

The primary effects of the War in the Middle East are on global energy prices and inflation, as nearly 30 percent of the global oil supply had previously passed through the now-closed Strait of Hormuz. In addition, a significant amount of the global fertilizer supply had passed through the straight and the Red Sea. The longer trade activity is limited in the area, the more likely higher energy and fertilizer costs will pass through to consumers through higher food and commodity prices, in addition to the energy price shocks already being felt now.

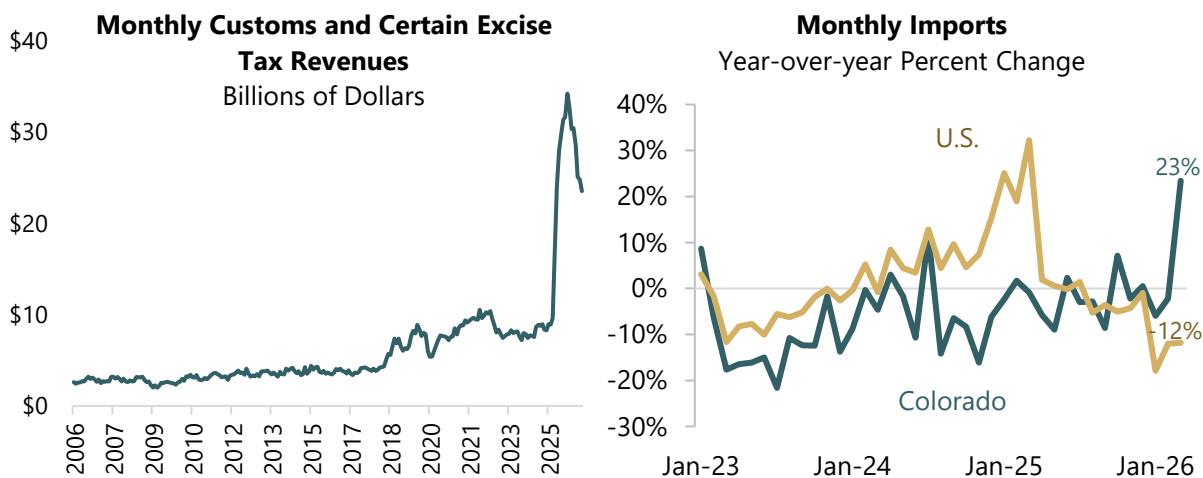
Lower-income, importer, and nearby Middle Eastern countries remain the most vulnerable to global supply shocks from the war. In particular, parts of the Middle East, Sub-Saharan Africa, Asia-Pacific, and Latin America regions rely heavily on fertilizer and raw materials from the Middle East. These economies may see slower growth due to supply limitations leading to higher food and energy prices, subsequent weakening currencies, and correspondingly tightening financial conditions. While elevated defense spending may boost short-term economic activity in 2026, long-term damages to infrastructure and industries within Iran and neighboring countries will weigh on economic growth in the region through the forecast period.

Tariff payments moderate, but remain high. With the February 20, 2026 nullification of the country-specific tariffs imposed under the International Emergency Economic Powers Act (IEEPA), U.S. monthly tariff payments have declined 31 percent from their peak through May. Still, tariff payments by U.S. businesses and consumers remain well above historical averages (Figure 12, left) as commodity-specific tariffs paired with a new temporary 15 percent across-the-board tariff authorized by President Trump partly offset reduced payments from the IEEPA tariffs.

Additionally, in late April, the U.S. Trade Representative launched investigations under Section 301 of the Trade Act of 1974 into 60 economies over forced labor requirements plus 16 economies over excess production and manufacturing. The Trump Administration signaled its

expectations for investigations to conclude in July and result in new country-specific tariffs. As a result, this forecast assumes tariffs will remain robustly above historical average levels through the forecast period. They will continue to impact business investment decisions, and will likely be passed through to consumers as tariffs remain elevated. In the short-run, refunds to businesses for IEEPA tariff payments may alleviate other tariff-related cost pressures, particularly for small businesses which tend to have less flexibility.

Figure 12
Trade Statistics



Source: U.S. Treasury Department Fiscal Data, Daily Treasury Statements. Data through May 2026. <https://fiscaldata.treasury.gov/datasets/daily-treasury-statement/operating-cash-balance> (left). U.S. Census Bureau, Economic Indicators Division; U.S. Import and Export Merchandise trade statistics through March 2026 (right).

Colorado imports spike amid AI adoption and war. While growth in imports has declined nationwide since April 2025 amid climbing tariff rates, Colorado imports surged in the first quarter of 2026 (Figure 12, right). In March 2026, this included imports of computer and electronic products, which increased by 80 percent year-over-year, and imports of crude oil that were up 71 percent. Tied to the aerospace, chip production, and computer equipment industries, rising imports of computer and electronic products are likely largely attributable to increased investment in artificial intelligence, and may also be attributable to increased defense spending following the war in the Middle East. Heightened imports will likely continue through the year and into 2027, weighing on short-term state economic output as imports are subtracted from GDP.

Labor Markets

The labor market appears by many measures to be on hold, with few indications of either an imminent rebound or a collapse as both employers and workers navigate uncertainty from multiple sources, resulting in a “low hire, low fire” environment. After shedding jobs in 2025, employers in Colorado have added jobs on net in 2026 through April, albeit at a lackluster pace and with job gains not widespread across industries. The official unemployment rate remains low and steady, although alternative measures of labor force and labor utilization indicate challenges to both labor supply and labor demand. Employment growth is expected to continue

to be dampened by weak business and consumer confidence, a sharp decline in immigration, AI-related disruptions, geopolitical uncertainty, and delayed monetary policy easing. Since the March forecast, rising uncertainty in the wake of the conflict with Iran has led to a downgrade in the current-year employment forecast as employers are expected to remain hesitant while the duration of the conflict and its impact on consumer spending remains unclear. Risks to the labor market outlook remain elevated.

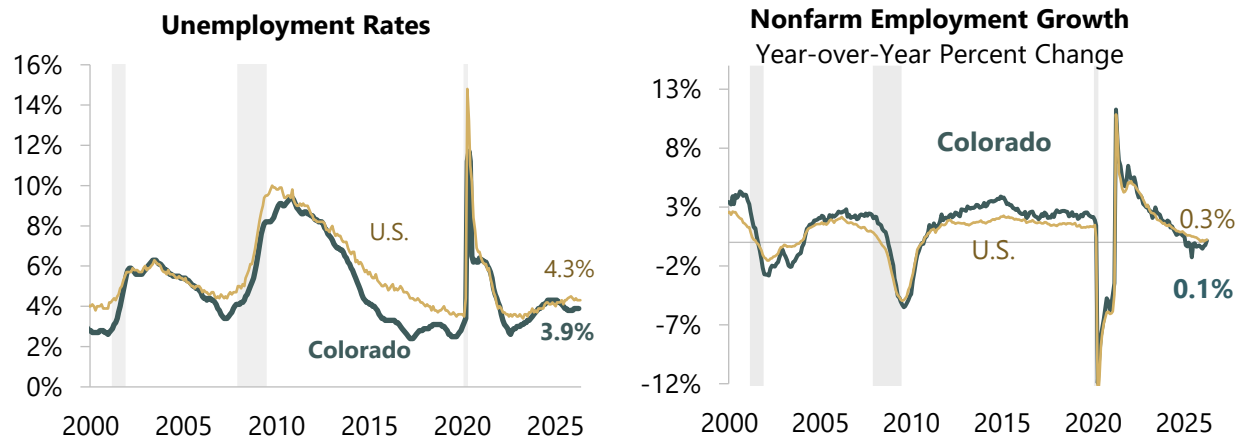
- U.S. nonfarm employment is expected to grow by 0.2 percent in 2026, 0.4 percent in 2027, and 0.6 percent in 2028. The U.S. unemployment rate is expected to average 4.4 percent in 2026 before rising to an average of 4.6 percent in 2027 and 4.5 percent in 2028.
- In Colorado, employment is expected to grow by 0.1 percent in 2026, 0.5 percent in 2027, and 0.7 percent in 2028. The Colorado unemployment rate is expected to average 3.9 percent in 2026, 3.7 percent in 2027, and 3.8 percent in 2028.

Employment growth returns to Colorado in 2026. Following a year of net job losses in 2025, Colorado employers added a net of 8,400 jobs in 2026 through April, bringing year-over-year employment growth to 0.1 percent (Figure 13, right). Revised data indicate that average employment for the year declined by almost 12,000 jobs in 2025, or 0.3 percent, a significant divergence from employment nationwide, which grew by 0.5 percent over the same period. Average monthly job gains of 2,100 year-to-date in 2026 are below pre-pandemic gains of 5,000 jobs per month in 2018 and 2019, indicating employers remain reluctant to hire as federal immigration and trade policy, as well as the conflict with Iran, contribute to an uncertain business environment.

Colorado's unemployment rate remains steady. Colorado's unemployment rate has held steady at 3.9 percent for the first four months of 2026 (Figure 13, left). In April, Colorado ranked in the top half of the nation with the 22nd lowest unemployment rate, equal to that of Kansas and Ohio. At 2.2 percent, South Dakota had the lowest rate, while California, Delaware, and Nevada shared the highest rate of 5.3 percent. The U.S. unemployment rate also held steady in April, at 4.3 percent.

A slower increase or decline in the unemployment rate may mask underlying weakness if workers leave the country or become discouraged and stop looking for employment. Departing workers are no longer counted in either the numerator or the denominator of the unemployment rate, so that the unemployment rate may be slow to rise, or even fall, even as labor market conditions are deteriorating.

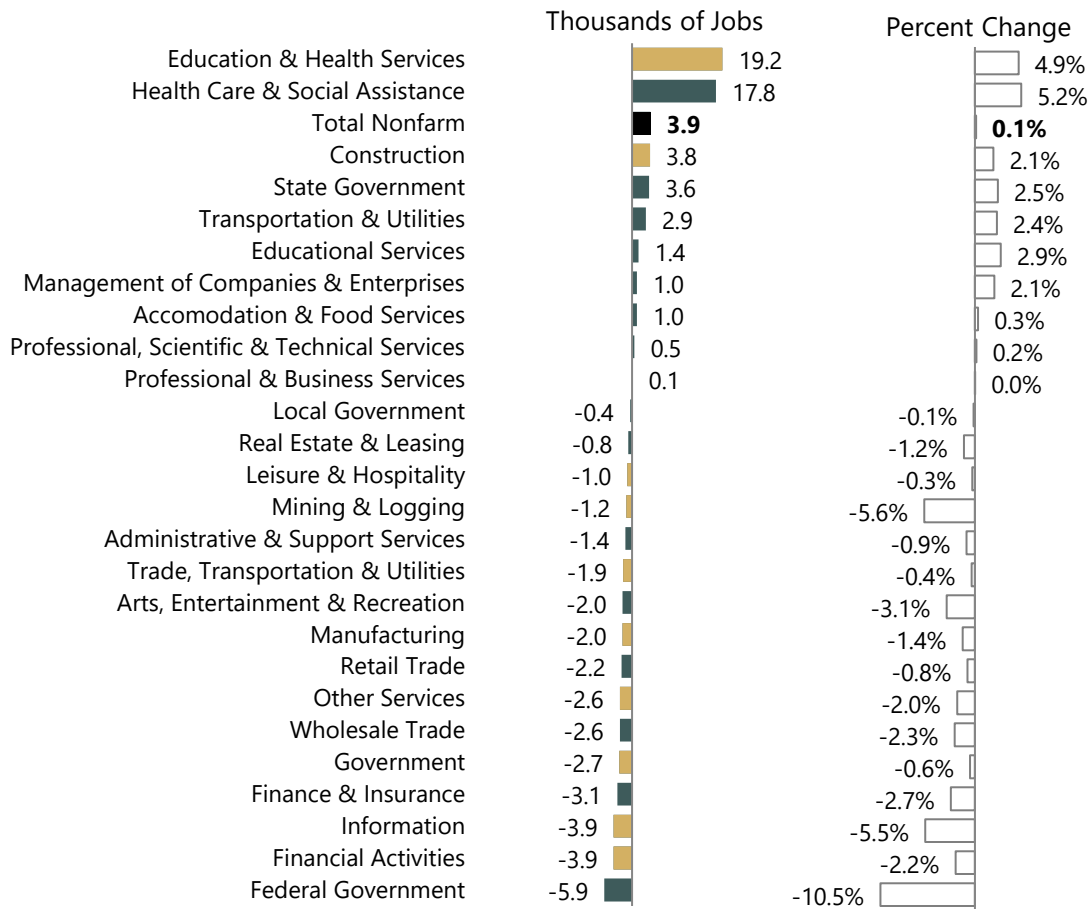
Figure 13
Selected Colorado and U.S. Labor Market Indicators



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. U.S. data are through May 2026. Colorado data are through April 2026.

Job gains are not widely distributed across industries. Job gains are not widely distributed across sectors, with only two supersectors showing substantial year-over-year job gains. With a gain of 19,200 jobs, or 4.9 percent, since April 2025, job gains in the education and health services supersector, and in the health care and social assistance subsector in particular (up by 17,800 jobs, or 5.2 percent), are propping up the labor market, offsetting job losses in nearly every other supersector (Figure 14). With total nonfarm employment up year-over-year by just 3,900 jobs, or 0.1 percent year-over-year, Colorado would have lost over 15,000 jobs without education and health care. Strength in the health care job market tends to reflect long term demographic shifts toward an aging population, which boosts demand for health care jobs regardless of the overall health of the economy. The second supersector with substantial job gains was construction, up by 3,800 jobs, or 2.1 percent, which likely reflects the impacts of an unusually warm and dry winter and spring in Colorado. Persistent weakness outside these two supersectors weighs on the labor market outlook.

Figure 14
Colorado Job Gains and Losses by Industry
Year-over-Year Change in April



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Gold shading indicates a supersector, while green shading indicates a subsector.

Colorado’s labor force continues to decline. Alongside increasing labor productivity, a growing labor force is a key determinant of long-term economic growth. Colorado’s labor force has registered sustained declines since late 2024, a notable shift that historically has occurred only during a significant economic downturn or disruption such as the pandemic or the Great Recession (Figure 15, left). Year-over-year through April 2026, the labor force was down 1.5 percent, or almost 50,000 workers.

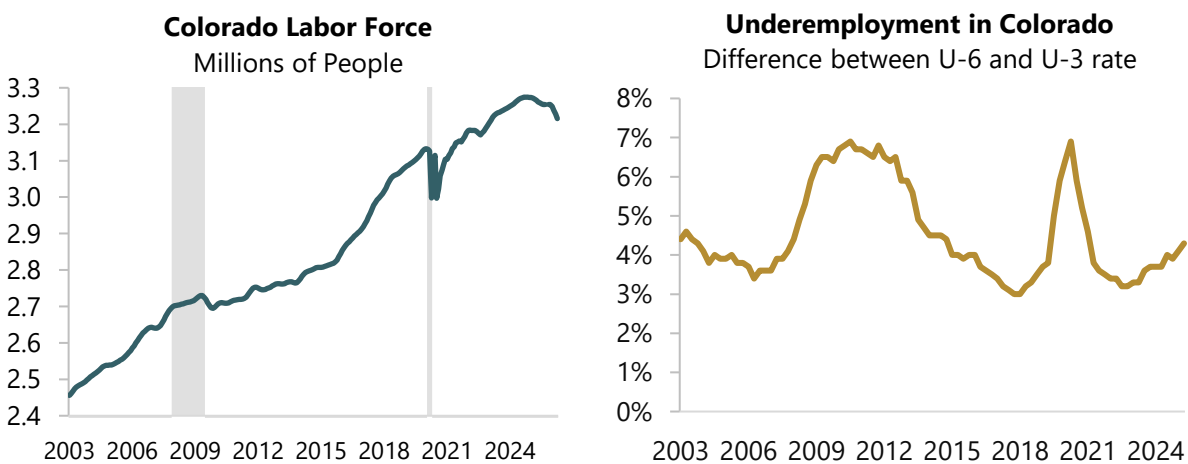
The trend likely reflects the combined impacts of several factors, both reflecting drag in the working-age population and reduced labor force participation. Long-term aging tends to suppress labor force growth slowly over time as the working-age population grows more slowly than the total population. Within the working-age population, the labor force participation rate fell to 66.1 percent in April 2026, its lowest level since at least 1976 outside the COVID-19 pandemic. Shifts in federal immigration policy, rising affordability concerns, lackluster wage and job growth, and strong returns in equity markets are shorter-term factors which may have

contributed to recent declines in domestic and international migration and Colorado’s labor force. Reduced participation is especially apparent in the population over 55, and these workers may not return to the labor force at all.

Measures of labor underutilization indicate increasing labor market slack. In addition to the official unemployment rate (U-3), there are a range of alternative measures of labor underutilization. The broadest of these measures (U-6) includes not only unemployed people who are actively seeking work captured in the official rate, but also people who are not working as much as they would prefer, or who would normally want to work, but have stopped actively looking for employment. This includes those who are employed part time but would prefer to work full time and people who are marginally attached to the labor force, including people who are discouraged about their job prospects and people who are not looking for work because of family responsibilities, school, ill health or disability, or child care problems.

While the four-quarter average U-3 rate in the first quarter of 2026 was 3.9 percent, the U-6 rate over the same period averaged 8.2 percent. The U-6 rate always exceeds the U-3 rate, but a rising gap between the two rates is an indicator of rising underemployment, or labor market slack, even if the number of officially unemployed workers is falling. Typically, the gap increases during a recession (Figure 15, right). Increases in underemployment are generally driven by conditions in industries in which workers’ hours are unstable and sensitive to economic fluctuations such as retail trade and leisure and hospitality, two sectors which have shed jobs in Colorado over the past year.

Figure 15
Selected Measures of Labor Force and Underemployment in Colorado



Source: U.S. Bureau of Labor Statistics. Labor force data are seasonally adjusted and through April 2026. Data for unemployment are four-quarter moving averages through Q1 2026.

Inflation

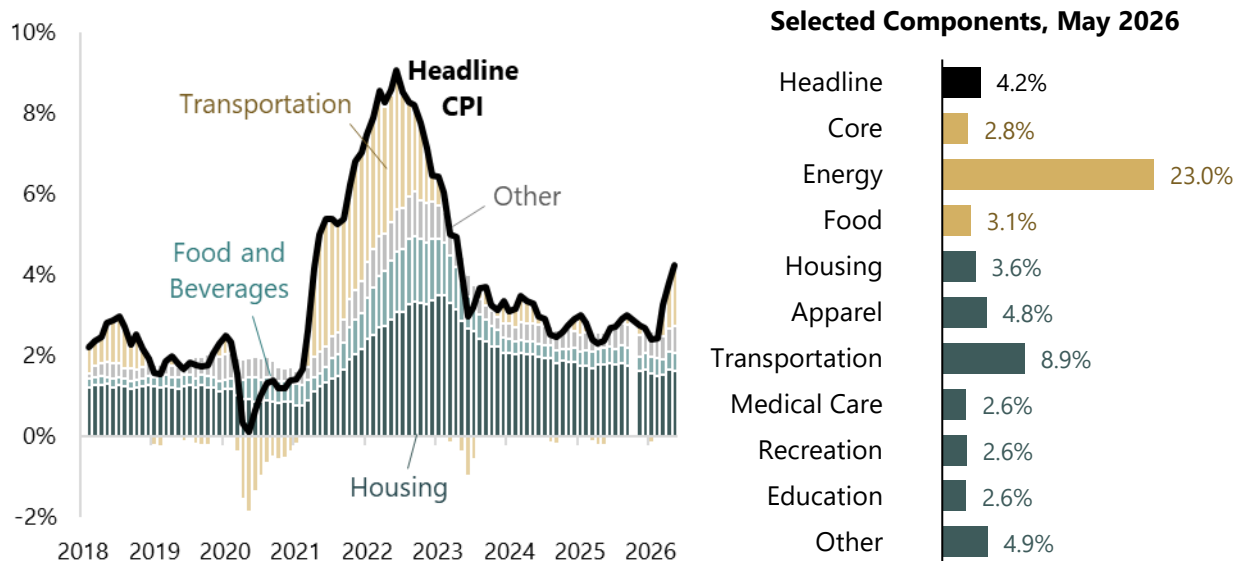
The U.S. urban average consumer price index (CPI) measures changes in the prices of final goods and services purchased by urban consumers in the U.S. The CPI tracks the prices of a fixed basket of consumer goods and services. The only Colorado index is for the Denver-Aurora-Lakewood area (“the Denver area”), which LCS uses as proxy for price changes statewide.

U.S. inflation increases to 4.2 percent due to high energy prices. Energy prices are up 23.0 percent year-over-year, reflecting the oil supply shock stemming from the conflict in Iran. This includes high prices for gasoline and diesel, which show up in the transportation component, and household utilities, which show up in the housing component. Meanwhile, prices for new and used vehicles are down 0.8 percent year-over-year due to weak demand and affordability concerns. Rent inflation has ticked up slightly to 3.4 percent year-over-year following a 6-month stretch of lower inflation.

U.S. inflation is expected to accelerate to 3.2 percent in 2026, with energy inflation remaining elevated through the first three quarters of the year as conflict in the Middle East constrains supply. Energy prices are expected to soften beginning in the fourth quarter, resulting in lower inflation in 2027. Inflation is expected to fall to 2.9 percent in 2027 and 2.2 percent in 2028 as these inflationary pressures wane.

Figure 16
Contributions to U.S. Consumer Price Index (CPI-U) Inflation

Percent Change in Prices, Year-over-Year

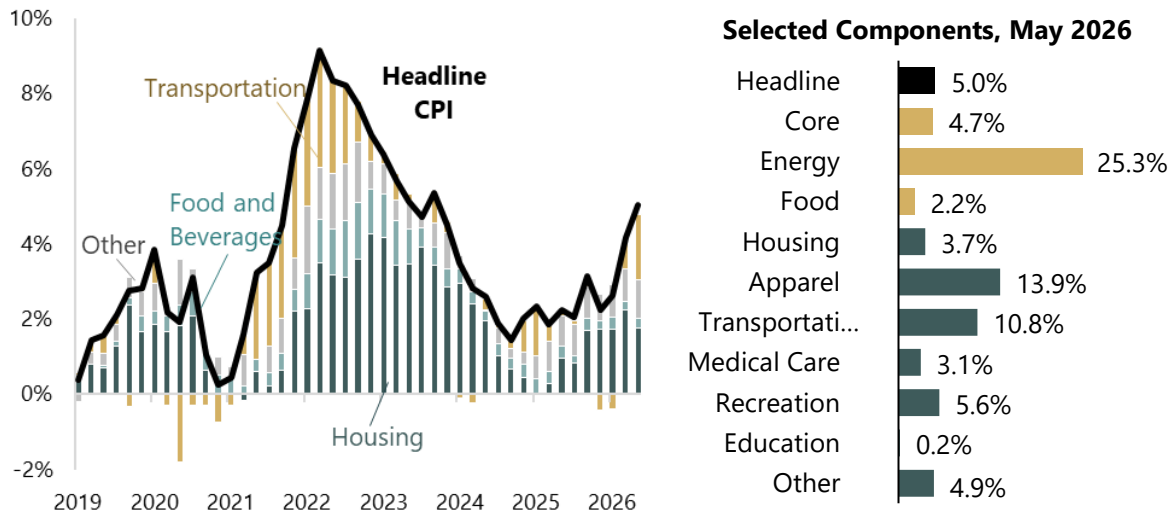


Source: U.S. Bureau of Labor Statistics.

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

The Denver area faces broad-based inflation, surging to 5.0 percent. The inflation rate in the Denver area has nearly doubled since January, reflecting price increases across the board. Figure X shows the recent path of headline inflation and inflation among select components, as measured by the Denver area CPI. Rising energy prices have resulted in acceleration in transportation prices, and, to a lesser extent, housing prices. Despite other measures of housing prices showing weak price growth, the CPI reports that shelter prices are up 3.8 percent year-over-year due to acceleration in owner-equivalent rents. The Denver area has also experienced rising inflation in the apparel, recreation, and other categories as well. Denver area inflation is expected to be 4.3 percent in 2026, fall to 3.0 percent in 2027, and then tick down to 2.6 percent in 2028.

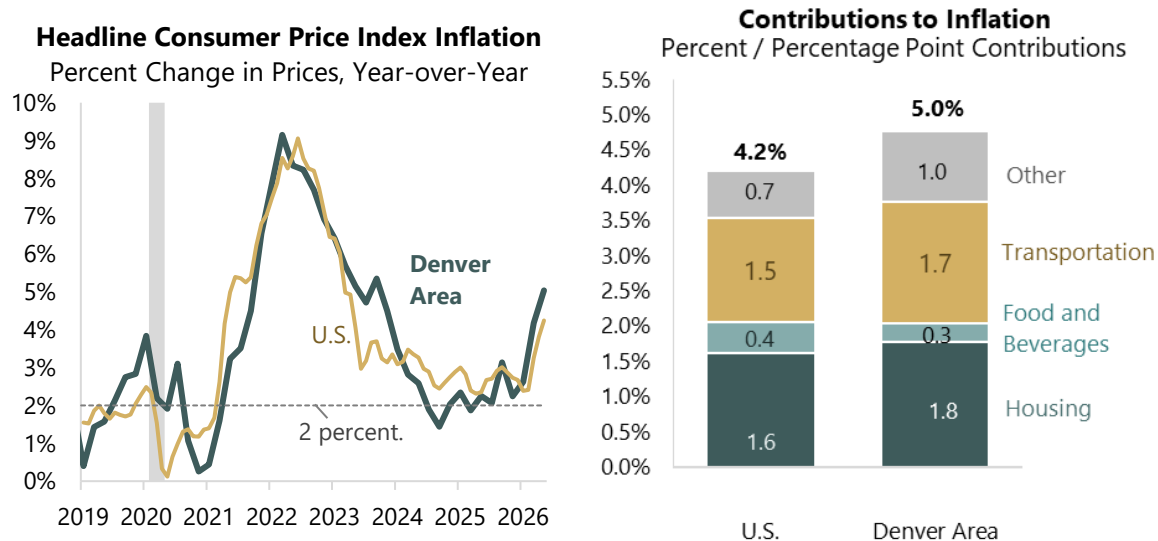
Figure 17
Denver-Aurora-Lakewood Consumer Price Index (CPI-U) Inflation
 Percent Change in Prices, Year-over-Year



Source: U.S. Bureau of Labor Statistics and Legislative Council Staff calculations.
 Headline inflation includes all products and services. Transportation includes new and used vehicles, vehicle parts, and motor fuel. Housing includes the cost of rent, homeowner rental equivalent, utilities, and other housing costs.

Inflation in Denver is above the national average. As of May, inflation in the Denver area was 0.8 percentage points higher than the nation, reflecting higher housing, transportation, and apparel costs. Core inflation is dramatically higher in the Denver area, reaching 4.7 percent compared to the nation’s 2.8 percent. Figure 18 (right) presents contributors to the current rates of inflation for the nation compared to the Denver area.

Figure 18
Comparing U.S. and Colorado Inflation



Source: U.S. Bureau of Labor Statistics and Legislative Council Staff calculations.
 Note: The “Contributions to Inflation” chart (right) shows U.S. and Denver area inflation for May 2026, reflecting the most recent data available. Totals may not sum due to rounding.

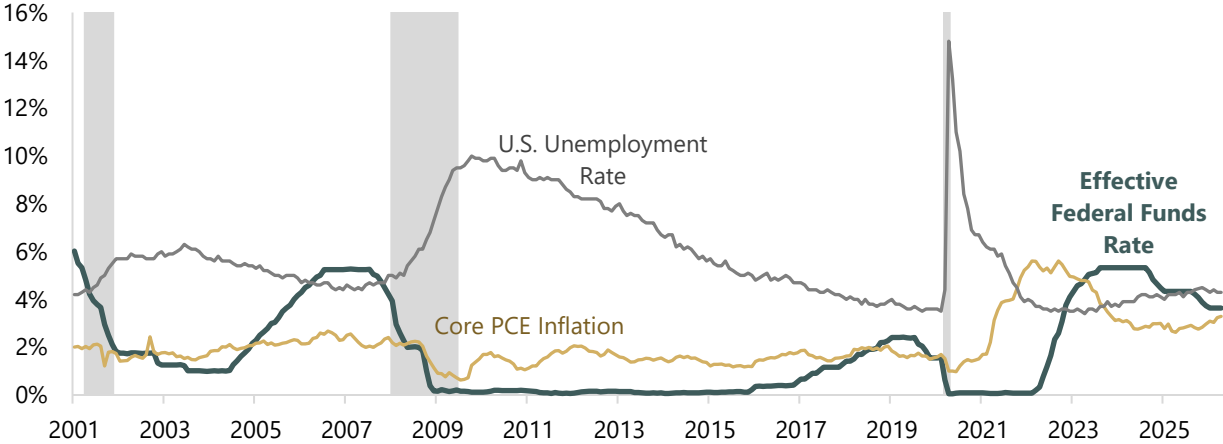
Tariffs and weak demand muddle the inflation outlook. Following the U.S. Supreme Court’s decision to strike down tariffs imposed under International Emergency Economic Powers Act (IEEPA), there is considerable uncertainty around how tariffs will evolve, though the federal administration has signaled its intent to maintain historically high tariff rates under different mechanisms. Additionally, the effect of tariffs on final consumer prices, and when their impact will be fully incorporated, is uncertain. On the other hand, tariffs and the uncertainty around them are expected to slow economic activity, which will partially offset some of the upward pressure on prices. Additionally, reduced immigration and increased deportations will weaken demand for goods and services, providing a disinflationary effect.

Monetary Policy

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

The federal funds rate is expected to remain at its current level through 2026. The FOMC cut interest rates in September, October, and December 2025, citing slowing job gains and a rising unemployment rate. Core PCE, the Fed’s preferred measure of trend inflation, remains above the Federal Reserve’s 2.0 percent average inflation target, accelerating to 3.3 percent in the most recent reading. At the same time, national employment growth has shown preliminary signs of stabilizing, with recent reports slightly exceeding expectations. As a result, the FOMC is expected to put rate cuts on hold for the coming months, and could raise rates instead if inflation persists or worsens while employers continue to add jobs. These dynamics contribute to an uncertain path for interest rates, as the Federal Reserve identifies inflation risks as being weighted to the upside (implying higher interest rates) and risks to economic activity as being weighted to the downside (implying lower interest rates).

Figure 19
Federal Funds Rate, Inflation, and Unemployment
 Percent

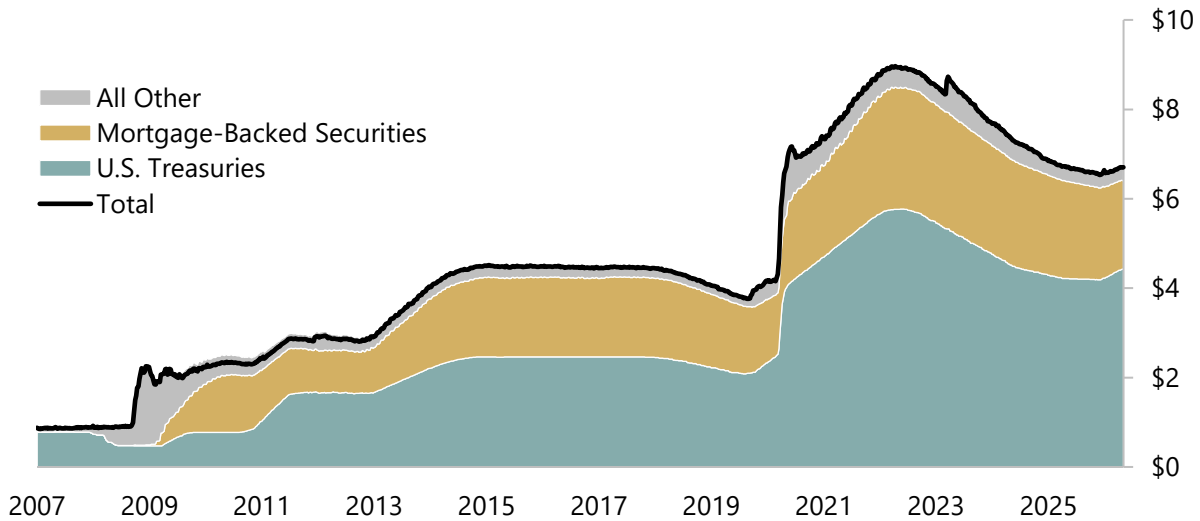


Source: The Federal Reserve, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics.

The Fed is growing its balance sheet, but new Fed chair creates uncertainty. During the financial crisis of 2008 and the COVID-19 pandemic, the Fed purchased a vast amount of U.S. treasuries and mortgage-backed securities, a process known as quantitative easing. Purchasing mortgage-backed securities results in lower interest rates for mortgages. The Fed began reducing the size of the balance sheet in 2023 by reducing mortgage-backed securities and U.S. treasuries, known as quantitative tightening. In December 2025, the Fed reversed this trend on net by purchasing more short-term U.S. treasuries, while continuing to reduce its holdings of mortgage-backed securities, in order to maintain short-term interest rates.

The newly appointed Fed chair, Kevin Warsh, has indicated a preference to further reduce the size of the Fed’s balance sheet. Reducing the balance sheet could create a path for a lower federal funds rate while keeping inflation in check, but may also increase the cost of borrowing for the federal government and reduce liquidity in the financial system.

Figure 20
Federal Reserve Balance Sheet
 Trillions of Dollars



Source: Federal Reserve Board of Governors.

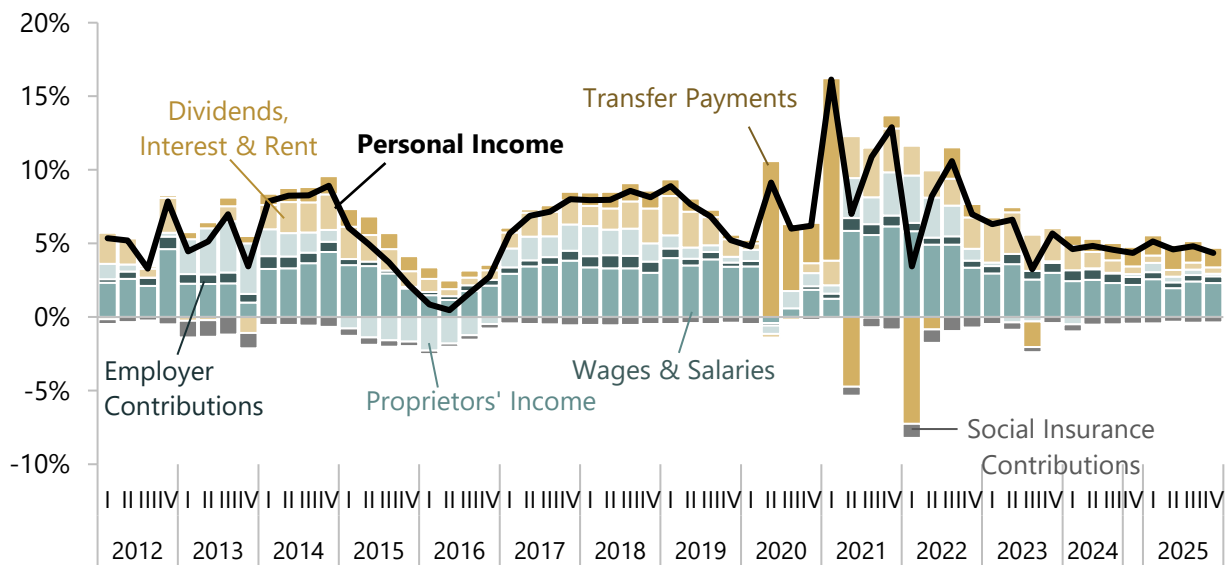
The FOMC is expected to continue to make monetary policy decisions that are consistent with the Federal Reserve’s dual mandate. If the Federal Reserve were to pursue monetary policy that is more accommodative than the dual mandate would otherwise prescribe, inflation may be significantly higher than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

Personal Income

Personal income measures the aggregate amount of income received by individuals and households from wages and salaries, business ownership, investments, and other sources. Personal income drives individual income tax revenue, the state’s principal revenue stream, and foreshadows consumer spending and contributions to sales tax receipts.

Colorado personal income growth is slowing. In the fourth quarter of 2025, total personal income in Colorado grew at an annualized rate of 0.7 percent. Wages and salaries are the largest component of personal income, making up about half of the total. Wage and salary growth in Colorado has generally slowed over the past two years. Slowing wage growth is likely due to slower employment and population growth in Colorado amid a weakening labor market. The second-largest component of personal income, which is dividends, interest, and rent, grew by just 0.4 percent in the fourth quarter, with particularly slow growth in dividends.

Figure 21
Colorado Personal Income Growth and Its Contributions
 Contributions to Percent Change, Year-Over-Year



Source: U.S. Bureau of Economic Analysis. Data are seasonally adjusted.

Transfer payments include government expenditures for social security, Medicare, Medicaid, and other government benefits. The Social Security Fairness Act took effect in 2025, increasing social security payments for many public service retirees and boosting transfer payments in the first half of the year. Nearly one third of total personal income growth in 2025 came from increases in transfer payments.

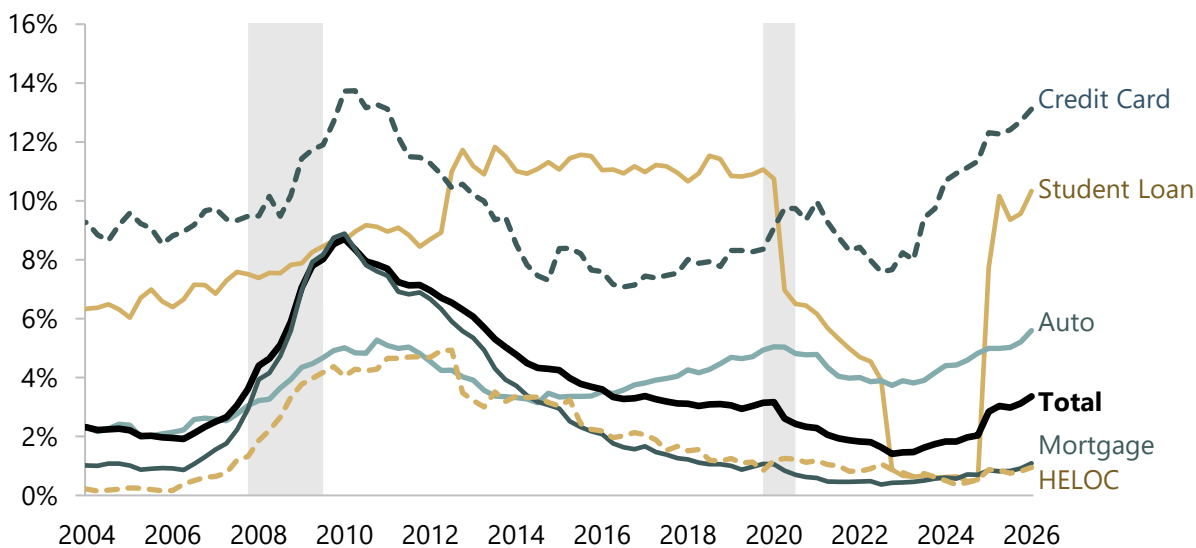
- Personal income growth in Colorado is projected to increase 4.0 percent in 2026, 4.4 percent in 2027, and 5.0 percent in 2028. Wage and salary income in Colorado is projected to increase 4.4 percent in 2026 and then accelerate, growing 4.6 percent in 2027 and 4.9 percent in 2028.

Household Finances

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

Delinquency rates are rising across all types of types of loans. Delinquency rates represent the percentage of outstanding loan debt that is past due by 90 days or more, shown in Figure X. The delinquency rate on credit card debt continues to climb, now sitting at 13.1 percent, the highest rate since 2011. Additionally, Americans hold 5.5 percent more credit card debt in aggregate than they did one year ago. Similarly, delinquencies on auto loans increased to 5.6 percent, the highest rate on record for this series. More households are using home equity lines of credit (HELOC), with outstanding debt up 10.9 percent year-over-year. The mortgage delinquency rate remains at a healthy level, but is creeping up steadily. Student loan delinquencies returned to pre-pandemic levels in 2025 due to the end of a nearly four-year pause on payments that was initiated at the beginning of the pandemic. In total, 3.4 percent of household debt was delinquent by 90 days or more in the fourth quarter.

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



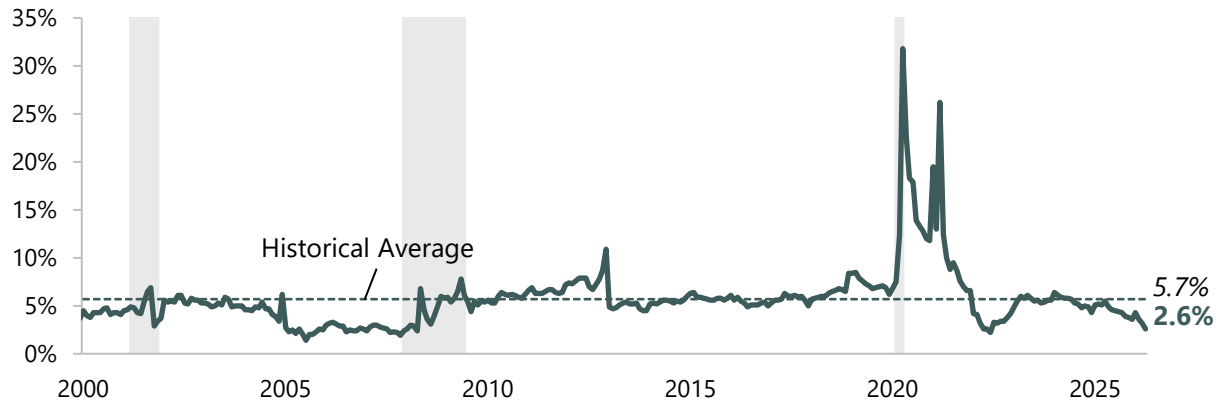
Source: New York Fed Consumer Credit Panel/Equifax. Data are through 2026Q1. Serious delinquency rates are the percentage of total debt that is delinquent by 90 days or more.

Higher delinquency rates will result in lower credit scores, particularly for younger borrowers defaulting on student loans, which will result in higher interest rates and less access to credit. Additionally, the current data may be understating the amount of household debt in the economy due to buy now, pay later (BNPL) loans not being included in all credit reports. According to a [report by the Federal Reserve](#), BNPL usage has increased by over 30 percent per year in recent years, but remains a relatively small share of total borrowing.

The personal saving rate continues to fall. The personal saving rate measures the percentage of individuals' disposable income that is saved rather than spent. As of April 2026, the personal saving rate stands at 2.6 percent, down from 5.5 percent in April 2025, and below the historical average of 5.7 percent. A declining saving rate signals that a weak labor market continues to impact household purchasing power, causing households to spend a higher percentage of their incomes. This is another sign that household finances are strained, which may have a negative

impact on consumer spending moving forward, particularly for those with lower-incomes and less disposable income.

Figure 23
U.S. Personal Saving Rate
Percent



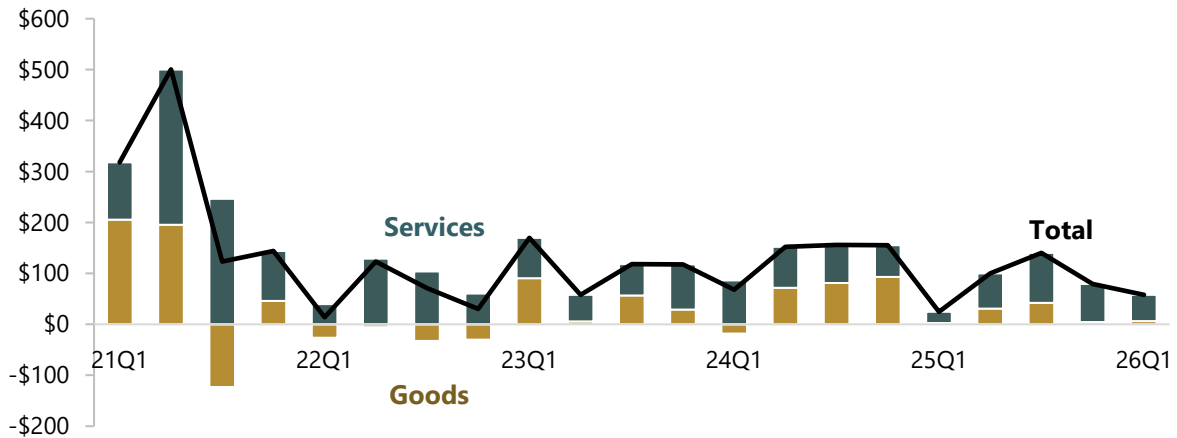
Source: U.S. Bureau of Economic Analysis.

Consumer Activity

Consumer spending continues to advance in the face of lackluster employment growth, rising inflation and credit card delinquency rates, and historically low consumer sentiment. However, consumer spending in Colorado is underperforming the nation. While inflated energy prices and slow wage growth will weigh on consumer spending in the current year, activity in the state is expected to accelerate in 2027 and 2028 as employment growth improves, incomes rise, and inflationary pressures and monetary policy ease.

Nationwide, spending on services supports overall personal consumption expenditures. In the first quarter of 2026, quarter-over-quarter personal consumption expenditures grew at a slower 1.4 percent pace compared with prior quarters. Growth in spending on goods inched up for the second consecutive quarter, with nearly 90 percent of growth attributable to spending on services (Figure 24). While federal tax relief from the One Big Beautiful Bill Act (OBBBA) in the first quarter of 2026 may contribute to short-term boosts in spending, the share of consumer spending on health care services has steadily increased over time, signaling the effects of an aging population and rising prevalence of chronic disease, rather than cyclical consumer spending. As such, real consumer spending is expected to continue to grow at a slow-to-moderate pace through the forecast period as increased spending on health care and other services offsets slower consumer spending elsewhere.

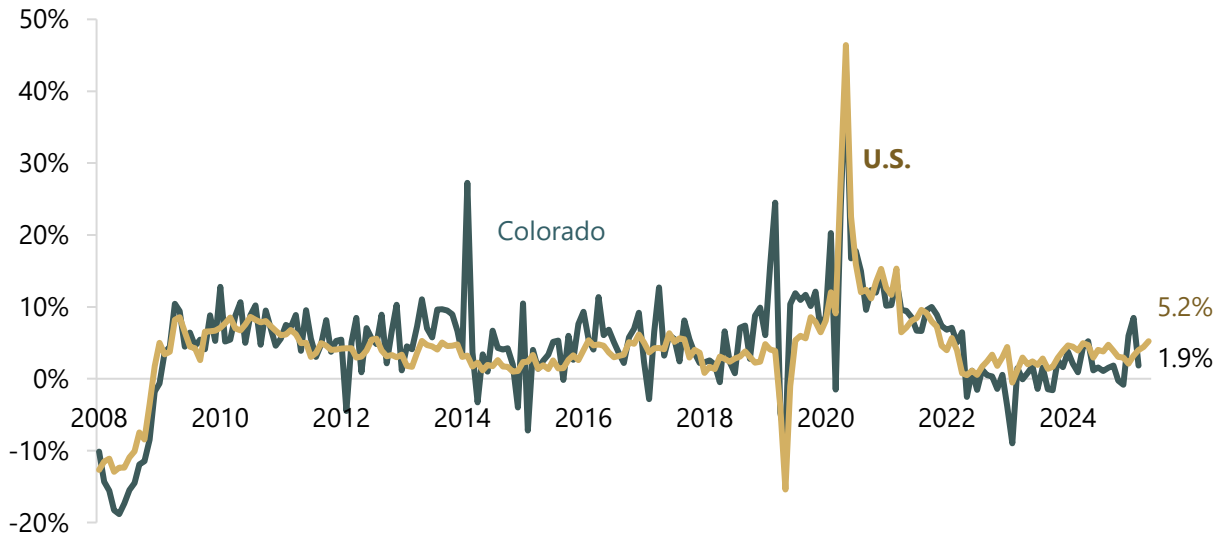
Figure 24
Quarterly Change in U.S. Personal Consumption Expenditures
 2017 Dollars in Billions



Source: Bureau of Economic Analysis. Data is seasonally adjusted in billions of chained (2017) dollars.

National retail sales continue to outpace those in Colorado, growing 3.8 percent versus 2.1 percent in the state in 2025, with that trend continuing into 2026. In 2025, the state’s slower pace of consumer spending growth aligns with the state’s employment contraction and suppressed tourist activity, a significant economic contributor in the state.

Figure 25
Nominal Sales in the Retail Trade Sector
 Year-over-year Percent Change



Source: U.S. data from U.S. Census Bureau, seasonally adjusted through April 2026. Colorado data from Colorado Department of Revenue through February 2026.

Colorado consumer spending is expected to accelerate through the forecast period.

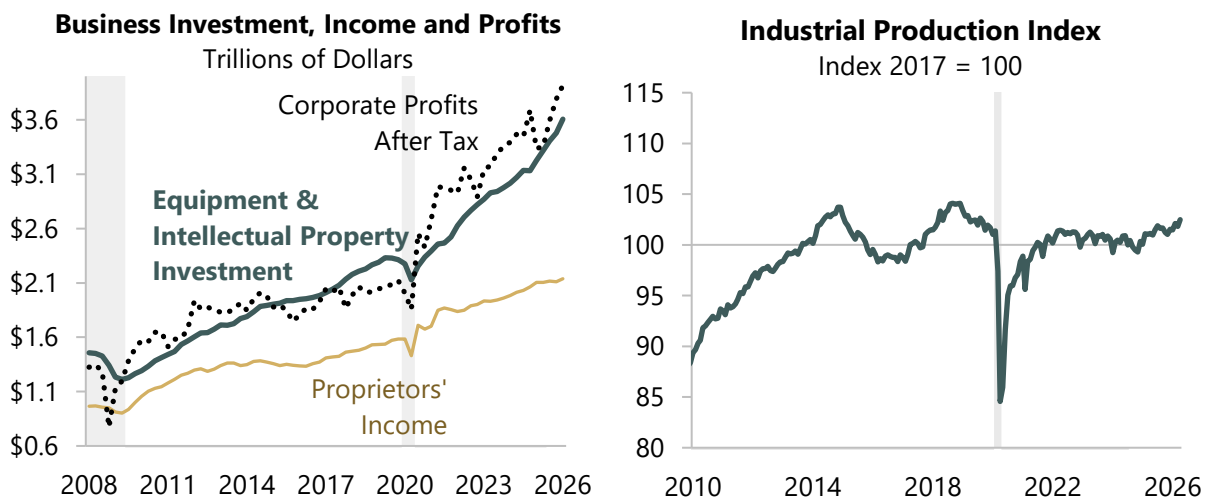
Colorado retail sales are expected to accelerate to a slightly faster 2.8 percent pace in 2026, as federal tax relief contributes to short-term spending boosts and rising inflation increases the amount consumers pay for gas and electricity. Still, this is below historical average growth and indicative of real declines once accounting for inflation, as a weak labor market and slow wage growth weigh on disposable income and heightened energy prices diminish purchasing power, particularly for those at the lowest income levels. Labor market, wage, and inflation conditions are expected to improve through the latter part of the forecast period as interest rates and inflation decline, contributing to more robust consumer spending in the state in 2027 and 2028.

- In 2026, Colorado retail sales are projected to increase 2.8 percent. Retail sales are projected to outpace inflation and grow by 3.0 percent in 2027 and another 3.9 percent in 2028.

Business Activity

Despite several headwinds, U.S. business indicators remain strong. U.S. equity markets are reaching new highs as corporations post strong earnings and volatility eases. Businesses are investing heavily in AI-related equipment and intellectual property to increase profits and reduce costs. Manufacturing, which has struggled with high borrowing costs and tariffs, is stabilizing but remains sluggish. Although a shrinking labor force, trade uncertainty, and geopolitical risks may affect investment decisions, reduced taxes, strong corporate balance sheets, and productivity gains from AI are expected to support business activity.

Figure 26
Selected U.S. Indicators of Business Activity



Sources: U.S. Bureau of Economic Analysis data (left), not adjusted for inflation, through the first quarter of 2026. Federal Reserve Board of Governors data (right) through April 2026.

Corporate profits remain near record highs. U.S. corporate after-tax profits reached \$3.5 trillion in 2025, a 0.6 percent increase from the previous year (Figure XX, left). Since early 2022, profits have grown despite higher inflation and interest rates, driven by strong consumer spending, automation, lower operating costs, and effective tax rates. In the first quarter of this year, corporations reported a 13.9 percent annualized gain from the fourth quarter of 2025, with

an annual average just under \$3.9 trillion, setting a quarterly record. Profits are expected to continue rising during the forecast period, though slower consumer spending may present challenges.

Investment in AI-related equipment and intellectual property continues to increase rapidly. Since mid-2020, investment in equipment and intellectual property has significantly increased, with a notable surge driven by rising demand for AI-related assets. In 2025, capital investment in equipment and intellectual property grew at an annual rate of 8.7 percent, approaching \$3.4 billion. This expansion is primarily attributed to AI integration and the growth of data centers. Major corporations have allocated substantial resources to computing capacity through investments in data centers, servers, network equipment, and supporting systems for electricity and cooling. Furthermore, AI-related expenditures have stimulated economic activity across multiple sectors. The construction and development of data centers necessitate real estate acquisition, infrastructure development, and demand for skilled labor. According to [the Data Center Power Map published by Electric Choice](#), there are more than 4,500 active data centers, and more than 700 currently under construction across 38 states. This segment of business investment is projected to continue expanding as companies increase demand for AI-related infrastructure, including data centers, processing chips, and software architecture. However, a potential market correction remains a downside risk to this outlook.

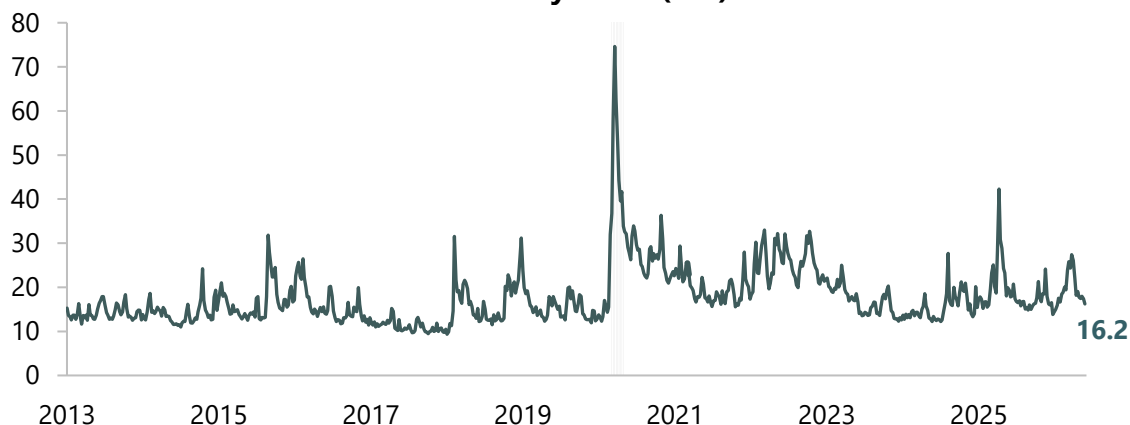
Manufacturing remains sluggish, but growing. The industrial production index tracks real output from manufacturing, mining, and utilities, using 2017 as the base year. These sectors are sensitive to interest rates and global economic trends. Since late 2024, the index has risen steadily, supported by lower interest rates that have reduced borrowing costs and improved cash flow (Figure XX, right). In April 2026, the index increased 1.4 percent year-over-year, indicating modest growth. Motor vehicle manufacturing and utilities were the main contributors. Although the monetary policy outlook is uncertain, possible rate reductions would likely support more manufacturing investment in equipment and technology. However, the spike in energy prices and tariffs on goods such as aluminum and steel may continue to keep input costs elevated.

Equity markets remain near all-time highs in spite of notable headwinds. Despite concerns about the war in Iran, rising oil prices, tariffs, inflation, and potential overinvestment in AI, major equity markets have remained strong. In early June 2026, the S&P 500 surpassed 7,600 and the Dow Jones Industrial Average exceeded 51,000, both setting new records.

The CBOE Volatility Index (VIX) measures expected volatility in the U.S. stock market over the next 30 days. A reading below 15 indicates low volatility and optimism, 15 to 25 suggests moderate volatility, and above 25 signals increased volatility and potential turbulence. During the pandemic peak, the VIX approached 75. Since mid-2020, it has averaged 20.1.

Following the strike on Iran, the VIX rose to 35.3 on March 9, 2026, as West Texas Intermediate oil prices spiked to an intraday high of \$120 per barrel (Figure 27). Since early April, the VIX has steadily declined, reaching 16.2 on May 29. Strong earnings have supported the equity market recently, but volatility is expected to persist amid uncertainty over AI-related valuations and ongoing war-related disruptions.

Figure 27
CBOE Volatility Index (VIX)



Source: Chicago Board Options Exchange. Data through May 29, 2026.

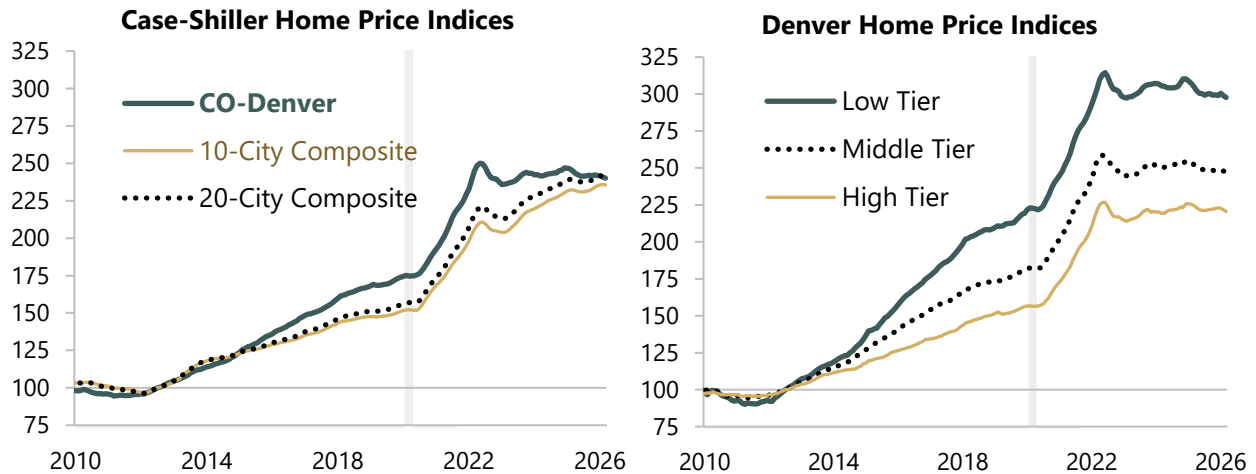
Real Estate and Construction Activity

National housing market remains sluggish. The national housing market is set for ongoing moderation as home price growth continues to decelerate, home sales remain sluggish, and economic conditions create near-term headwinds. According to the Case-Shiller 20-city composite index, prices in the nation's largest cities were up just 0.8 percent year-over-year in March 2026, decelerating from 4.8 percent year-over-year growth in January 2025.

National sales of existing homes as tracked by the National Association of Realtors (NAR) remain below pandemic-era highs recorded in late 2020. Since 2024, the seasonally adjusted annual rate of sales has ranged between 3.9 million and 4.3 million, down from 6.5 million in the fourth quarter of 2020. In April 2026, year-over-year annualized sales were flat at about 4.0 million. Home affordability has improved over the past year, due in part to easing interest rates and slower price growth. The average 30-year fixed rate mortgage in the United States averaged about 6.3 percent in April 2026, down from about 6.7 percent in April 2025. However, since declining significantly in 2022 at the market peak, inventory levels continue to climb and houses remain on the market for longer. With slow job growth, a slower pace of income growth, uncertain interest rate trajectory, and slower international migration, the market is expected to record limited growth during the forecast period.

Home prices continue to fall in Denver and across Colorado. From 2012 to 2022, prices in the Denver area rose significantly more than in other large cities across the nation. However, prices in Denver remain below their mid-2022 peak values, 4 percent below the peak level as of March 2026. Prices in Denver are falling, and were down 1.9 percent year-over-year in March, marking the tenth-consecutive monthly decline. Relative to other metro areas, the Denver area now has the nation's 23rd highest median home price as tracked by the National Association of Realtors. According to the Colorado Association of Realtors, the median single-family home price statewide was down 1.7 percent year-to-date through April 2026, and was down 1.2 percent for condos. Average prices were down further, falling 5.1 percent and 3.8 percent year-to-date for single-family homes and condos, respectively.

Figure 28
Selected Home Price Indicators
 Index 100 = July 2012



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

Home sales in Colorado remain low through the first four months of the year, and have displayed mixed signals. In April 2026, single-family home sales improved modestly, rising 1 percent year-to-date. However, condo sales were down 8 percent, and have declined consistently over the past few years. Affordability remains a challenge in the state, and housing inventory has climbed for the past four years. However, in April, inventory fell 6.0 percent year-over-year for single-family homes, and was down 4.2 percent for condos, the first year-over-year decline since December 2023.

Market conditions lead to less single-family homebuilding. In 2025, housing permits for new units in the U.S. struggled for the third-consecutive year since the interest rate hikes that began in 2022. In 2025, permits were down 1.1 percent, with a 7.3 percent decrease in single family units that was mostly offset by a 16.9 percent increase in multifamily. Through March 2026, single-family permits remain down, decreasing 5.7 percent year-to-date. Multifamily permits continue to surge, increasing 19.7 percent year-to-date and offsetting declines in single-family building. Overall, permits have started the year up 1.3 percent through March. Homebuilder sentiment for single family remains low according to data from the National Association of Home Builders (NAHB). For 25 consecutive months through May 2026, the survey has indicated that the majority of builders are not confident in the current and near-term outlook. Homebuilders continue to offer price reductions and sales incentives at higher levels to boost purchases. According to a separate survey from the NAHB, top concerns for builders in 2026 are interest rates, buyers holding out for lower prices, economic and employment concerns, and the cost and availability of developed lots.

Like the nation, there is contrasting performance for single family and multifamily construction in Colorado. Residential construction in Colorado grew 4.1 percent in 2025 as multifamily permits offset fewer single-family permits. The trend has continued through the first quarter of 2026, with permits up 10.4 percent overall. Through March, single-family permits were down 4.7 percent while multifamily permits jumped 34.9 percent year-to-date. The surge in multifamily

permits portends continued rising vacancy and downward pressure on rents over the next year or two. Apartment surveys in the state continue to report weak market conditions. Vacancy in Metro Denver remains near recent highs despite slight improvement in the first quarter of 2026. Additionally, landlords continue to offer significant concessions and rents have fallen to levels last recorded in 2022. The Colorado Housing and Finance Authority's latest apartment survey records similar trends in other areas of the state. According to the survey, median rent in tracked markets outside of Metro Denver fell 3.5 percent year-over-year in the fourth quarter of 2025. Estimates from Colorado's State Demography Office indicate that annual building permits have outpaced new household formation for several years. Combined with an uncertain policy environment, weak market fundamentals will weigh on new construction.

- The number of residential construction permits issued in Colorado are expected to increase 0.8 percent in 2026. Permit issuances are expected to decline by 1.5 percent in 2027 and 1.8 percent in 2028.

Nonresidential construction slows in the U.S., and starts the year down in Colorado.

Nonresidential construction activity continues to slow nationwide. As tracked by the U.S. Census Bureau, the seasonally-adjusted annual rate of spending peaked in late 2023. In March 2026, nonresidential spending was up just 0.2 percent year-over-year. Over-the-year, most types of projects improved, including lodging, office, healthcare, transportation, and the power sector. The office category in particular has been boosted by data center construction, despite tepid construction in traditional office buildings. However, growth in these categories was largely offset by a steep contraction in manufacturing that was down 17 percent year-over-year.

Following the steep contraction in 2024, nonresidential construction in Colorado was boosted in 2025 by the start of a \$280 million manufacturing project in Adams County and a \$550 million hotel project in San Miguel County. Beside these projects, commercial buildings and offices had improved to the highest level of spending since 2022, largely due to data centers rather than traditional office buildings where markets remain challenged. In April 2026, the value of nonresidential construction began the year down 14.1 percent year-to-date. Similar to the nation, construction contracted due to a steep drop in new manufacturing projects. Further, construction of retail buildings like stores and restaurants have also started the year down. After a strong year in the electric power sector, no new projects have been recorded so far in 2026. Starts for highway and street projects are also down to start the year.

- The value of nonresidential construction starts in Colorado is expected to decrease by 12.7 percent in 2026 before recovering somewhat beginning in 2027. In 2027, the value of starts is forecast to increase by 3.4 percent, then grow 1.9 percent in 2028.

Energy Markets

Oil prices spike following the war in Iran. Crude oil prices fell consistently after the post-pandemic surge from a monthly high of about \$115 per barrel for West Texas Intermediate (WTI), to a low of about \$58 per barrel in December 2025. Following the start of the war in Iran in March, prices jumped to over \$100 per barrel in April. With the ongoing conflict, prices are on track to average about \$105 per barrel in May. Since the March 2026 forecast, the WTI crude oil price outlook has been revised up from \$64.11 in 2026 to \$84.98, and has been revised higher through the forecast period.

The conflict has lasted longer than anticipated in the March 2026 forecast, where supply pressures were expected to begin easing by early summer. The Strait of Hormuz has been effectively closed since the start of the war, and is the primary route of transit for about one-fifth of the world's oil. Oil shipped through the strait largely serves European and Asian markets that have been more acutely impacted by closure. The duration of the conflict has caused reductions in strategic petroleum reserves around the world. As the disruption to the world's oil supply lengthens, it is expected to compound the length of time before prices recede. The drawdown of strategic reserves and inventories will be followed by a gradual rebuild. Further, if wells are taken offline, it will take time to bring them back to production. The Energy Information Administration (EIA) currently anticipates global oil inventories will begin to rebuild in early 2027. The EIA anticipates pre-conflict production and trade patterns will not resume until late 2026 or early 2027. However, the agency also notes the rise in price volatility since the conflict began.

As elevated prices persist, price increases due to supply disruptions in the Middle East are expected to be mitigated in the forecast period by increased production in the Americas and by reduced demand. While shale producers in the United States are not expected to respond to short-term price disruptions, price expectations are increasing as the conflict endures and may begin to incentivize increased drilling and production. Also influencing producers' decisions will be increasing demand for U.S. oil and petroleum product exports. On the demand side, the EIA anticipates demand reductions through 2026 in response to high prices, with reductions in global demand primarily from Asia.

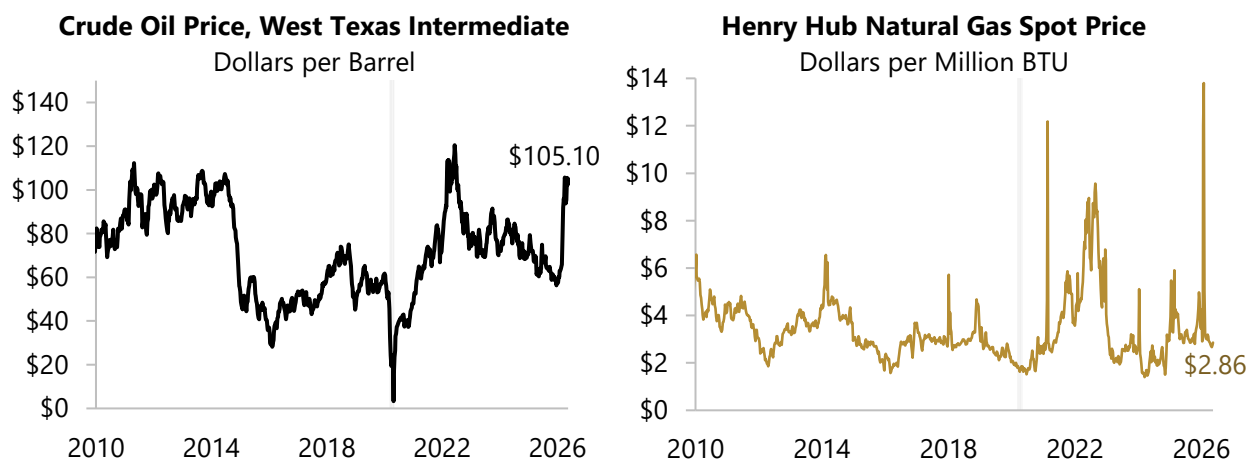
- The price of West Texas Intermediate crude oil is expected to increase in 2026, with the price per barrel averaging \$84.98 in 2026, \$72.01 in 2027, and \$68.16 in 2028.

Natural gas price expectations revised down. After a spike in January, natural gas prices have fallen back to levels not posted since December 2024. In April, the average monthly Henry Hub spot price fell to \$2.81 per million BTU, from a high of \$7.20 in January. Since the March 2026 forecast, price expectations have been revised down through the forecast period.

In March, the forecast anticipated the large withdrawal of inventory in January and overall low storage would put upward pressure on prices. However, as noted by the EIA, better weather through the winter allowed storage to increase back above average levels by March. Additionally, the EIA anticipates current pipeline constraints for natural gas produced in the Permian shale oil region will loosen and boost production of oil associated natural gas. The war in Iran and associated higher crude oil prices also has the potential to encourage more natural gas production if it boosts shale oil production during the forecast period.

- In 2026, the Henry Hub spot price is expected to average \$3.94 per million BTU. The price will fall to \$3.71 in 2027 and then rise to \$3.95 in 2028.

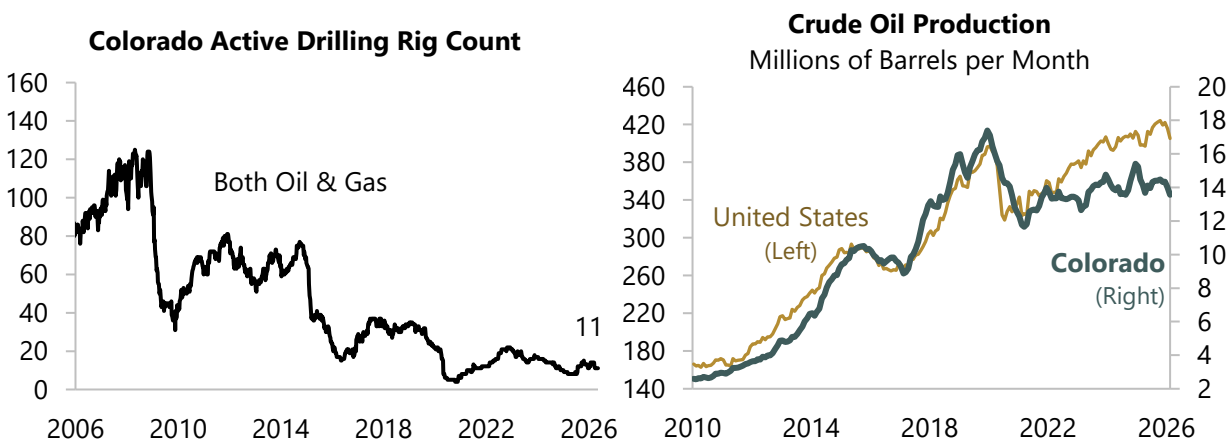
Figure 29
Select Energy Price Indicators



Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted and are through the week of May 22, 2026.

Colorado’s oil production to remain stable through the forecast period. Colorado’s crude oil production remains below pre-pandemic levels, growing by only about 7 percent between 2022 and 2025, compared with about 13 percent nationwide (Figure 30, right). The outlook for Colorado’s production was revised up through the forecast period compared with the March 2026 forecast based on a revised price outlook due to the war in Iran. In 2026, production is still expected to decrease, but to only decline by an estimated 3.6 percent. In contrast, U.S. crude oil production is forecast by the EIA to increase slightly.

Figure 30
Select Energy Production Indicators



Sources: Baker Hughes data (left) through May 2026. U.S. Energy Information data (right) shown as a three-month moving average, not seasonally adjusted, through February 2026.

The forecast anticipates producers will maintain production near current levels. Higher prices will increase profitability for producers. Based on the Federal Reserve Bank of Kansas City’s first quarter energy survey, production expectations in response to prices are mixed with some producers expecting increases and others waiting. Overall, future drilling expectations increased

according to the survey, but price expectations remained below levels that would support substantial increases. Firms reported that oil prices in the tenth district, which includes Colorado, needed to be \$63 on average for drilling to be profitable and around \$79 per barrel for a substantial increase. While prices are currently above these levels, producers have not immediately responded, and this forecast anticipates they would do so only if the consensus outlook is for higher 2027 and 2028 oil prices than currently expected.

Colorado natural gas production has lagged the U.S. for several years. From 2020 to 2025, Colorado natural gas production declined by about 6.5 percent, compared with about a 17 percent increase for the nation as a whole. This is partly due to an increase in natural gas production across the U.S. from oil wells (approximately 10 percent), while oil well production in Colorado has significantly diminished. Expectations for Colorado's natural gas production were revised down through the forecast period based on a lower forecast for prices. According to survey data from the Federal Reserve Bank of Kansas City, natural gas prices in the tenth district have remained below the average profitability for new wells for several years. In the fourth quarter, firms indicated a spot price of \$3.74 per million BTU for drilling profitable new wells. Prices are forecast to be below this level until late 2027. In 2026, natural gas production in Colorado is expected to increase just 0.2 percent, before decreasing 0.8 percent in 2027 and 0.7 percent in 2028.

Colorado's retail gasoline prices are expected to average \$3.83 in 2026. Colorado's retail gasoline prices averaged about \$3.02 per gallon in 2025, lower than the \$3.21 average in 2024, and lower than the U.S. average of \$3.23. After the spike in oil prices beginning in March, prices in May 2026 rose to \$4.59 per gallon, were up about 45 percent year-over-year, and were near U.S. price levels despite trending below U.S. prices historically. Near-term retail gasoline prices are expected to remain high, but will ease as oil supply disruptions resolve. Like the oil price forecast, there is upside risk to gas prices if the conflict continues longer than anticipated. In 2027, U.S. retail gasoline prices are expected average about \$3.76 per gallon with lower oil prices, and average about \$3.69 per gallon in Colorado.

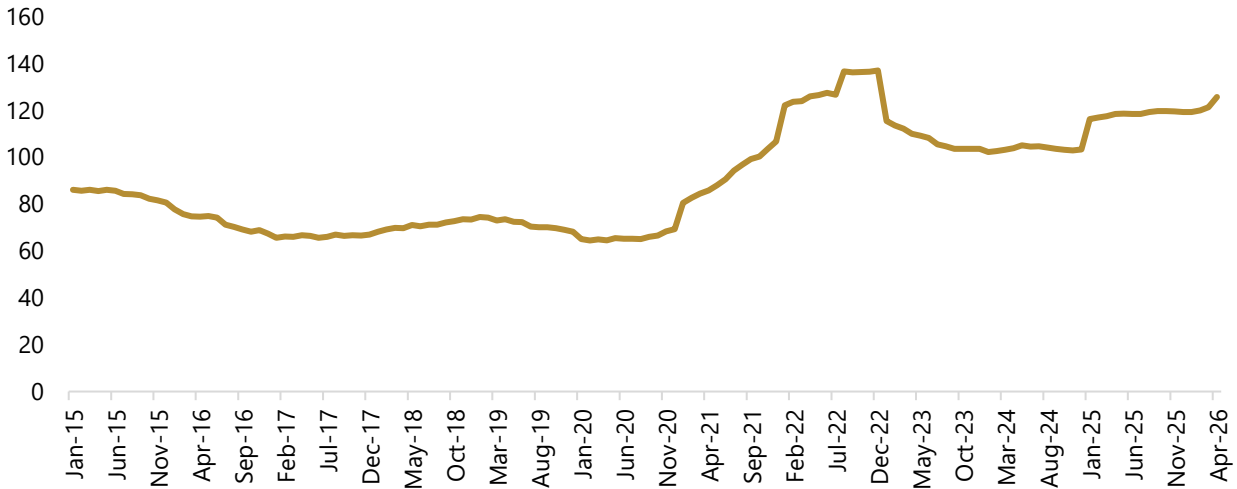
Agriculture

National and state net farm income are expected to modestly decrease in 2026 as drought limits the water supply and plagues pasture and topsoil conditions, while inflated energy prices and threats to the global fertilizer supply increase input costs. Lower production may increase prices received for crops and livestock in the short-run, partially offsetting falling incomes from drought-induced damages and yield declines. The drought conditions are now expected to delay the start of a new cattle cycle, further lending to lower beef production and higher beef prices through 2027.

Fertilizer prices tick up in the face of global conflict. Farmers will face higher input costs in the near-term as the War in Iran strains global energy and fertilizer supplies. According to the International Fertilizer Association, economies upstream of the Strait of Hormuz account for 23 percent to 49 percent of each ammonia, urea, and sulfur global trade values—key raw materials for fertilizer. After higher U.S. tariffs added additional costs to fertilizer for farmers and China restricted fertilizer exports, prices paid for fertilizer increased 15.4 percent year-over-year in 2025 (Figure 31) Fertilizer prices have continued to climb in 2026, up an additional 6.2 percent

year-over-year in April 2026. Prices paid for fertilizer are expected to remain elevated while trade through the Strait of Hormuz is limited, weighing down net farm incomes in 2026 and potentially longer depending on the extent of the war.

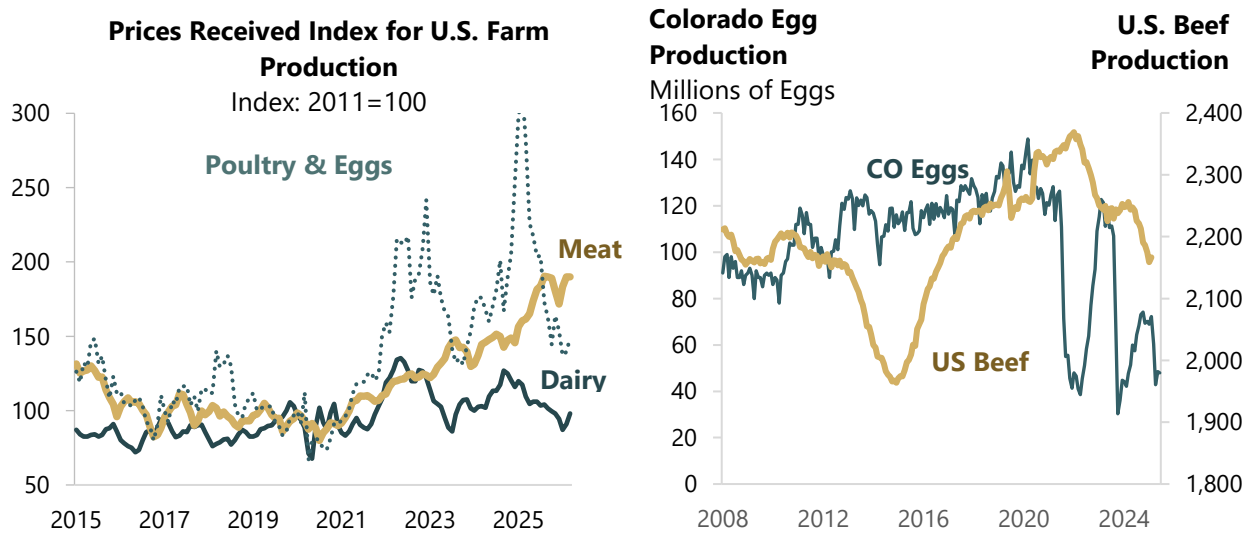
Figure 31
U.S. Prices Paid for Fertilizer
Index: 2011 = 100



Source: USDA National Agricultural Statistics Services. Data through April 2026.

Colorado egg production plummeted following an avian flu outbreak in Weld County in early 2026. Egg production should recover through the year barring another outbreak, and prices received will likely fall slightly through the year.

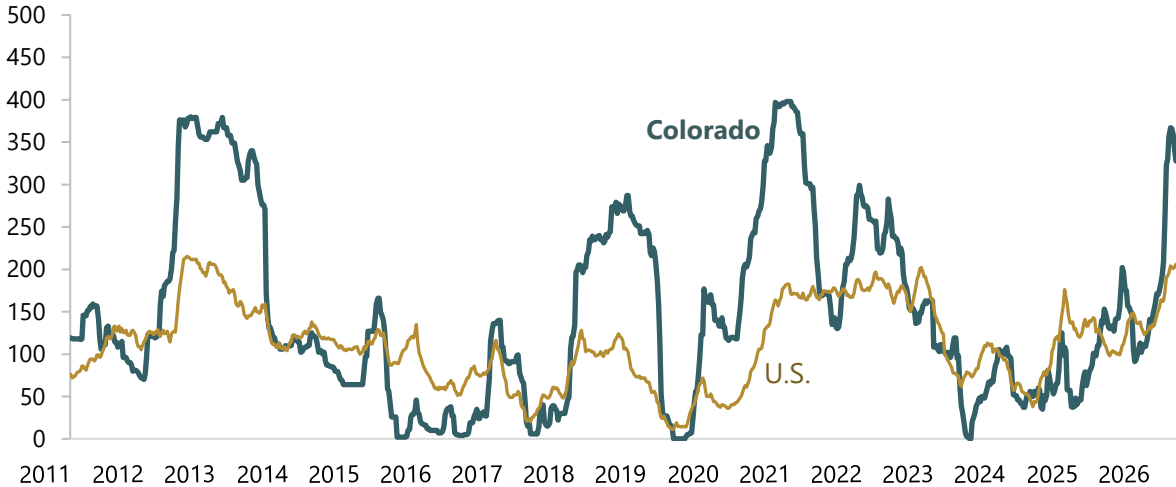
Figure 32
U.S. and Colorado Livestock Indicators



Source: USDA National Agricultural Statistics Services. Prices received data (left) through March 2026. Beef production data (right) through December 2025; Colorado egg production data (right) through April 2026. U.S. beef production data seasonalized using a 12-month rolling average.

Following a winter with record low snowpack, drought plagues the state and is expected to persist through the growing season, with only minor improvements. Comparable to levels seen in 2013 and 2021, statewide drought conditions range from abnormally dry to exceptional drought, with nearly 80 percent of the state in the three most extreme drought categories.

Figure 33
Drought Severity and Coverage Index
 Index 0-500



Source: United States Drought Monitor. Data through May 19, 2026. Zero indicates none of the area is abnormally dry or in drought and 500 indicates all of the area is in exceptional drought.

Drought conditions will likely lead to less crop production as farmers reduce planting and crop conditions correspondingly worsen. In addition, less hay production as a result of the drought may contribute to earlier herd liquidation in 2026 and further delayed increases in cattle herd sizes, which were otherwise primed to begin a cyclical rebound on high beef prices paired with low feed prices. While the U.S. climate prediction center expects drought conditions to improve slightly through the 2026 growing season, wildfires, insect infestation, dust storms, and topsoil removal remain significant downside risks for agricultural producers in 2026.

Risks to the Forecast

The current economy faces high uncertainty, reflecting significant upside and downside risks. This section discusses risks that could cause economic and revenue performance to deviate from the expectations presented in this document.

Resilient consumers, tariff reductions, and AI-related investment and productivity gains headline upside risks. Consumers spent at a moderate pace in 2025 despite headwinds from price increases, weakening household finances, and a softening labor market. If consumers remain resilient despite low confidence, spending could increase by more than expected, increasing contributions to GDP growth and encouraging more business investment. Along these lines, if federal tax policy changes related to the OBBBA boost consumption more than expected, it will drive more economic activity in the forecast period.

The forecast anticipates that tariffs will remain near record highs as the Trump administration replaces the overruled tariffs with others under different presidential authorities. However, if

effective tariff rates drop lower than anticipated in the forecast, it could boost profits and investment, and boost real disposable incomes and consumer spending. For instance, there is a chance new permanent tariffs are not levied after the current 15 percent across-the-board rate expires in July, contrary to what is expected in the forecast.

AI investment continues to boost economic output through heightened investment in data centers, AI-related technology and equipment, and intellectual property. AI is also driving growth in stock markets and is producing productivity gains. Although AI may also be causing current labor market disruptions as businesses reprioritize and shift strategies, it is currently one of the economies strengths. Unanticipated boosts to productivity, hiring, or investment present an upside risk to the forecast.

Ongoing Iran conflict and subsequent inflationary pressure, weakening household finances, and weak labor markets present downside risks. While most recent international conflicts have had little measurable impact on the U.S. or Colorado economy, the lengthening conflict in Iran is negatively impacting global oil supply and interrupting trade flows. War-related downside risks presented in the March forecast have been realized, and could escalate further. Risks will grow as the conflict persists, and currently include a more damaging inflationary spike and shock to households. Further, if the Federal Reserve is compelled to raise interest rates in response to inflation it will impact the already weak housing market and may stifle the business investment that is driving a significant portion of economic growth.

Household finances continue to deteriorate for segments of the population. Although homeowners continue to benefit from low levels of debt overall due to low-interest rates following the pandemic, many households face mounting credit card, auto loan, and student loan debt burdens. Weak labor markets, savings rates, and rising delinquency indicate the challenges to households and consumers. Unanticipated fallout to consumer spending or financial institutions from weakening household finances pose another downside risk to the forecast.

Lastly, labor markets are under pressure from changing immigration policies, the reduction in the federal workforce, and shifting business priorities related to AI. Labor market pressures are exacerbated by a coinciding decrease in demand. Although it may be a temporary symptom of broader economic weakness, significant decreases in labor force participation, especially among older workers approaching retirement, may pose an unaccounted risk in and of itself. These workers may be reluctant to pursue career shifts or renewed training or education, and could face heightened pressure on retirement finances and personal savings.

Table 21
National Economic Indicators

Calendar Years	2021	2022	2023	2024	2025	Legislative Council Staff Forecast		
						2026f	2027f	2028f
Real GDP (Billions, 2017 dollars)	\$21,532.4	\$22,075.9	\$22,723.7	\$23,358.4	\$23,850.4	\$24,399.0	\$24,813.7	\$25,334.8
Percent Change in Real GDP	6.2%	2.5%	2.9%	2.8%	2.1%	2.3%	1.7%	2.1%
Nonfarm Employment (Millions)	146.3	152.5	155.9	157.7	158.4	158.8	159.4	160.3
Percent Change in Nonfarm Employment	2.9%	4.3%	2.2%	1.2%	0.5%	0.2%	0.4%	0.6%
Unemployment Rate	5.3%	3.6%	3.6%	4.0%	4.3%	4.4%	4.6%	4.5%
Personal Income (Billions)	\$21,498.9	\$22,153.8	\$23,585.0	\$24,905.9	\$26,099.9	\$27,222.2	\$28,474.4	\$29,670.3
Percent Change in Personal Income	9.5%	3.0%	6.5%	5.6%	4.8%	4.3%	4.6%	4.2%
Wage and Salary Income (Billions)	\$10,315.0	\$11,122.8	\$11,732.4	\$12,387.9	\$12,958.7	\$13,528.9	\$14,043.0	\$14,506.4
Percent Change in Wage and Salary Income	9.0%	7.8%	5.5%	5.6%	4.6%	4.4%	3.8%	3.3%
Inflation	4.7%	8.0%	4.1%	2.9%	2.6%	3.2%	2.9%	2.2%

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 22
Colorado Economic Indicators

Calendar Years	2021	2022	2023	2024	2025	Legislative Council Staff Forecast		
						2026f	2027f	2028f
Population (Thousands, as of July 1)	5,814.4	5,853.4	5,912.2	5,988.5	6,012.6	6,025.0	6,070.0	6,118.9
Percent Change in Population	0.5%	0.7%	1.0%	1.3%	0.4%	0.2%	0.7%	0.8%
Nonfarm Employment (Thousands)	2,750.9	2,869.7	2,937.4	2,969.6	2,962.1	2,965.1	2,979.6	2,999.3
Percent Change in Nonfarm Employment	3.7%	4.3%	2.4%	1.1%	-0.3%	0.1%	0.5%	0.7%
Unemployment Rate	5.5%	3.1%	3.3%	4.1%	4.0%	4.0%	4.1%	4.0%
Personal Income (Millions)	\$418,190	\$448,677	\$473,105	\$494,799	\$518,168	\$539,116	\$562,586	\$590,607
Percent Change in Personal Income	11.7%	7.3%	5.4%	4.6%	4.7%	4.0%	4.4%	5.0%
Wage and Salary Income (Millions)	\$205,550	\$225,417	\$238,971	\$250,130	\$261,578	\$273,133	\$285,755	\$299,703
Percent Change in Wage and Salary Income	9.5%	9.7%	6.0%	4.7%	4.6%	4.4%	4.6%	4.9%
Retail Trade Sales (Millions)	\$131,528	\$144,145	\$145,707	\$145,993	\$149,068	\$153,313	\$157,988	\$164,187
Percent Change in Retail Trade Sales	17.0%	9.6%	1.1%	0.2%	2.1%	2.8%	3.0%	3.9%
Housing Permits (Thousands)	56.5	48.3	39.4	32.2	33.8	34.0	33.5	32.9
Percent Change in Housing Permits	39.7%	-14.5%	-18.5%	-18.3%	4.9%	0.8%	-1.5%	-1.8%
Nonresidential Construction (Thousands)	\$5,681.0	\$6,610.9	\$6,553.4	\$4,935.8	\$6,880.7	\$6,005.4	\$6,211.2	\$6,331.7
Percent Change in Nonresidential Const.	1.3%	16.4%	-0.9%	-24.7%	39.4%	-12.7%	3.4%	1.9%
Denver-Aurora-Lakewood Inflation	3.5%	8.0%	5.2%	2.3%	2.3%	4.3%	3.0%	2.6%

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.

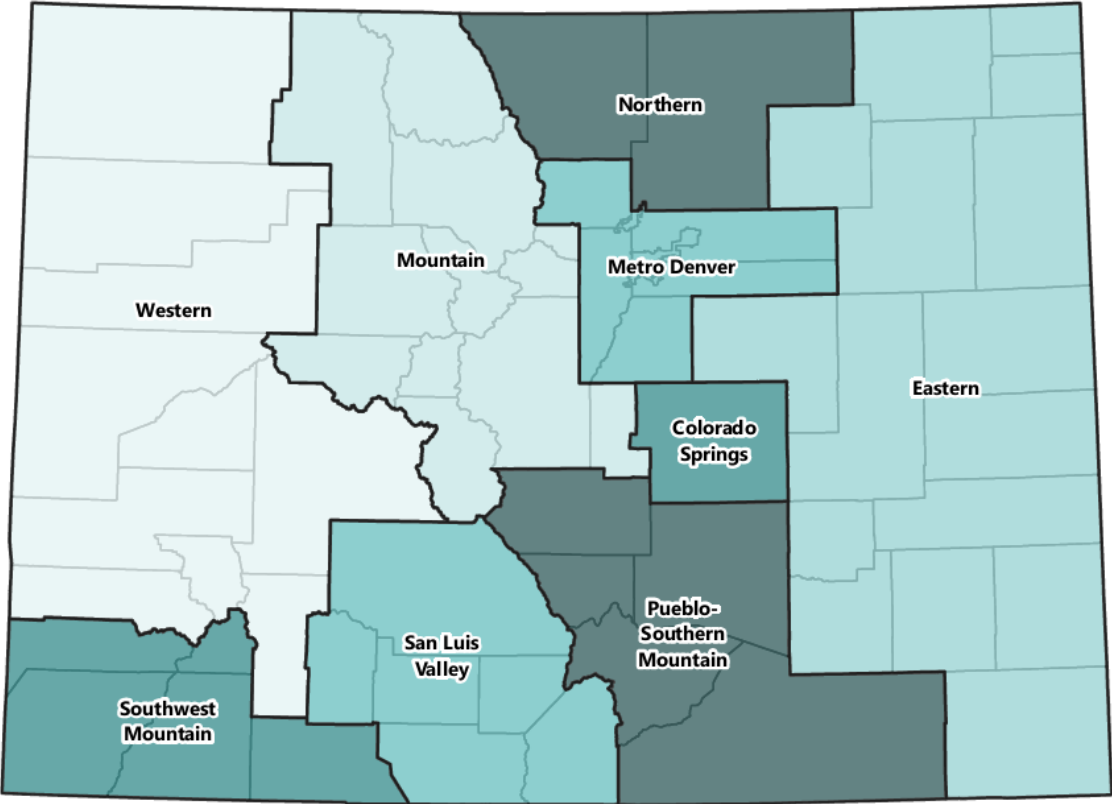
Employment and inflation data from U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index.

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



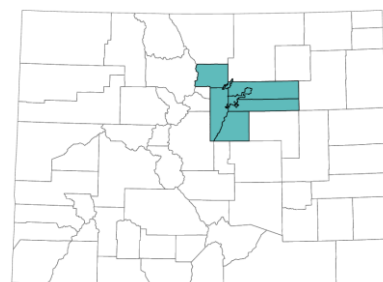
The following sections provide detailed regional profiles and outlooks for nine regions in Colorado.

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

The seven-county metro Denver region, comprising Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson counties, is the state's most populous area for residents and workers. In 2025, the region's population reached nearly 3.3 million, representing about 55 percent of Colorado's total. Since 2020, Douglas County has experienced the fastest growth, followed by Adams and Broomfield counties.



The region's economy is diverse, with major sectors including aerospace, education, financial services, government, health care, and professional and business services. Labor market indicators have slowed in recent years but remain stable. The housing market has also stabilized following significant growth in 2021 and 2022. Home prices have slightly decreased as inventory increased. However, housing affordability remains a challenge, prompting potential homeowners to seek options outside the region and slowing residential construction. While the number of nonresidential projects declined in 2025, those that began were generally larger and had higher values. Table 23 summarizes the region's economic indicators.

Table 23
Metro Denver Region Economic Indicators
 Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

Economic Indicators	2022	2023	2024	2025	YTD 2026
Employment Growth in Denver MSA	4.9%	2.1%	0.7%	0.1%	-0.3%
Employment Growth in Boulder MSA	4.2%	1.6%	-0.4%	-1.4%	-1.0%
Unemployment Rate	2.9%	3.2%	4.1%	4.0%	3.9%
Average Weekly Wage Level	\$1,604	\$1,654	\$1,729	\$1,811	NA
Growth in Average Weekly Wages	5.2%	3.1%	4.5%	3.6%	NA
Single Family Housing Permit Growth in Denver MSA	-22.3%	-10.2%	0.3%	-18.9%	-10.6%
Single Family Housing Permit Growth in Boulder MSA	42.7%	22.8%	-31.5%	-19.1%	-24.5%
Nonresidential Construction Value Growth	35.2%	-17.3%	-15.9%	29.0%	-26.1%
Nonresidential Construction Square Footage (thousands)	24,977	12,703	9,986	11,568	2,262
Nonresidential Construction Square Footage Growth	28.3%	-49.1%	-21.4%	15.8%	-34.9%
Number of Nonresidential Projects	553	597	688	571	197
Nonresidential Projects Growth	25.7%	8.0%	15.2%	-17.0%	23.1%
Average Single Family Sale Price	\$790,000	\$787,000	\$802,000	\$807,000	\$793,000
Average Single Family Sale Price Growth	10.8%	-0.4%	2.0%	0.6%	-1.4%
Single Family Inventory Growth	102.3%	13.6%	41.3%	30.7%	-2.1%
Single Family Home Sales Growth	-21.1%	-16.3%	8.2%	2.1%	1.1%
Retail Sales Growth	11.4%	-0.1%	1.7%	2.2%	0.9%

NA = Not available.

Employment data from U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2026.

Unemployment rate from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through March 2026.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q2. The 2025 value is the average of the available quarters. The 2025 growth rate shows the growth from the same quarters in 2024.

Residential construction data from U.S. Census. Growth in the number of residential building permits. Data through April 2026.

Nonresidential construction data from F.W. Dodge. Data through April 2026.

Housing market data from Colorado Association of Realtors. Data through April 2026.

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through February 2026.

Labor Market

The U.S. Bureau of Labor Statistics (BLS) identifies two metropolitan statistical areas (MSAs) in the metro Denver region: the Denver-Aurora-Lakewood MSA, which covers six of the seven counties in metro Denver as well as Clear Creek, Elbert, Gilpin, and Park counties, and the Boulder MSA. While labor markets in both areas have slowed in recent years, they remain stable.

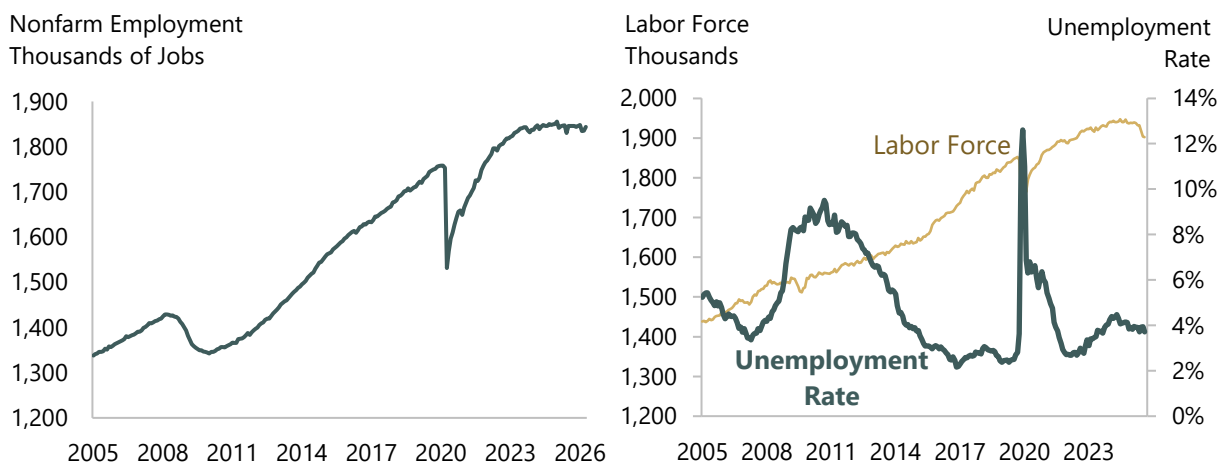
In 2025, the Denver MSA reported about 1.7 million employed people or about 55 percent of the state total. The professional and business services, education and health service, and government sector made up about half of the jobs in the MSA.

Year-over-year job growth in the Denver MSA has decelerated annually since 2022, reaching only 0.1 percent growth in 2025. During the first four months of 2025, employment growth declined by 0.3 percent compared to the same period in the previous year. Reduced population growth and increased out-migration have contributed to this slowdown. Furthermore, while the region experienced significant gains from corporate relocations and technology sector expansion in the early 2000s, these factors have recently resulted in fewer new hires.

Like the Denver MSA, employment growth in the Boulder MSA, which includes only Boulder County, has slowed, with job losses over the past two years. In 2025, employment declined by 1.4 percent following a 0.4 percent decrease in 2024. As of April 2026, employment is down 1.0 percent compared to the same period last year. Labor shortages and affordability challenges have contributed to this slowdown. The largest industries in the Boulder MSA are government and professional and business services.

The unemployment rate in the metro Denver region has remained stable over the past two years, averaging 3.9 percent through March 2026, which aligns with the statewide rate. However, the region's labor force has declined during this period, suggesting fewer people are entering or more are leaving the workforce (Figure 34, right).

Figure 34
Metro Denver Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics, CES (establishment survey, left). Seasonally adjusted. Data through April 2026. U.S. Bureau of Labor Statistics, LAUS (household survey, right). Seasonally adjusted. Data through March 2026. Includes Legislative Council Staff adjustments prior to 2010.

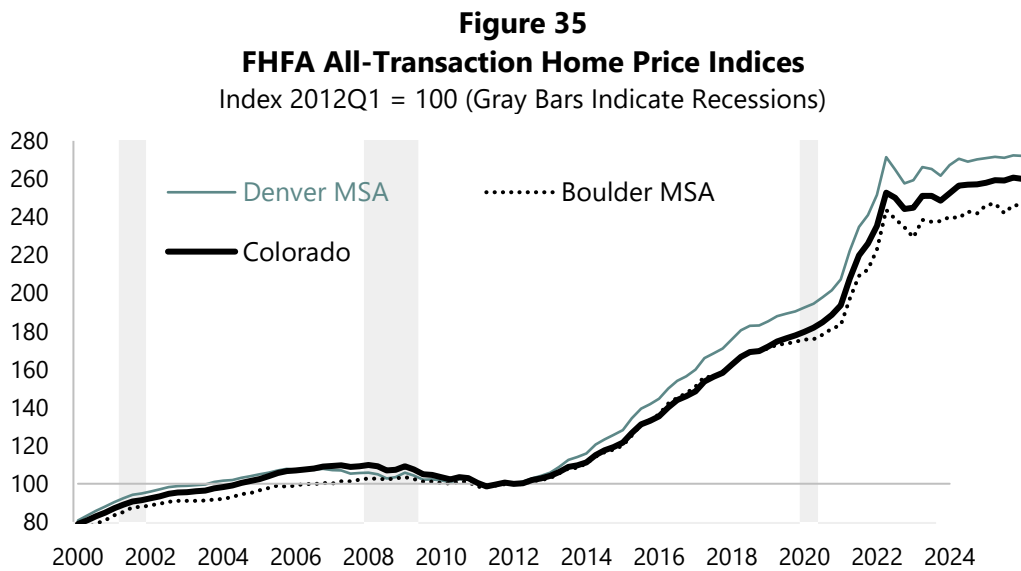
Wages

Despite slower hiring, wages in the metro Denver region continue to rise. In 2025, the average weekly wage for employees in the Denver region was \$1,811, a 3.6 percent increase from the previous year. This suggests that labor demand remains strong even as employment growth slows. The region continues to experience strong wage growth in the education and services sectors, while earnings for technology-related jobs have slowed.

Housing Market

Home prices in Denver and Boulder have stabilized after significant growth in 2021 and 2022 (Figure 35). Since the second quarter of 2025, home sale prices in the Denver MSA have remained steady. Elevated mortgage rates and increased inventory have contributed to this trend. The Boulder MSA saw a slight decrease in housing prices in the first quarter of 2026, down 0.1 percent from the same period last year. While higher mortgage rates have made home purchases more expensive and cooled the market, the Boulder MSA also faces strict land-use and housing constraints.

According to the Colorado Association of Realtors, the number of single-family homes sold in the metro Denver region has increased, though at lower prices. In April 2026, single-family sales rose 1.1 percent compared to the same month last year, while the average sale price declined 1.4 percent to \$793,000. This combination of lower prices and higher sales is due to a significant increase in available inventory. In 2025, single-family inventory rose by 30.7 percent, following a 41.3 percent increase in 2024.



Source: Federal Housing Finance Agency. Data are seasonally adjusted and through 2026Q1.

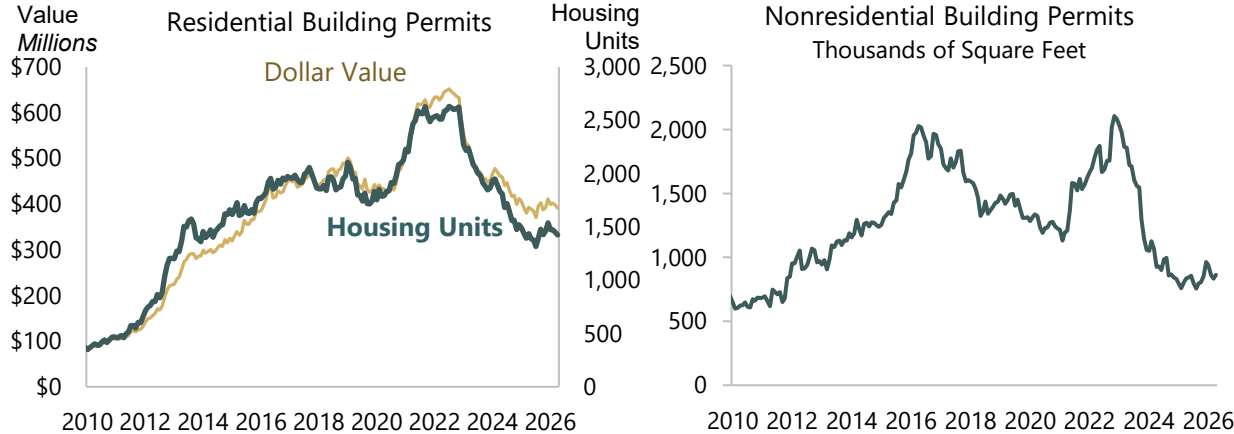
Residential Construction

Residential construction activity in the Denver and Boulder MSAs has slowed significantly compared to pre-2022 levels (Figure 36, left). In 2025, single-family permits in the Denver MSA declined by 18.9 percent after remaining flat the previous year. Through April 2026, total permits were down 10.6 percent year-to-date.

Similarly, new single-family permits in the Boulder MSA fell 19.1 percent in 2025, following a 31.5 percent decline in 2024. The increase in residential activity in 2022 and 2023 primarily reflects permits issued to rebuild homes lost in the Marshall Fire. The number of single-family permits is down almost 11.0 percent through April 2026 compared to the same period one year ago.

High mortgage rates and limited affordability continue to hinder new residential construction in both the Denver and Boulder MSAs. Homebuyers are moving to suburban and exurban areas that offer more affordable options. Douglas, Arapahoe, and Adams counties are experiencing the highest construction activity. Additionally, remote work is motivating many buyers to seek larger homes outside denser urban areas.

Figure 36
Metro Denver Region Construction Activity



Source: U.S. Census Bureau (left). Data shown as three-month moving averages. Data are not seasonally adjusted and are through April 2026. F.W. Dodge (right). Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through April 2026.

Nonresidential Construction

Nonresidential construction activity in the metro Denver region area has moderated; however, development continues across key sectors. In 2025, the number of nonresidential projects starts in metro Denver declined, although the projects initiated were of higher value. According to Dodge Construction, new nonresidential project starts in the metro Denver region decreased by 17.0 percent, while the total value of these projects increased by 29.0 percent compared to the previous year. Elevated vacancy rates, especially in downtown Denver, have reduced demand for new office space and slowed nonresidential construction. Developers have shifted focus toward larger projects such as hospitals, industrial buildings, and data centers. The Denver International Airport infrastructure expansion program has also contributed to the increased value of new nonresidential projects. In the near term, rising costs, labor and construction material shortages, and high interest rates are expected to continue to impede construction activity in certain sectors. Through April 2026, both the number and value of nonresidential projects declined compared to the same quarter in 2025; however, the average size of these new projects increased.

Retail Sales

Retail sales in the metro Denver region continue to grow, but remain weak following the post-pandemic surge. Retail sales in the region were up just 2.2 percent in 2025, slightly less than the pace of inflation. High borrowing costs have reduced spending, especially from lower- and middle-income households, on big ticket items such as furniture and appliances. Through the first two months of 2026, retail sales are relatively flat, increasing by 0.9 percent year-to-date.

Northern Region

Larimer and Weld counties comprise the Northern Region. Despite mixed performance across economic indicators in 2025, the economy continues to expand, with markers of labor market improvement in 2026. However, the housing market remains challenged after the post-pandemic surge, and the region's agricultural sector is facing a challenging year with drought, reduced cattle inventory, and high costs.

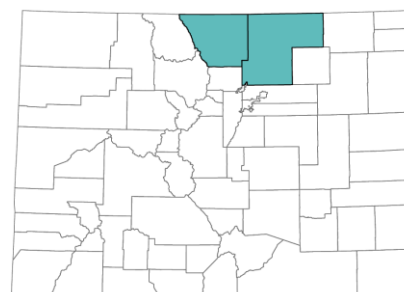


Table 24
Northern Region Economic Indicators
Weld and Larimer Counties

	2022	2023	2024	2025	YTD 2026
Employment Growth in Fort Collins MSA	4.1%	3.0%	0.9%	-2.0%	1.2%
Employment Growth in Greeley MSA	4.7%	4.3%	3.4%	2.8%	0.8%
Unemployment Rate	3.1%	3.3%	4.2%	4.1%	3.9%
Average Weekly Wage Level	\$1,219	\$1,284	\$1,317	\$1,386	NA
Average Weekly Wages Growth	6.2%	5.3%	2.6%	6.4%	NA
State Cattle and Calf Inventory Growth	-1.0%	-7.5%	-0.3%	-4.8%	-9.5%
Natural Gas Production Growth	-2.3%	0.8%	5.7%	3.3%	2.7%
Oil Production Growth	-0.1%	0.8%	2.7%	3.2%	-4.4%
Total Housing Permit Growth in Fort Collins MSA	-19.5%	7.7%	-29.3%	35.6%	-42.4%
Single Family Housing Permit Growth in Fort Collins MSA	-36.1%	-7.5%	6.5%	-26.3%	-14.8%
Total Housing Permit Growth in Greeley MSA	17.8%	-14.1%	-30.4%	2.3%	11.8%
Single Family Housing Permit Growth in Greeley MSA	-9.8%	-6.9%	-8.9%	-0.5%	0.2%
Nonresidential Construction Value Growth	61.0%	30.4%	-45.3%	56.8%	-45.7%
Nonresidential Construction Square Footage (thousands)	6,763	2,974	1,647	2,305	704
Nonresidential Construction Square Footage Growth	162.1%	-56.0%	-44.6%	39.9%	-22.2%
Number of Nonresidential Projects	179	119	167	189	34
Nonresidential Projects Growth	46.7%	-33.5%	40.3%	13.2%	-47.7%
Average Single Family Sale Price	\$598,000	\$606,000	\$623,000	\$630,000	\$614,000
Average Single Family Sale Price Growth	12.3%	1.4%	2.7%	1.1%	-3.6%
Single Family Inventory Growth	53.4%	14.5%	21.0%	27.3%	2.1%
Single Family Home Sales Growth	-20.4%	-19.0%	3.6%	7.5%	-1.5%
Retail Sales Growth in Larimer County	12.3%	4.1%	-1.9%	3.6%	2.6%
Retail Sales Growth in Weld County	16.2%	3.7%	1.3%	7.3%	4.3%

NA = Not available.

Employment data from U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2026.

Unemployment rate from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through March 2026.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q2. The 2025 value is the average of the available quarters. The 2025 growth rate shows the growth from the same quarters in 2024.

Agricultural data from National Agricultural Statistics Service. Cattle and calves on feed. Data through May 2026.

Energy data from the Energy and Carbon Management Commission. Data through March 2026.

Residential construction data from U.S. Census. Growth in the number of residential building permits. Data through April 2026.

Nonresidential construction data from F.W. Dodge. Data through April 2026.

Housing market data from Colorado Association of Realtors. Seasonally adjusted. Data through April 2026.

Retail sales data from Colorado Department of Revenue. Data through February 2026.

Labor Market

The Northern Region's labor market includes a prominent agricultural base, oil and gas industry, and large institutions of higher education. With a notable concentration of construction worker employment, the region is a key support for the construction industry along the Front Range. It also has a much higher concentration of manufacturing employment than elsewhere in the state.

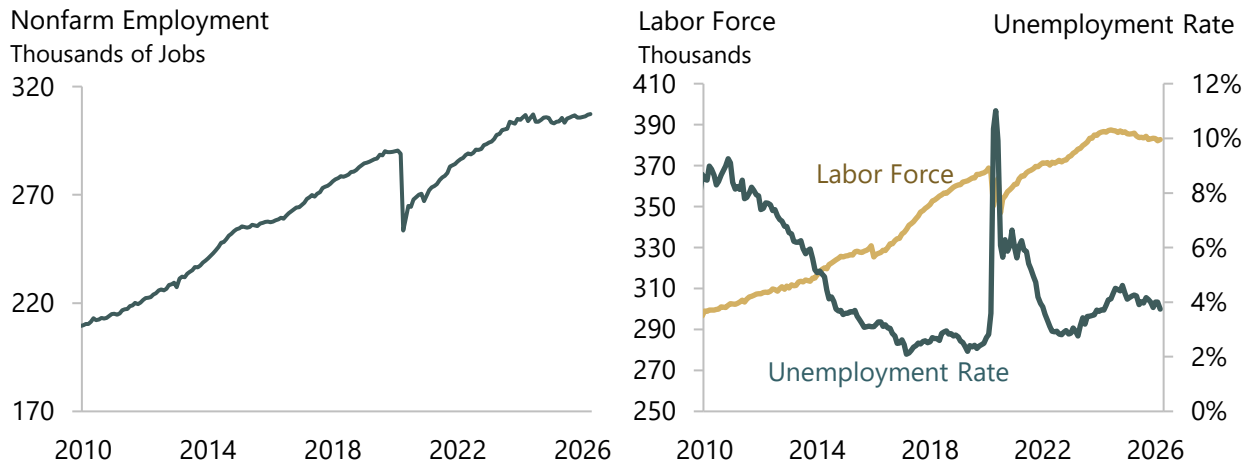
Data indicate that in 2025, nonfarm employment in the Northern Region contracted by 0.1 percent, due in part to a significant contraction in the leisure and hospitality sector that mirrored weakness in other parts of the state. Several other sectors had no growth or slight contractions for the year; however, losses in these other sectors were nearly offset by gains in manufacturing, and the education and health services sector. As shown in Table 24, the contraction was mainly in the Fort Collins MSA.

In contrast, the region has posted modest employment growth to start 2026. Through April 2026, the education and health services sector continued to expand at a strong pace, increasing 4.3 percent year-to-date. Additionally, employment in professional and business services appears to be rebounding after two years of declines, increasing 4.5 percent year-to-date. With a rebound in leisure and hospitality and state government offsetting weakness in transportation and warehousing, information, and construction, seasonally-adjusted employment overall was up 1 percent year-to-date through the first four months of April.

Higher education employment, as tracked in part by state government education employees and partly through local government education employees, and student enrollment continues to grow in the region, and is a major contributor to economic growth. In 2025, higher education employment increased 4.8 percent, and is on track to increase for the fourth-consecutive year after contracting in 2021. At Colorado State University, the region's largest institution, enrollment increased for the third consecutive year in the 2024-25 school year after a significant post-pandemic dip, and is expected to grow further by 2026-27. In the 2024-25 school year, enrollment at Front Range Community College reached its highest level since 2013-14, and has grown consistently at Aims Community College since 2007-08. Resident enrollment has rebounded over the past few years, and is the main driver of growth overall. Despite challenges at Colorado State University and the University of Northern Colorado with nonresident enrollment, resident enrollment is set to expand at both institutions over the next year.

Growth in the Northern Region's working age population ages 16 to 64 years is slowing, but is still expected to outpace statewide growth in the coming years. This expanding pool of workers will continue to help drive faster than average growth in the region. As employment opportunities increase, it will help reverse the consistent decrease in the region's labor force over the past two years. The region's unemployment rate is expected to continue to decrease over the next year.

Figure 37
Northern Region Labor Market Indicators



Source: U.S. Bureau of Labor Statistics, CES (establishment survey, left). Seasonally adjusted. Data through April 2026. U.S. Bureau of Labor Statistics, LAUS (household survey, right). Seasonally adjusted. Data through March 2026. Includes Legislative Council Staff adjustments prior to 2010

Agriculture

The Northern Region produces a significant share of the state’s agricultural value and income, and is affected by moderate to severe drought conditions, according to the U.S. Drought Monitor. The region has a heavy concentration of the livestock industry in Weld County, and the cattle market will be impacted by the drought. According to the National Drought Mitigation Center, all of the cattle inventory in Colorado are in areas in drought conditions as of May 2026. About 67 percent of the cattle inventory is affected by severe to exceptional drought. Drought is expected to hurt hay and forage and limit the ability of producers to expand herds. Additionally, calf crops for many producers continue to decline after an extended period of declining cattle inventory. In May 2026 year-to-date, the cattle and calf inventory in the Northern Region is down 9.5 percent (Table 24).

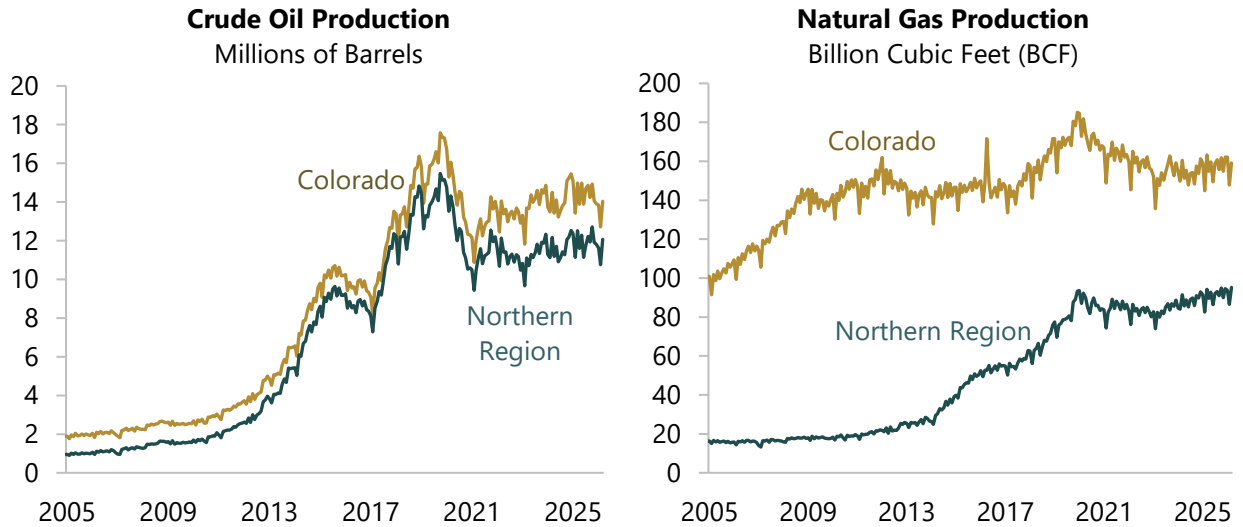
Energy Sector

The Northern Region accounts for about 83 percent of the state’s oil production and about 58 percent of the state’s natural gas production in 2025, largely in Weld County (Figure 37). The oil and gas industry drives jobs, wages, and local tax revenues in the region. Oil and gas production in the region has increased steadily since 2022, but has been outpaced by production in other areas of the country. Production in the region remains below pre-pandemic 2019 levels.

The start of 2026 was challenging for the oil industry in Colorado following 2025’s dip in oil prices. According to the Kansas City Federal Reserve Banks Tenth District Energy Survey, which includes Colorado, oil prices fell to the lower end of the range of profitability for producers by the end of the year. Producers began to cut back production in the first quarter of 2026, with oil production down 4.4 percent year-to-date (Table 24). However, the surge in prices following the war in Iran should hedge losses for producers. While the forecast anticipates new drilling and

production will remain muted until longer term profitable pricing is more clear, further declines in production are not expected in the forecast period.

Figure 38
Colorado Energy Production



Source: Colorado Energy and Carbon Management Commission. Monthly data through March 2026.

Housing

Data indicate the housing market in the Northern Region continues to soften after years of muted sales and large increases in inventory. In April, the average sales price of a single family home in the region was down 3.6 percent year-to-date. Median prices were also down to start the year. At a county level, the median sales price of a single family home was down 1.3 percent year-to-date in Larimer County, and was down 3.7 percent in Weld County. Sales have yet to recover after steep declines recorded in 2022 and 2023, and began the year down 1.5 percent year-to-date in April (Table 24). Likewise, residential building permit activity remains well below peak levels in the Northern Region. In April, permit activity was mixed, falling significantly year-to-date in the Fort Collins MSA, and rising modestly in the Greeley MSA.

Retail Sales

Retail sales continue to expand in the Northern Region, indicating resilient consumers and households. Retail sales have outpaced the state over the past few years, and are expected to improve along with the labor market over the next year.

Colorado Springs Region

The Colorado Springs region encompasses El Paso County, home to the state’s second largest city. The regional labor market shows signs of slowing, with falling employment but a steady unemployment rate. The housing market is loosening as prices decline and inventory rebounds. Single-family housing construction is beginning to rebound after modest declines. Indicators for the Colorado Springs regional economy are presented in Table 25.



Table 25
Colorado Springs Region Economic Indicators
El Paso County

Economic Indicators	2022	2023	2024	2025	YTD 2026
Employment Growth in Colorado Springs MSA	4.3%	3.2%	1.5%	-1.0%	-0.7%
Unemployment Rate	3.2%	3.4%	4.2%	4.1%	4.1%
Average Weekly Wage Level	\$1,192	\$1,244	\$1,298	\$1,341	NA
Growth in Average Weekly Wages	4.6%	4.4%	4.3%	4.5%	NA
Total Housing Permit Growth	-5.5%	-40.0%	-24.6%	45.6%	1.9%
Single Family Housing Permit Growth	-28.4%	-26.2%	7.1%	-1.5%	11.7%
Nonresidential Construction Value Growth	-31.0%	14.7%	-37.7%	45.8%	17.5%
Nonresidential Construction Square Footage (thousands)	2,253	1,603	1,433	2,330	719
Nonresidential Construction Square Footage Growth	-35.3%	-28.8%	-10.6%	62.6%	94.1%
Number of Nonresidential Projects	276	132	339	293	111
Nonresidential Projects Growth	30.8%	-52.2%	156.8%	-13.6%	22.0%
Average Single Family Sale Price	\$542,000	\$541,000	\$559,000	\$564,000	\$552,000
Average Single Family Sale Price Growth	10.1%	-0.2%	3.4%	0.8%	-1.7%
Single Family Inventory Growth	117.7%	8.0%	25.6%	29.7%	17.1%
Single Family Home Sales Growth	-17.5%	-24.3%	-1.9%	2.5%	0.7%
Retail Sales Growth	8.5%	0.1%	1.3%	3.2%	4.3%

NA = Not available.

Employment data from U.S. Bureau of Labor statistics, CES (establishment survey). Seasonally adjusted. Data through April 2026.

Unemployment rate from U.S. Bureau of Labor statistics, LAUS (household survey). Data through March 2026.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q2. The 2025 value is the average of the available quarters. The 2025 growth rate shows the growth from the same quarters in 2024.

Housing construction data from U.S. Census. Growth in the number of residential building permits. Data through April 2026.

Nonresidential construction data from F.W. Dodge. Data through April 2026.

Housing market data from Colorado Association of Realtors. Data through April 2026.

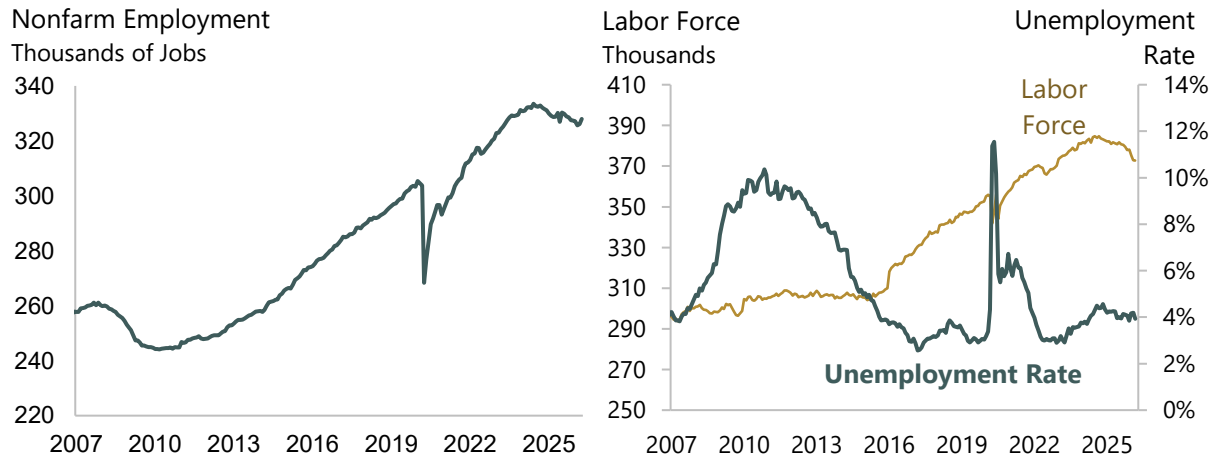
Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through February 2026.

Labor Market

The labor market in Colorado Springs is weakening, but the unemployment rate remains healthy. Total employment has fallen at a slightly faster rate than the statewide average over the

18 months, down 0.7 percent year-to-date. However, due to declining labor force participation, the unemployment rate has remained steady over this same time period, averaging 4.1 percent in the first three months of 2026 (Figure 39, right). El Paso County is the state’s most populous county, but population growth is showing signs of slowing, posting growth of just 0.6 percent in 2025. The employment outlook is weakened by the relocation of Space Command headquarters from Colorado Springs to Huntsville, Alabama.

Figure 39
Colorado Springs Labor Market Activity



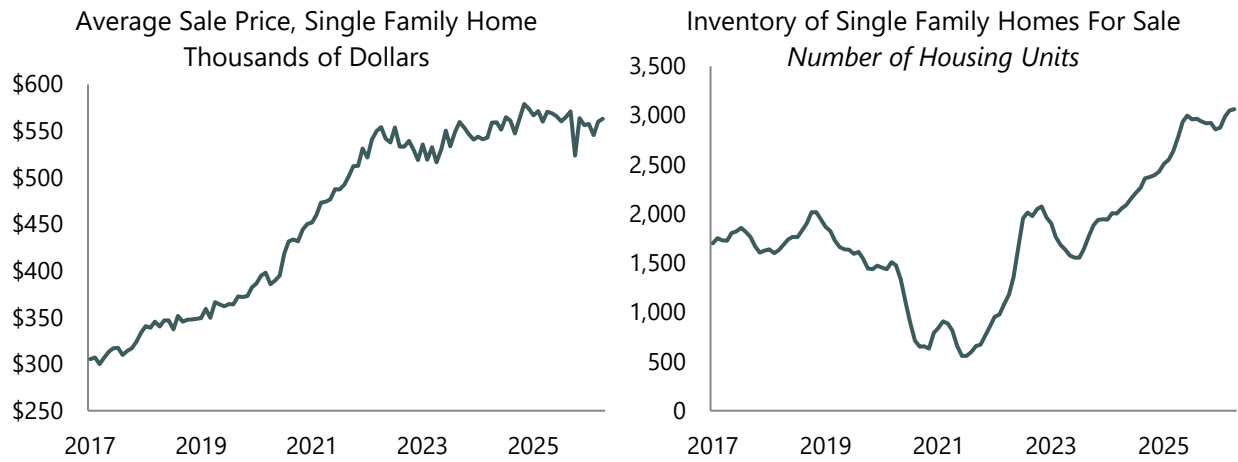
Source: U.S. Bureau of Labor Statistics, CES (establishment survey) and LAUS data, seasonally adjusted through March 2026 (right). LAUS data include Legislative Council Staff adjustments prior to 2010.

Average weekly wages are growing at a moderate pace, up 4.5 percent in 2025, while wage levels remain slightly below the statewide average. More than one in four jobs in El Paso County is in the education and health services industry, compared to the statewide average of about one in five. The concentration of leisure and hospitality jobs also exceeds that of the statewide average. All of these industries tend to have lower than average wages, which may partially explain why average wages in El Paso County are lower than statewide.

Housing Market

Average single family home prices in El Paso County are down 1.7 percent year-to-date in 2026 (Figure 40, left). Home prices tend to be lower in El Paso County than statewide, averaging about \$552,000 in 2026. Consistent with other areas of the state, homes are staying on the market longer and inventories are on the rise (Figure X, right). Rising inventory is likely due to weakening demand, as well as new construction coming online. New permits for single family residential construction are up 11.7 percent this year after a year of declines, signaling some growing confidence in the housing market.

Figure 40
Colorado Springs Housing Market

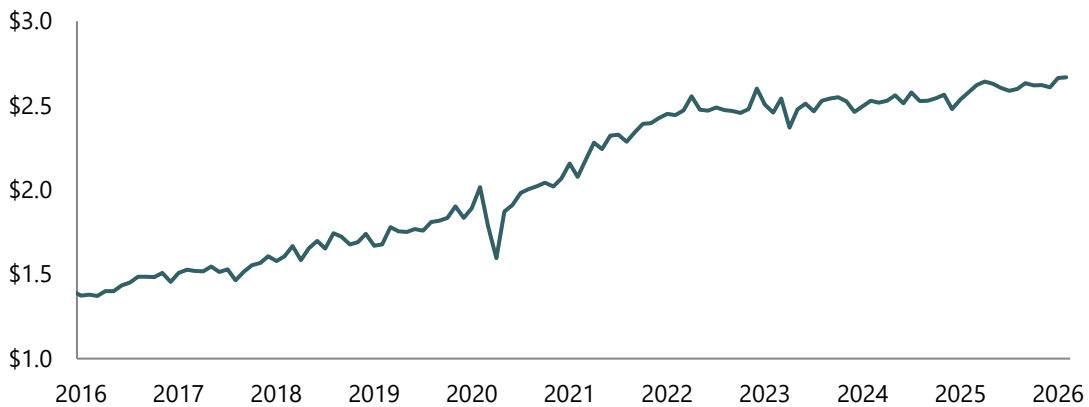


Source: Colorado Association of Realtors (left). Data are seasonally adjusted through April 2026. U.S. Census Bureau (right). Data shown as three-month moving averages. Data through April 2026.

Retail Sales

Retail sales in Colorado Springs are showing signs of acceleration after stagnating over the past three years. Retail sales are slightly outpacing inflation, indicating that real retail sales are starting to grow. Rebounding retail sales may reflect continuing growing wages in the area.

Figure 41
Colorado Springs Retail Sales
Dollars in Billions



Source: Colorado Department of Revenue. Data are seasonally adjusted through February 2026.

Pueblo – Southern Mountains Region

The Pueblo–Southern Mountains region encompasses five counties along the eastern slope of the Sangre de Cristo Mountains, and includes the City of Pueblo. Economic data indicate a struggling regional economy, with tentative signs of an uptick in some data. Indicators for the Pueblo region are presented in Table 26 and discussed below.

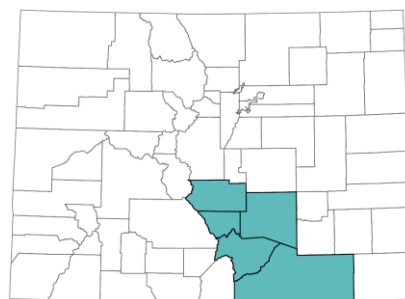


Table 26
Pueblo Region Economic Indicators
 Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

Economic Indicators	2022	2023	2024	2025	YTD 2026
Employment Growth in Pueblo Region	1.6%	-0.4%	-0.8%	-1.1%	-2.5%
Employment Growth in Pueblo MSA	2.7%	0.4%	-0.7%	-1.0%	-0.8%
Unemployment Rate	4.6%	4.7%	5.7%	5.5%	5.5%
Average Weekly Wage Level	\$988	\$1,026	\$1,057	\$1,077	NA
Growth in Average Weekly Wages	5.3%	3.8%	3.0%	1.9%	NA
Total Housing Permit Growth in Pueblo MSA	-22.9%	-43.8%	-13.5%	-16.0%	-78.9%
Single Family Housing Permit Growth in Pueblo MSA	-22.9%	-43.8%	-13.5%	-16.0%	-78.9%
Nonresidential Construction Value Growth	-63.2%	157.0%	-62.2%	-50.3%	57.6%
Nonresidential Const. Square Footage (thousands)	520	1,426	523	169	67
Nonresidential Construction Square Footage Growth	-68.6%	174.2%	-63.3%	-67.6%	15.1%
Number of Nonresidential Projects	38	50	85	74	19
Nonresidential Projects Growth	-33.3%	31.6%	70.0%	-12.9%	-20.8%
Average Single Family Sale Price	\$340,000	\$349,500	\$346,600	\$344,100	\$344,500
Average Single Family Sale Price Growth	4.2%	2.8%	-0.8%	-0.7%	0.7%
Single Family Inventory Growth	68.7%	31.4%	28.3%	13.6%	1.1%
Single Family Home Sales Growth	-6.2%	-17.5%	-8.1%	-14.6%	21.2%
Retail Sales Growth	14.5%	-1.7%	-5.1%	9.3%	8.3%

NA = not available.

Employment data from U.S. Bureau of Labor statistics, LAUS (Pueblo region) and CES (Pueblo MSA). Data through April 2026.

Unemployment rate from U.S. Bureau of Labor statistics, LAUS (household survey). Data through March 2026.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q2. The 2025 value is the average of the available quarters. The 2025 growth rate shows the growth from the same quarters in 2024.

Housing construction data from U.S. Census. Growth in the number of residential building permits. Data through April 2026.

Nonresidential construction data from F.W. Dodge. Data through April 2026.

Housing market data from Colorado Association of Realtors. Data through April 2026.

Retail sales data from Colorado Department of Revenue. Seasonally Adjusted. Data through February 2026.

Labor Market

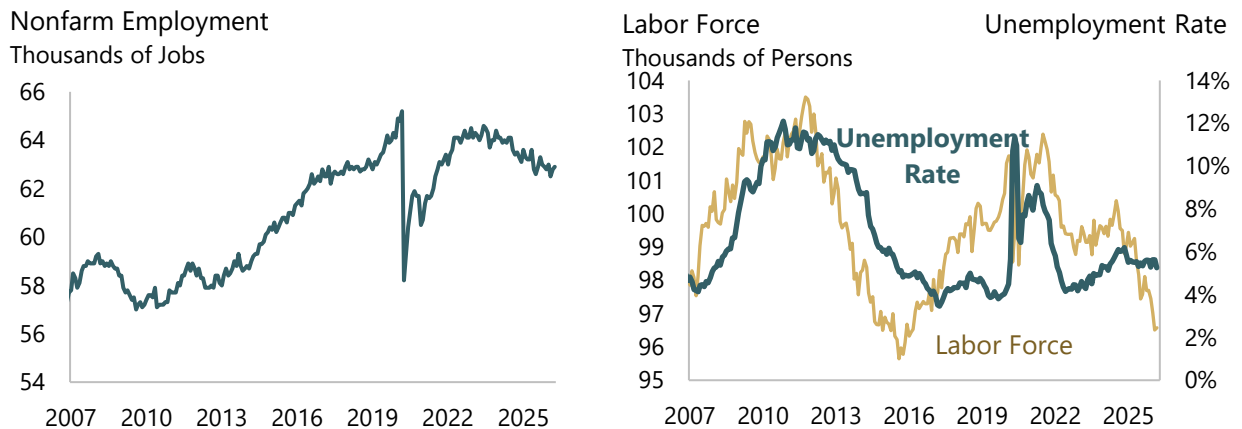
Pueblo region labor market has slowed for several years and continues to show signs of further slowing in 2026. The unemployment rate has hovered above 5 percent since 2024 (Figure 42, right). In March 2026, the regional unemployment rate was significantly higher than in any other

region of the state, at 5.3 percent, compared with the state’s 3.7 percent. Employment in the Pueblo metropolitan statistical area (MSA) has remained below its pre-pandemic peak since April 2020, and has been on a downward trajectory since 2023. It contracted by 1.0 percent in 2025, and is down by 0.8 percent through April 2026 (Figure 42, left).

The 9.3 percent increase in retail sales in 2025 did not translate into employment growth in the retail trade supersector, which accounts for about 17 percent of jobs. The sector shed jobs in 2025, with employment down by almost 2 percent. The health care and social assistance supersector continued to grow, with employment up by 2.3 percent in 2025 in that sector, which accounts for about 28 percent of the region’s jobs. This sector is expected to continue to grow as the population ages, with the Colorado State Demography Office forecasting that the fastest growing ages groups in the region between 2024 and 2034 will be those ages 85 and above (+62.4 percent) and ages 75 to 84 (+52.8 percent).

Wages in Pueblo tend to be lower than the statewide average, reflecting the preponderance of lower wage sectors, such as retail trade, in the region’s employment. In 2025, the regional average annual wage was about \$56,000, compared with the statewide average of \$84,000. Wage growth in the region accelerated in 2025, to 3.6 percent but remained below the statewide average of 4.0 percent. Pueblo’s highest paying jobs are in the utilities sector, which accounts for about 1 percent of employment, with an average annual wage of about \$102,000. The impending closure of the Comanche Generating Station’s coal-fired units, in order to meet the state’s [climate goals](#), presents additional economic challenges for the Pueblo region.

Figure 42
Pueblo Region Labor Market Trends

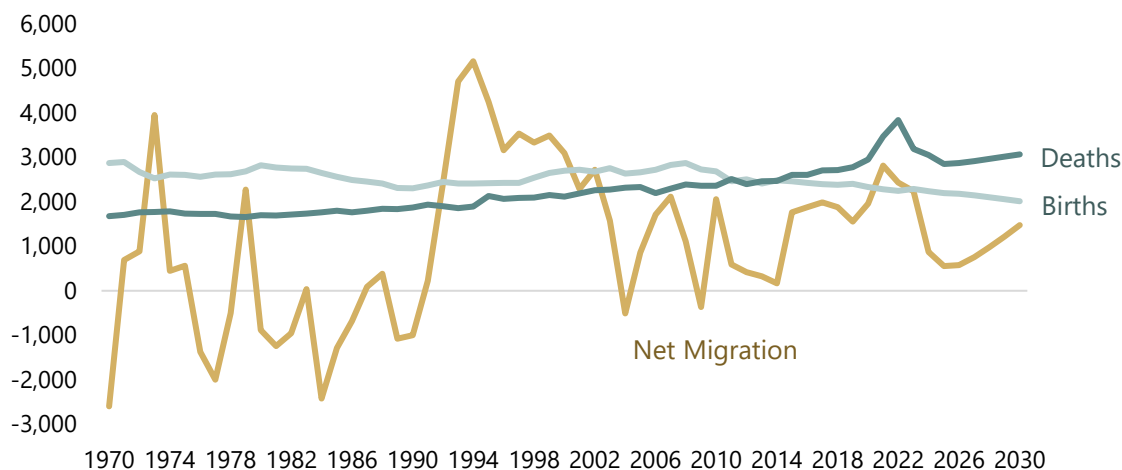


Source: U.S. Bureau of Labor Statistics; CES (establishment survey). Seasonally adjusted data through April 2026 (left). U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted data through March 2026.

The regional labor force has plummeted since mid-2024, and is down by 2.5 percent year-to-date through March 2026 (Figure 42, right). All regions of the state have seen a marked decline in labor force during the same time period, with a 1.9 percent decline in the labor force statewide. Labor force and employment growth will be constrained by demographics as the region’s population ages. With deaths exceeding births since 2016, growth in the region’s

population and labor force relies on in-migration, which fell by 61 percent in 2024. With an older population and little in-migration relative to the rest of the state, the State Demography Office anticipates that regional population will grow by an average of 0.1 percent annually between 2024 and 2034, compared to an estimated 0.8 percent statewide.

Figure 43
Pueblo – Southern Mountains Components of Population Change

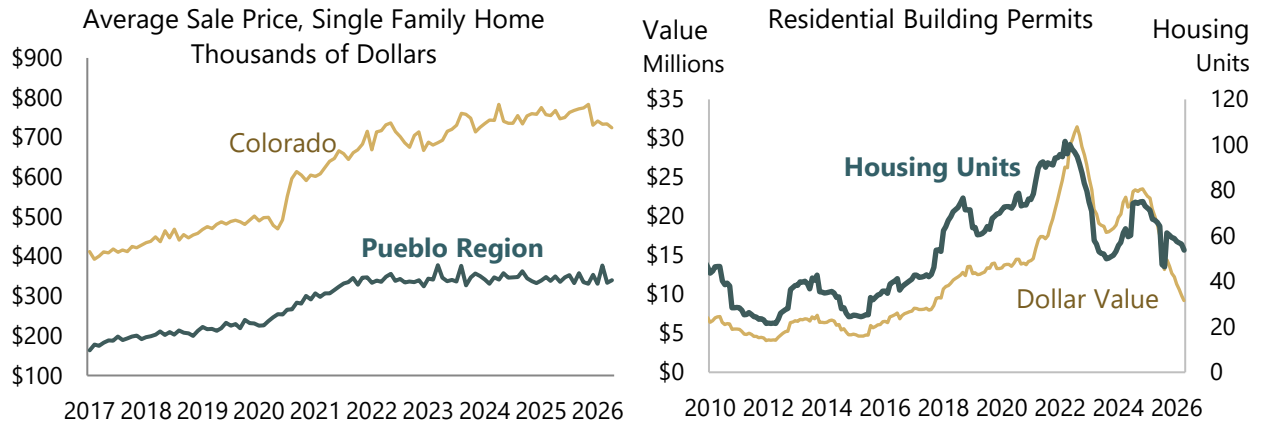


Source: Colorado State Demography Office, Vintage 2024 Estimates. Data from 1970 to 2024 are estimates. Data from 2025 to 2030 are projections.

Housing Market

The housing market in the Pueblo region shows tentative signs of stabilizing after several years of struggle with declining home sales and rapidly rising inventories, while home construction continues to decline. Single family home sales are up 21 percent, and inventories are relatively flat through April 2026 compared with the same period in 2025. Despite the region’s slow housing market, home prices have remained relatively steady or even increased. The average price of a single-family home in the region was \$344,500 in April, little changed compared with the same period in 2025 but less than half of the statewide average of \$729,000 (Figure 44, left). With persistent slack in the regional housing market alongside high interest rates, the number of single-family housing permits in the region has declined (Figure 44, right), and is down by almost 80 percent through April, a much sharper contraction than in the state as a whole, where single-family permits are also down, but by 10 percent on average during the same period.

Figure 44
Pueblo – Southern Mountains Housing Activity



Source: Colorado Association of Realtors (left) and U.S. Census (right). Data are through April 2026 and shown as three-month moving averages seasonally adjusted (left) and as twelve-month moving averages (right).

Eastern Region

The Eastern region includes 16 rural counties on Colorado’s Eastern Plains. Agriculture is the primary industry in the region, with businesses and government operations supporting local farming and ranching communities. While poor drought conditions undermine the short-term profitability outlook in agriculture, regional economic activity is boosted by investments in renewable energy projects. However, the labor market continues to weaken on the whole, and global conflict and higher tariffs elevate input costs for key industries in the region. Economic indicators for the region are presented in Table 27.

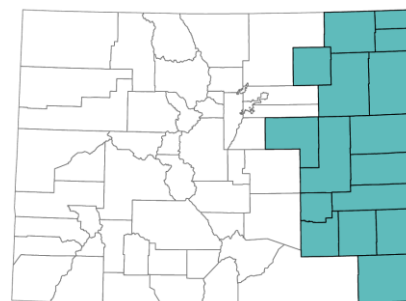


Table 27

Eastern Region Economic Indicators

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

Economic Indicators	2022	2023	2024	2025	YTD 2026
Employment Growth	1.6%	0.7%	0.4%	-1.9%	-4.3%
Unemployment Rate	3.0%	3.1%	3.8%	3.7%	3.6%
Average Weekly Wage Level	\$918	\$957	\$988	\$999	NA
Growth in Average Weekly Wages	5.3%	4.3%	3.2%	3.4%	NA
Wheat Price Growth (\$/Bushel)	42.2%	-14.3%	-28.4%	-13.2%	-0.2%
Corn Price Growth (\$/Bushel)	30.9%	-7.0%	-30.1%	-3.6%	-10.9%
Alfalfa Hay Price Growth (Baled, \$/Ton)	2.8%	14.5%	-23.4%	-19.9%	2.4%
Dry Beans Price Growth (\$/hundredweight)	-1.0%	-7.5%	-0.3%	-4.8%	-9.5%
State Cattle and Calf Inventory Growth	0.7%	-1.9%	0.8%	3.9%	4.2%
Milk Production Growth	42.2%	-14.3%	-28.4%	-13.2%	-0.2%
Housing Permit Growth	-26.2%	-25.9%	47.4%	-12.1%	-28.2%
Average Single Family Sale Price	\$412,000	\$407,000	\$431,000	\$455,000	\$461,000
Average Single Family Sale Price Growth	7.7%	-1.2%	5.9%	5.6%	1.3%
Single Family Inventory Growth	65.9%	23.6%	11.6%	26.6%	6.4%
Single Family Home Sales Growth	-6.8%	-10.3%	0.7%	1.4%	-11.9%
Retail Sales Growth	18.9%	-0.3%	0.2%	3.8%	5.6%

NA = Not available.

Employment data from U.S. Bureau of Labor statistics, LAUS (household survey). Data through March 2026.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q2. The 2025 value is the average of the available quarters. The 2025 growth rate shows the growth from the same quarters in 2024.

Agricultural data from National Agricultural Statistics Service statewide data. Data through April 2026.

Construction data from F.W. Dodge. Permits for residential units. Data through April 2026.

Housing market data from Colorado Association of Realtors. Seasonally adjusted. Data through April 2026.

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through February 2026.

Agriculture and Livestock

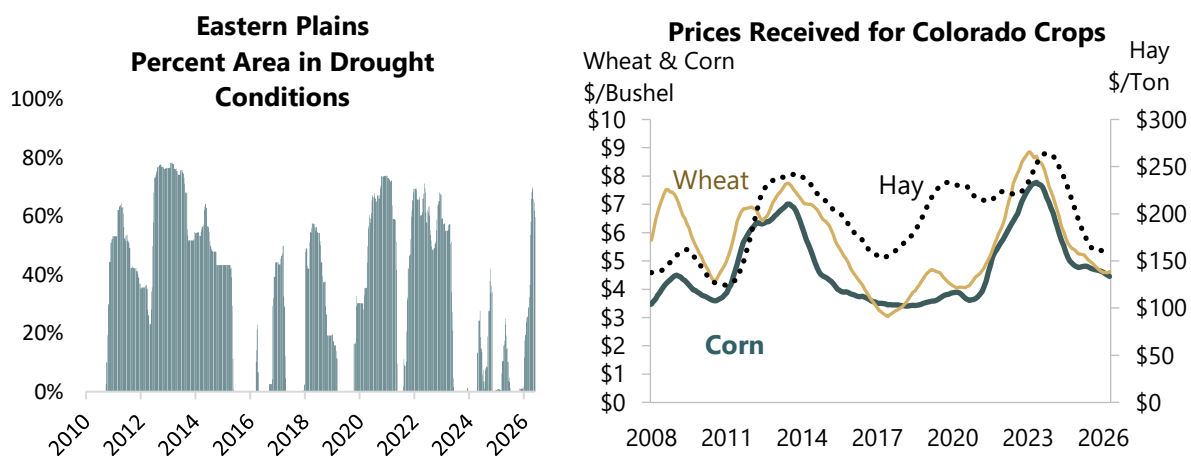
The Eastern Plains is the largest agricultural region in the state, and agriculture drives much of the region’s economy. The region is a key growing area for cattle, hay, winter wheat, and corn, which require moderate to high amounts of water. Drought conditions going into the 2026 growing season were at their worst since mid-2022, with 70 percent of the region in drought conditions ranging from moderate to extreme at the end of April. Late spring precipitation has tempered drought levels on the Eastern Plain somewhat, but still poor conditions will weigh on crop production and quality, dampening net farm income in 2026.

A record dry winter pushed winter wheat to head early, with 80 percent of state winter wheat headed by the end of May 2026, compared to a historical average 58 percent. Nearly 70 percent of winter wheat in the state was recorded as in poor or very poor conditions. Farmers additionally planted corn earlier in the season this year amid warm winter months, with 97 percent of corn crops planted by the end of May 2026 compared to the historical average of 87 percent. While wheat and corn prices have fallen since their mid-2023 peak, worsening drought conditions are expected to lessen acres harvested and put upward pressure on prices received.

Hay, a thirstier crop than corn and winter wheat, has already posted rebounding prices in early 2026, a trend expected to continue through the year and into 2027. However, increasing input costs for water, fertilizer, and labor will more than offset revenues from higher prices.

High interest rates paired with persistent drought conditions across the region have motivated some ranchers to market cattle that they would normally have kept for breeding purposes in recent years. Colorado cattle and calf inventories declined 4.8 percent in 2025 to the lowest levels in a decade, and inventories are down an additional 9.5 percent year-to-date in 2026. With strong beef prices and low feed prices, ranchers were primed to recover their cattle inventories in 2026; however, severe drought conditions statewide will likely delay any short-term growth in herd sizes and result in more declines through the year.

Figure 45
Eastern Plains Agricultural Indicators



Source: U.S. Drought Monitor; data through June 2, 2026 (left). National Agricultural Statistics Service; data shown as twelve-month moving averages through March 2026 (right).

Labor Market

As a region concentrated in agriculture, the Eastern Plains Region accounts for just under 2 percent of statewide employment, but nearly 25 percent of statewide agriculture employment. Relative to the state as a whole, the region has a larger share of jobs in agriculture and related services, government, and manufacturing, and a lower share of jobs in professional and business services and related activities.

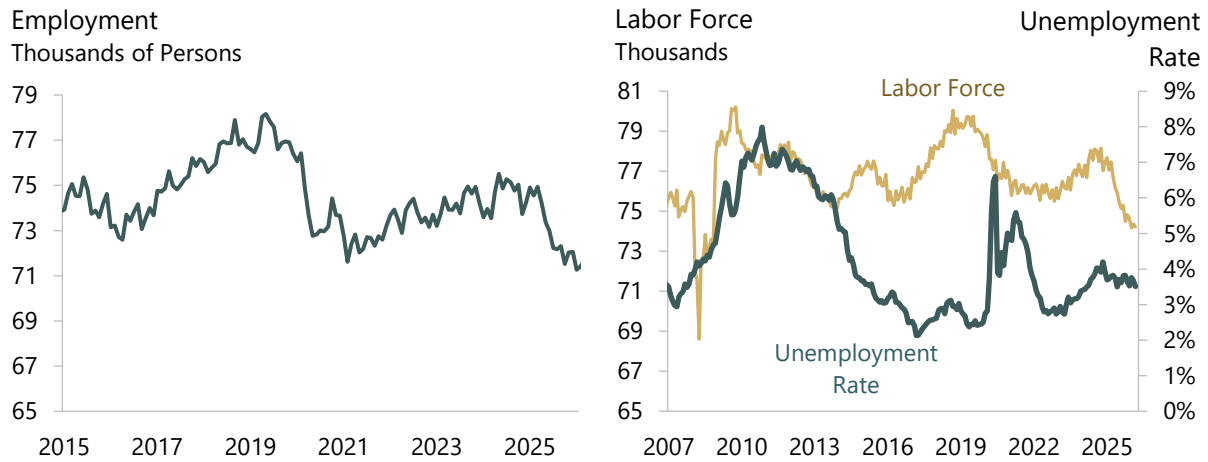
Employment data for the region are based on a small sample size and are therefore subject to large revisions. Data suggest the region's labor market continues to cool with a declining labor force and employment losses, in line with statewide trends. In 2025, losses were perpetuated by declines in manufacturing employment as higher tariffs on copper, aluminum, and steel drove up input costs. Declines in the retail trade industry also fueled employment losses, a trend expected to continue through the forecast period as rising inflation weighs on disposable income and consumers increasingly move towards online shopping.

Similar to state and national trends, employment declines were offset by growth in health care and social assistance employment, which continues to steadily advance as the population ages. Regional employment was further boosted by gains in education and construction. Education gains are likely buoyed by enrollment growth in the region's community colleges, which tend to see increased enrollment when the labor market is weak.

Construction employment gains coincide with increased energy projects in the Eastern Plains such as Colorado's Power Pathway, an approximately 550-mile expansion to energy transmission lines, increasing the capacity to transfer renewable energy generated in the region to the state's urban areas. Final segments of the project are expected to be completed in 2027 and should continue to partially offset employment declines elsewhere as construction persists.

The average weekly wage of \$999 in 2025 is the second lowest in the state's nine regions, growing more slowly than wages statewide, making up just 62 percent of statewide average weekly wage. However, unlike in the San Luis Valley, Colorado's other agriculture-heavy region, wage growth in the Eastern Plains has kept up with inflation, providing real wage gains to the region's workers. Still, the labor force decreased in the Eastern Plains in 2025 in line with statewide trends, which is expected to weigh on employment growth through the forecast period. Employment growth for the region is expected to remain slow but positive as gains in health care and construction help to offset declines in the retail trade sector and elsewhere.

Figure 46
Eastern Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data are through March 2026. Includes Legislative Council Staff adjustments prior to 2010.

Retail Sales

After two years of no growth, nominal retail sales ended 2025 up 3.8 percent and is up 5.6 percent year-date in 2026, putting it on track to continue to grow through the forecast period. Outpacing statewide retail sales growth, retail sales in the region are less reliant on tourist activity such as in other regions of the state, and more reliant on energy and other input costs, such as fertilizer for agriculture and building materials for new transmission lines. In addition to upward pressure on agricultural inputs, Eastern Plains gains are likely attributable to increased spending on construction materials and services as commodity-specific tariffs drive up input prices and energy projects persist. Retail sales are expected to accelerate further at a nominal level as conflict in the Middle East drives up energy prices, further adding to rising input costs for construction and agricultural production.

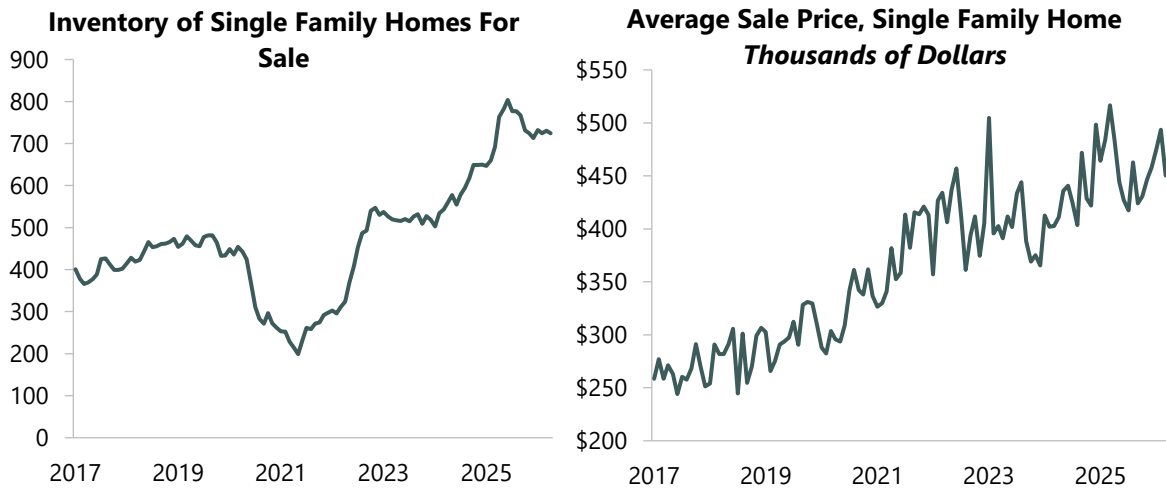
Housing and Population

The Eastern Plains is the largest region in the state physically, with only 2.8 percent of the state’s population, making it the second smallest region by population, after only the San Luis Valley.

Despite moderating home values across the state, the average sale price for single family homes in the region increased 5.6 percent in 2025 and continues to increase through 2026. Despite the increase in prices, the region continues to boast some of the most affordable homes in the state, with prices lower only for the Pueblo and San Luis Valley regions. The Eastern Plains likely attracts buyers from adjacent, more-expensive areas of the state, though easing prices elsewhere may temper regional demand through the forecast period, allowing home sale prices to moderate in the region.

Regional housing permit growth is expected to post a second consecutive year of declines in 2026, with inventories of single family homes for sale sitting well above historical averages.

Figure 47
Eastern Region Housing Market Activity



Source: Colorado Association of Realtors. Data are seasonally adjusted and through April 2026.

Mountain Region

The Mountain region comprises 12 counties stretching from Poncha Pass north to the Wyoming border. Sensitive to tourism, the Mountain region economy is challenged by the state’s historically low snowpack and drought emergency. The region’s outlook remains uncertain as weather conditions, ongoing policy uncertainty, low consumer sentiment, and high interest rates continue to stymie tourist activity. Economic indicators for the Mountain Region are presented in Table 28.

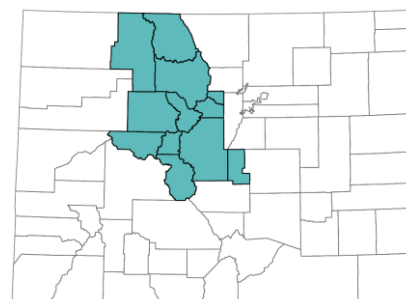


Table 28
Mountain Region Economic Indicators

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

Economic Indicators	2022	2023	2024	2025	YTD 2026
Employment Growth	3.6%	1.7%	0.6%	-0.4%	-1.8%
Unemployment Rate	2.8%	2.9%	3.6%	3.4%	3.2%
Average Weekly Wage Level	\$1,114	\$1,159	\$1,196	\$1,201	NA
Growth in Average Weekly Wages	8.4%	4.1%	3.2%	3.9%	NA
Housing Permit Growth	41.1%	-34.7%	51.1%	-12.0%	-58.6%
Nonresidential Construction Value Growth	36.5%	-11.8%	19.2%	-36.2%	345.3%
Nonresidential Const. Square Footage (thousands)	983	836	668	444	206
Nonresidential Const. Square Footage Growth	10.1%	-15.0%	-20.0%	-33.6%	45.0%
Number of Nonresidential Projects	77	53	65	66	25
Nonresidential Projects Growth	26.2%	-31.2%	22.6%	1.5%	47.1%
Average Single Family Sale Price	\$1,424,000	\$1,465,000	\$1,601,000	\$1,627,000	\$1,585,000
Average Single Family Sale Price Growth	9.6%	2.8%	9.3%	1.6%	-13.0%
Single Family Inventory Growth	21.8%	15.7%	37.1%	37.1%	10.4%
Single Family Home Sales Growth	-30.4%	-15.5%	2.8%	6.3%	-1.7%
Retail Sales Growth	17.0%	4.0%	1.6%	2.5%	-0.8%

NA = Not available.

Employment data from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through March 2026.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q2. The 2025 value is the average of the available quarters. The 2025 growth rate shows the growth from the same quarters in 2024.

Construction data from F.W. Dodge. Permits for residential units. Data through April 2026.

Housing market data are for single family homes, townhouses, and condos combined and from Colorado Association of Realtors.

Seasonally adjusted. Data through April 2026.

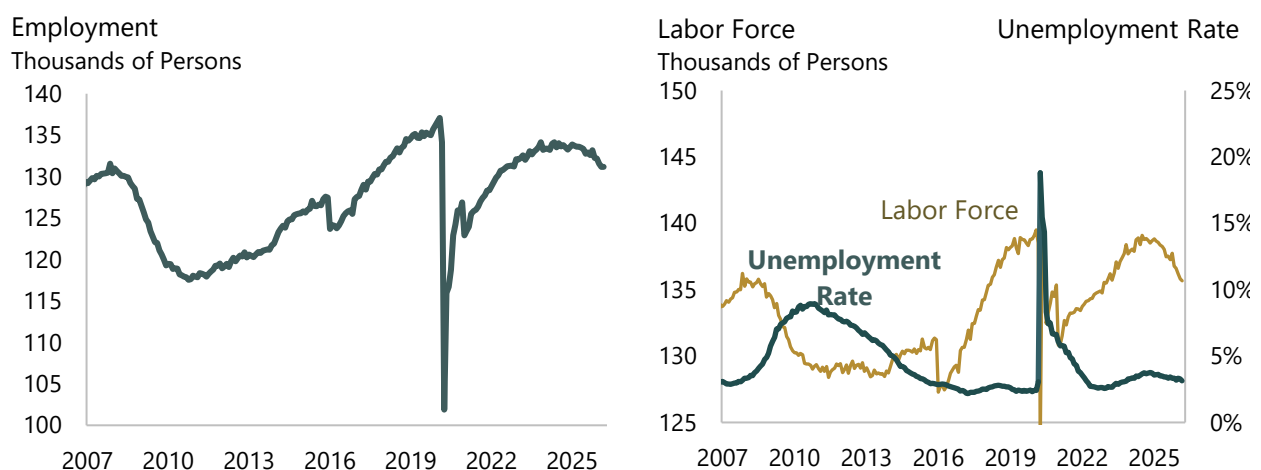
Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through February 2026.

Labor Market

The Mountain region economy relies heavily on tourism and seasonal residents, with the health of the labor market depending largely on the consumer activity of visitors from across the state, nation, and beyond. The state's historically low snowpack followed by the drought emergency significantly impacted economic activity in the region, stunting both winter skiing and spring river rafting, while high prices and opposition to federal trade and immigration policies contributed to a significant drop-off in international tourism to the state and nation. The region's three largest private industry sectors (accommodation and food services; arts, entertainment, and recreation; and retail trade) shed jobs in 2025. After declining by 0.4 percent in 2025, regional employment is down 1.8 percent through March 2026 compared with the same period in 2025.

Signaling ongoing labor supply constraints, the region continues to post the state's lowest unemployment rate of 3.2 percent, while the labor force is down 3.3 percent through March 2026 compared with the same period in 2025 (Figure 48, right). In part, the Mountain region is able to sustain a lower unemployment rate than all other regions in the state because demographic drag and little affordable housing pose significant problems for the workforce. Wages grew by 23 percent between 2020 and 2025, while housing prices grew by more than double that—49 percent during the same period. With an average annual wage of \$62,000 in 2025, the Mountain Region realizes wages lower than the statewide average of \$84,000 despite having the highest home prices in the state. Therefore, employers are likely to seek to maintain existing workforce in the face of uncertain economic conditions, keeping the unemployment rate lower than for other regions in the state.

Figure 48
Mountain Region Labor Market Activity



U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2026. Includes Legislative Council Staff adjustments prior to 2010.

Retail Sales

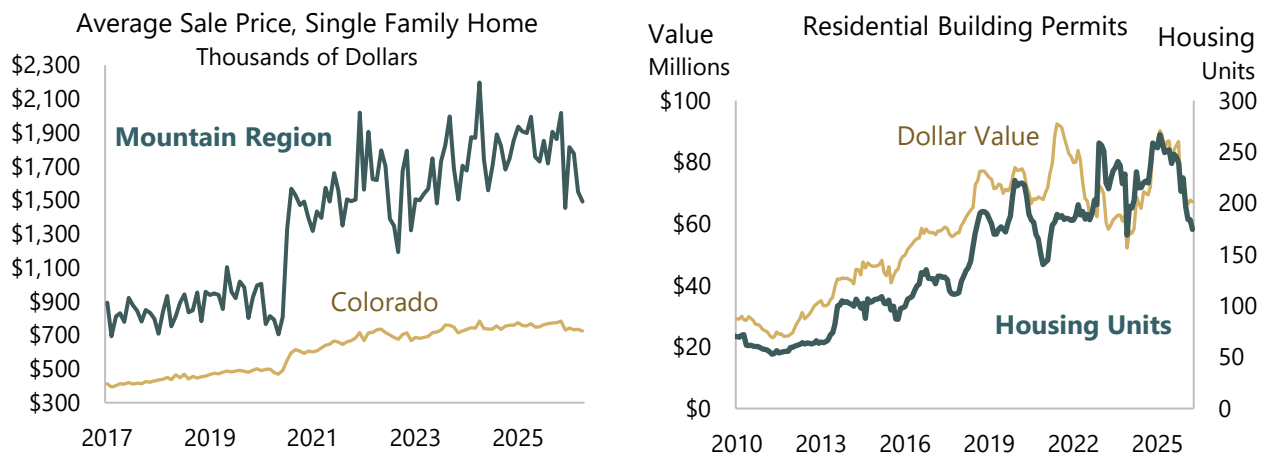
Due to its high housing prices and significant tourist activity, Mountain region retail sales disproportionately reflect discretionary spending among wealthier consumers. Reflecting the

dismal winter and spring tourist seasons in the region, retail sales were down by 0.8 percent in the first two months of 2026, a trend which, if it continues, would be the first time the region's retail sales have declined on an annual basis in at least a decade. Only one other region posted a year-to-date decline in retail sales through February. Growth in retail sales is expected remain subdued in 2026 as continued higher fuel costs, low consumer sentiment, federal policy fluctuations, and weather-related uncertainty impact travel plans.

Housing

The region's housing market shows signs of cooling alongside labor markets and retail sales. Prices for single family homes and townhomes/condos in the region are down 13.0 percent through April 2026 (Figure 49, left), inventories are up 10.4 percent, while home sales are down by 1.7 percent. Compared with the statewide housing market, the Mountain region is more reliant on townhomes and condos, which account for 40 percent of home sales, compared with about 20 percent statewide. Despite recent price declines, homes remain unaffordable for all but the wealthiest buyers, with the average single family home selling for \$1.7 million and the average townhome/condo selling for over \$1.3 million. Despite efforts by local governments to support affordable housing in the region, housing construction stalled in 2025, and is down by 58.6 percent year-to-date through April 2026 (Figure 49, right).

Figure 49
Mountain Region Housing Activity



Colorado Association of Realtors. Data are seasonally adjusted and through April 2026.

Western Region

The Western region is a diverse, ten-county region that includes Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel counties. Parts of the region have strong energy sector concentrations including Garfield, Mesa, Moffat, and Rio Blanco counties. Other areas have sectors supported largely by tourism sector including Montrose, Ouray, and San Miguel counties. Agriculture is strong in many parts of the region, and represents a significant share of economic activity from Mesa County, through Delta and Montrose Counties.

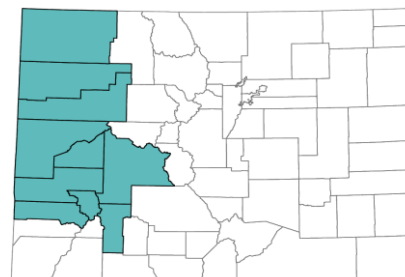


Table 29
Western Region Economic Indicators

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

Economic Indicators	2022	2023	2024	2025	YTD 2026
Employment Growth in Western Region	2.0%	1.2%	1.4%	0.0%	-1.7%
Employment Growth in Grand Junction MSA	2.4%	1.7%	2.1%	0.4%	-0.1%
Unemployment Rate	3.4%	3.5%	4.2%	4.0%	3.7%
Average Weekly Wage Level	\$1,025	\$1,072	\$1,102	\$1,121	NA
Growth in Average Weekly Wages	7.4%	4.6%	2.8%	3.5%	NA
Natural Gas Production Growth	-5.8%	-17.0%	-5.8%	2.3%	-1.0%
Housing Permit Growth	-10.8%	13.9%	-36.0%	12.5%	-0.8%
Nonresidential Construction Value Growth	-12.4%	-23.9%	64.1%	213.7%	18.0%
Nonresidential Const. Square Footage (thousands)	773	687	869	1,590	176
Nonresidential Construction Square Footage Growth	0.0%	-11.1%	26.5%	82.9%	-45.6%
Number of Nonresidential Projects	75	69	103	101	26
Nonresidential Projects Growth	2.7%	-8.0%	49.3%	-1.9%	0.0%
Average Single Family Sale Price	\$536,000	\$597,000	\$636,000	\$644,000	\$598,000
Average Single Family Sale Price Growth	3.3%	11.3%	6.6%	1.2%	-7.6%
Single Family Inventory Growth	25.2%	15.2%	10.4%	18.4%	25.2%
Single Family Home Sales Growth	-21.8%	-16.9%	1.4%	2.1%	-2.5%
Retail Sales Growth	11.4%	4.8%	2.9%	5.5%	0.3%
National Park Recreational Visits	-3.9%	0.1%	0.0%	-14.3%	12.6%

NA = Not available.

Employment data from U.S. Bureau of Labor Statistics, LAUS (western region) and CES (Grand Junction MSA). Data through April 2026.

Unemployment rate from U.S. Bureau of Labor statistics, LAUS (household survey). Data through March 2026.

Wage data from U.S. Bureau of Labor Statistics, QCEW. Data through 2025Q2. The 2025 value is the average of the available quarters. The 2025 growth rate shows the growth from the same quarters in 2024.

Energy data from the Energy and Carbon Management Commission. Data through March 2026.

Construction data from F.W. Dodge. Data through April 2026.

Housing market data from Colorado Association of Realtors. Data through April 2026.

Retail sales data from Colorado Department of Revenue. Data through February 2026.

National Park visit data from National Park Service. Recreation visits for Black Canyon of the Gunnison NP, Colorado NP, Dinosaur NM, and Curecanti NRA. Data through March 2026.

Labor Market

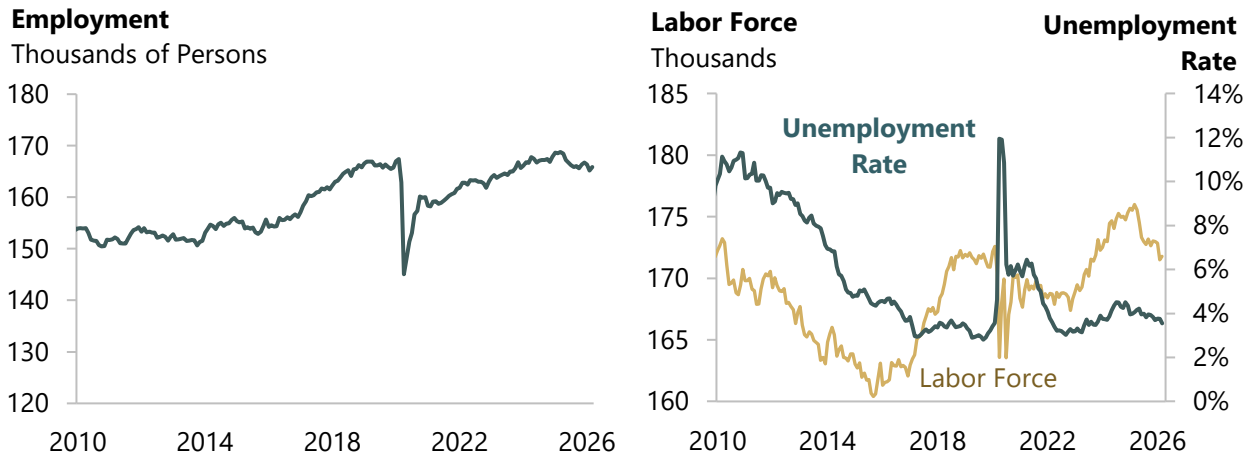
Employment for households in the Western region continues to lag the state since the pandemic. Employment contracted to start the year, but remains near the pre-pandemic peak. Through March 2026, household employment was down 1.7 percent year-to-date (Table 29, left), and is about 0.7 percent below employment in January 2020. Despite job loss, the unemployment rate remains low in the region and has dropped from 4.3 percent in April 2025 (Table 29, right) to 3.6 percent in March 2026. Normally, job losses are associated with increases in the unemployment rate. Uniquely over the past year, the region's labor force has fallen along with the unemployment rate. The coinciding declines in employment, the labor force, and the unemployment rate suggest workers may be leaving employment and the labor force simultaneously as the labor force is comprised of people actively looking for work. The falling labor force poses a risk for the region's labor market during the forecast period.

The Grand Junction metropolitan statistical area (MSA) is an economic hub for the Western region and employment has fared better in the area than regionwide. In 2025, employment growth for the Grand Junction MSA was mixed among industries and was flat overall for the year (Table 29). With the opening of an Amazon warehouse in Grand Junction to start the year, employment in the transportation and warehousing sector was the largest contributor to employment gains. Additionally, the education and health services sector posted strong growth, similar to the trend nationwide. Colorado Mesa University continued to expand, and state government education employment was up 10.5 percent for the year. However, gains were offset by decreases in several other sectors including manufacturing, information, financial activities, and federal government.

Through the first four months of 2026, data indicate that employment in the Grand Junction MSA is stable. Employment growth is down slightly compared with last year, -0.1 percent year-to-date, but there are notable gains that bode well for the regional economy. Professional and business services started the year up 3.7 percent year-to-date, and health services continued to expand. State government education, tied to Colorado Mesa University, continues to be an economic driver, and was up 7.3 percent year-to-date.

Demographic trends in the Western region influence both employment and the labor force. The region has a rapidly growing retirement age population, with growth outpacing statewide growth in that population for many years. In 2025, data from the Colorado State Demography Office indicate the share of the population that is 65 years and older was about 17 percent statewide, but was about 23.4 percent in the Western region. The older population in the Western region likely drives more demand and employment in health services. In contrast, data indicate the working age population 16 to 64 years in the Western region contracted slightly in 2025, and is expected to remain fairly stagnant in the forecast period. Slow growth in the working-age population is expected to dampen employment growth in the long term.

Figure 50
Western Region Labor Market Indicators



Source: U.S. Bureau of Labor Statistics; LAUS (household survey). Data are seasonally adjusted and are through March 2026.

Housing

The housing market in the Western region is showing mixed signals and varies by area according to recent indicators from the Colorado Association of Realtors. Overall, in April year-to-date, the average sales prices was down, sales were down, and inventory continued to increase. In April 2026, the average sales price of a single family home was down 7.6 percent year-to-date (Table 29), dragged down by price decreases in Garfield, Gunnison, and Montrose counties. However, sales prices in the largest market, Mesa County, were up modestly at the start of the year, and were mixed among other counties in the region. Sales numbers were less mixed, were down in most counties, and contracted 2.5 percent year-to-date overall. Overall, inventory continued to jump, was up significantly in most of the region’s counties, and is on track for double-digit growth for the fifth year in a row after dropping to historic lows.

The mixed market signals may indicate a turning point for the housing market in the region and may signal some broad, ongoing price weakness like what is being experienced in other parts of the state and nation. In April year-to-date, housing permits started the year down, contracting 0.8 percent. Residential construction is expected to remain muted amid price uncertainty, high interest rates, and growing inventory levels.

Energy

Natural gas production in the Western region has declined consistently since 2012. In 2012, the Western region accounted for the majority of the state’s natural gas production. However, after consistently declining, the Western region now only accounts for about 23 percent of the state’s production. The region’s wells have been impacted by years of weak natural gas prices, as well as growing production from oil shale operations. Many of the natural gas operations in the Western region are on federal lands, and fewer leases for several years may be impacting production. In April year-to-date, natural gas production was down 1 percent (Table 29).

Retail Sales and Tourism

Post-pandemic retail sales in the Western region outpaced sales growth statewide. In 2025, sales in the Western region grew 5.5 percent, but increased just 3.2 percent statewide. Through February 2026, the region's retail sales have started the year growing more slowly than the state, but it is too early to tell if this is the start of a slower year for the region. Slower employment growth may dampen retail sales during the forecast period, and higher transportation costs may dampen tourism. However, indicators of tourist activity remain positive to start the year. Visits to national parks in the region, including Black Canyon of the Gunnison and Dinosaur National Monument, are up 12.6 percent year-to-date (Table 29). Additionally, passenger traffic at the Grand Junction Regional airport remains strong through the first four months of the year.

Southwest Mountain Region

The Southwest Mountain region is made up of five counties in the southwest corner of the state. The area encompasses less than 2 percent of the state’s total population but boasts a diverse economy with contributions from tourism, healthcare, and retail trade. Employment declined in recent years, but has started to rebound in 2026. Tourism has declined in recent years, but the housing market is posting moderate growth. Indicators for the Southwest Mountain region are summarized in Table 30.

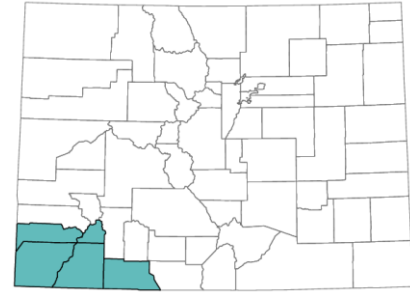


Table 30
Southwest Mountain Region Economic Indicators
 Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

Economic Indicators	2022	2023	2024	2025	YTD 2026
Employment Growth	2.1%	0.7%	0.3%	-0.8%	-0.4%
Unemployment Rate	3.5%	3.6%	4.3%	4.0%	3.7%
Average Weekly Wage Level	\$991	\$1,042	\$1,085	\$1,074	NA
Growth in Average Weekly Wages	4.5%	5.1%	4.1%	2.8%	NA
Housing Permit Growth	-21.9%	21.0%	10.3%	-38.4%	-33.5%
Average Single Family Sale Price	\$750,000	\$805,000	\$808,000	\$856,000	\$795,000
Average Single Family Sale Price Growth	14.2%	7.4%	0.4%	5.9%	4.9%
Single Family Inventory Growth	12.4%	8.9%	21.1%	22.7%	25.0%
Single Family Home Sales Growth	-23.3%	-18.9%	-0.8%	1.5%	5.2%
Retail Sales Growth	4.9%	1.4%	2.7%	3.8%	2.6%
National Park Recreational Visits	-8.2%	2.3%	-5.3%	-4.3%	-5.0%

NA = Not available.

Employment data from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through March 2026.

Wage data from U.S. Bureau of Labor statistics, QCEW. Data through 2025Q2.

Construction data from F.W. Dodge. Permits for residential units. Data through April 2026.

Housing market data from Colorado Association of Realtors. Seasonally adjusted. Data through April 2026.

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through February 2026.

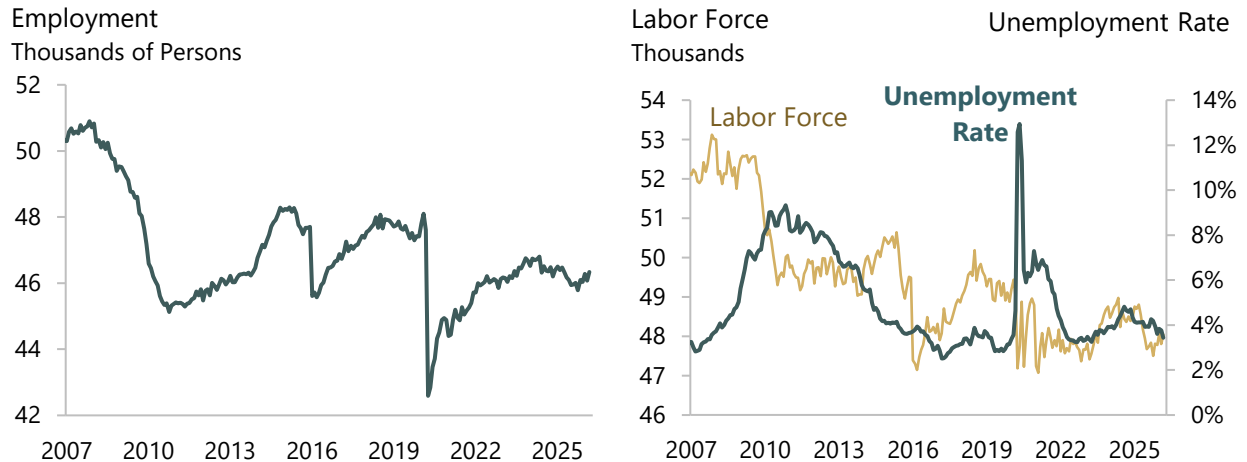
National Park visit data from National Park Service. Recreation visits for Mesa Verde National Park and Hovenweep National Monument. Data through April 2026.

Labor Market

The Southwest Mountain region’s labor market is more concentrated by industry than the statewide labor market. The region has a smaller footprint in wholesale trade and manufacturing than the rest of the state, but a larger footprint in government, retail trade, agriculture, arts, and recreation. Both the Ute Mountain Ute tribe and Southern Ute Indian tribe occupy land in the region, contributing higher proportions of government employment. Because the region is heavily dependent on tourism, the economy is also more sensitive to economic downturns.

Employment fell throughout 2025, remaining well below pre-pandemic levels, but has started to rebound modestly in recent months (Figure 51, left). Despite losses in employment in recent years, the unemployment rate has ticked down steadily as the size of the labor force has also declined, reflecting fewer people searching for and finding jobs. Gains in average weekly wages rose 2.8 percent in 2025, slightly outpacing inflation. Average wages in the region remain below the statewide average and are only higher than those in the San Luis Valley and eastern regions.

Figure 51
Southwest Mountain Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2026. Includes Legislative Council Staff adjustments prior to 2010.

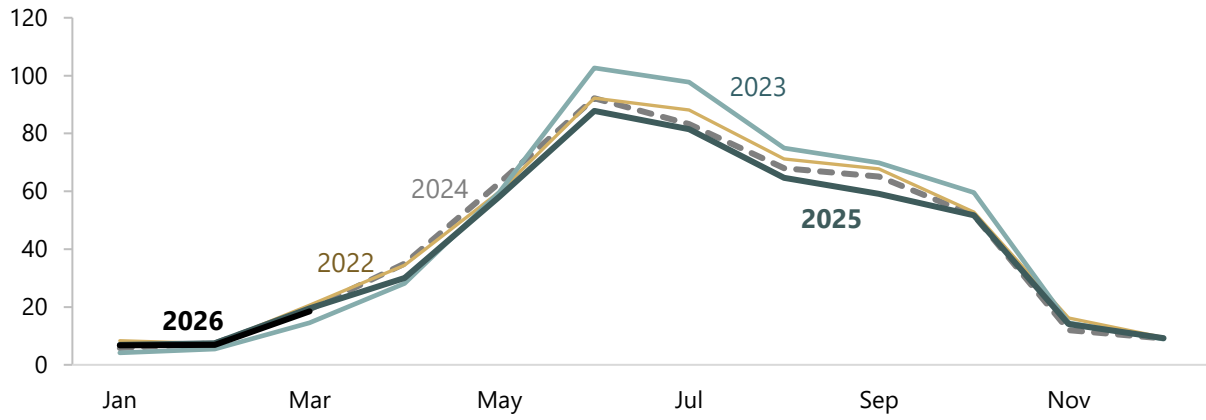
Housing and Construction

The housing market in the southwest mountain region shows signs of cooling after a boom following the pandemic. Average single family home prices can be volatile due to the small number of homes in the region, but values are up 4.9 percent so far in 2026, a moderate pace of growth. The average single family home price in the region stands at \$795,000 according to the most recent data. Residential construction has plummeted in 2025 and 2026, with permits down by more than 33.5 percent year-to-date. High interest rates will likely continue to be a drag on the housing market in 2026 and 2027.

Tourism and Consumer Spending

Tourism-dependent spending is a significant economic driver in the Southwest Mountain region. Local wildfires, drought conditions, and high gas prices generally pose a risk to tourist activity. The region saw declines in tourism in 2024 and 2025 due to fire damage and closures in certain parts of Mesa Verde National Park. In 2025, total visits to Mesa Verde National Park and the Hovenweep National Monument were nearly 490,000, roughly five times the amount of the region’s population. So far in 2026, park visits are lower than they were in 2025. Despite declines in tourism for the region’s national parks, growth in retail sales is roughly in line with inflation.

Figure 52
Visits to Mesa Verde National Park and Hovenweep National Monument
 Thousands of Visits



Source: National Park Service. Data through March 2026.

San Luis Valley Region

Among the nine economic regions identified in this forecast, the San Luis Valley has the state's smallest population and its lowest household incomes. The economy of the region's six counties is largely agricultural. Severe drought conditions pose a significant downside risk to agricultural producers in the region, and the labor market continues to cool alongside other regions in the state. Economic indicators for the region are summarized in Table 31.

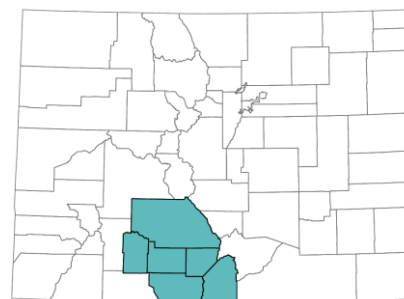


Table 31
San Luis Valley Region Economic Indicators
 Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

Economic Indicators	2022	2023	2024	2025	YTD 2026
Employment Growth	2.2%	0.2%	0.1%	-2.3%	-5.5%
Unemployment Rate	4.0%	4.0%	4.9%	4.7%	4.4%
Average Weekly Wage Level	\$856	\$901	\$906	\$907	NA
Growth in Average Weekly Wages	6.3%	5.2%	0.6%	2.5%	NA
Barley Acres Harvested	40,000	52,000	40,000	38,000	NA
Barley Crop Value (\$/Acre)	\$628	\$1,000	\$1,003	\$756	NA
Potato Acres Harvested	52,900	54,800	53,800	54,800	NA
Potato Crop Value (\$/Acre)	\$7,169	\$3,557	\$4,034	\$3,549	NA
Housing Permit Growth	-21.6%	-6.3%	24.9%	42.0%	-51.4%
Average Single Family Sale Price	\$352,000	\$365,000	\$376,000	\$369,000	\$346,000
Average Single Family Sale Price Growth	2.5%	3.7%	3.1%	-1.2%	-1.2%
Single Family Inventory Growth	18.6%	32.9%	23.1%	15.5%	23.7%
Single Family Home Sales Growth	-25.4%	-14.8%	8.7%	-5.9%	18.8%
Retail Sales Growth	9.0%	2.3%	1.0%	-0.2%	-1.9%
National Park Recreational Visits	-18.1%	3.8%	-14.6%	-1.2%	18.1%

NA = Not available.

Employment data from U.S. Bureau of Labor Statistics, LAUS (household survey). Data through March 2026.

Wage data from U.S. Bureau of Labor statistics, QCEW. Data through 2025Q2. The 2025 value is the average of the available quarters. The 2025 growth rate shows the growth from the same quarters in 2024.

Agricultural data from National Agricultural Statistics Service statewide data. Data through April 2026.

Construction data from F.W. Dodge. Permits for residential units. Data through April 2026.

Housing market data from Colorado Association of Realtors. Seasonally adjusted. Data through April 2026.

Retail sales data from Colorado Department of Revenue. Seasonally adjusted. Data through February 2026.

National Park visits data from National Park Service. Recreation visits for Great Sand Dunes NP. Data through March 2026.

Agriculture

The San Luis Valley region is a leading producer of potatoes, barley, and alfalfa hay in the nation. However, ongoing water supply limitations have encouraged the rise of more drought-tolerant crops such as quinoa, hemp, and rye. A [November 2025 study](#) on overconsumption of water from the Rio Grande, which flows through the San Luis Valley, suggests that 83 percent of irrigation consumption from the Upper Rio Grande Basin in San Luis Valley is for alfalfa hay,

other hay, and barley. In contrast, only 7 percent of water irrigated is used for potato farming, making it a more viable production option in drought conditions. Net farm incomes are expected to decline in 2026 as drought conditions, threats to global fertilizer supply, and labor supply constraints contribute to rising input costs. Total acres of land harvested are expected to decline in the region with continued shifts toward less water-hungry crops, as demonstrated by the 2025 increase in potato acres harvested with declines in barley acres harvested.

Access to water remains a key factor in agricultural production decisions in the region.

The region faces a slew of water supply issues weighing on agricultural production decisions, which are expected to continue reshaping the market in the region. After Texas sued Colorado and New Mexico for overconsumption of water from the Rio Grande in late May 2026, the U.S. Supreme Court approved a settlement with agreements to pare down groundwater pumping in New Mexico by purchasing water rights from farmers and reducing irrigated lands. In addition, following the drought in 2002 that led to the depletion of the aquifer underlying the Upper Rio Grande Basin, San Luis Valley water users have been required by the state to restore the aquifer by the end of 2031 to a level determined by the state engineer. Despite programs and regulations designed to encourage less water consumption, progress risks erasure from the severe drought conditions plaguing the state, a situation that previously partially reversed progress in 2018 when drought consumed the region. If restoration does not progress as mandated, farmers risk restricted or prohibited well use for irrigation.

Drought conditions range from severe to exceptional throughout the region as of June 1, 2026, according to the U.S. Drought Monitor. The San Luis Valley is a high desert, and irrigation for most crops relies on groundwater, reservoirs, and rivers fed by winter snowpack, which has been depleted by the impacts of climate change and agricultural use. Early in the growing season, the water content of snowpack was just 3.0 percent of the historical median as of June 2, 2026. The historically poor water outlook for the region poses a downside risk for crops in an already water scarce environment. Farmers will be encouraged to reduce acres harvested and continue shifts towards drought-tolerant crops. In the short-run, severe drought conditions limit access to water and worsen the longer-term water outlook, employment in agriculture declines alongside a shrinking labor force, and conflict in the Middle East threatens global fertilizer supplies. These factors put upward pressure on input costs and are expected to reduce net farm income in 2026.

Labor Market

As the state's least populous region, the San Luis Valley accounts for just over 0.5 percent of statewide employment yet accounts for nearly 10 percent of statewide agricultural employment. The region's labor market is weakening alongside other regions, with downward pressure from receding tourist activity, a shrinking labor force, and severe drought conditions. Listed in order by size, the region's top five sectors for employment are retail trade and accommodation, health care and social assistance, education, government, and agriculture, in total accounting for over 70 percent of total employment in the region.

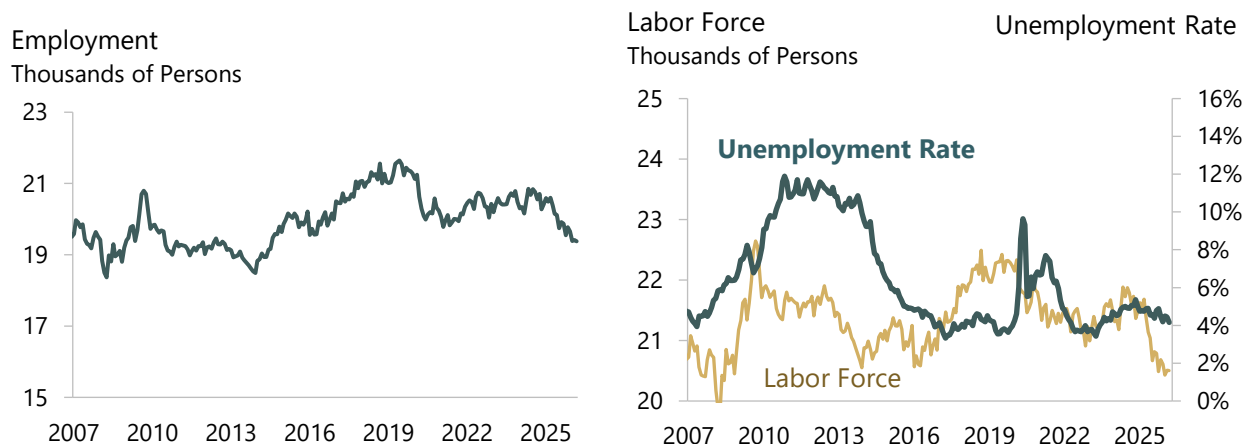
As in other rural regions of the state, household survey data is subject to large revisions due to a small sample size. As of March 2026, data suggest a declining labor force, down 5.6 percent from the June 2024 peak. In addition to discouraged workers leaving the labor

market, the region’s declining labor force is likely partly attributable to supply constraints from immigration policy shifts, with an active detention facility in Alamosa. With a higher proportion of elderly individuals than statewide, others may have elected early retirement in the low-hire, low-fire employment environment. The declining labor force has artificially dampened the unemployment rate from its peak. Still, at 4.3 percent, San Luis Valley holds the second highest unemployment rate in the state.

An aging population buoys demand for labor in health care. In line with an aging population and state trends, employment declined 2.3 percent in the region in 2025, partially offset by 2.2 percent growth in health care and social assistance employment. The region’s share of employment in health care and social assistance has grown steadily overtime and currently makes up 17 percent of total regional employment, making it the largest supersector for employment in the region. At the same time, the share of agricultural employment in the region has fallen slightly, potentially attributable to low profitability in the industry in recent years, as drought, limited water supply, and high input costs have weighed on farmers.

Regional employment is expected to decline further in 2026 as agricultural employment falls and hotter, drier weather paired with weakened tourist activity dulls the number of national park visitors during peak season, contributing to weakening demand for labor in the retail trade and accommodation sectors. Mirroring state and national trends, lackluster employment growth in the short-run will be partially offset by a continued increase in health care and social assistance employment as the population ages and chronic disease becomes more prevalent.

Figure 53
San Luis Valley Labor Market Activity



U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2026. Includes Legislative Council Staff adjustments prior to 2010.

With average weekly wages at \$907, regional wages grew 2.5 percent in 2025, well under the 4.3 percent growth rate seen statewide, bringing the region’s average weekly wages down to just 56 percent of the statewide average. Wage growth is expected to accelerate in 2026 as inflation rises, the labor force shrinks, and demand for health care workers continues to grow.

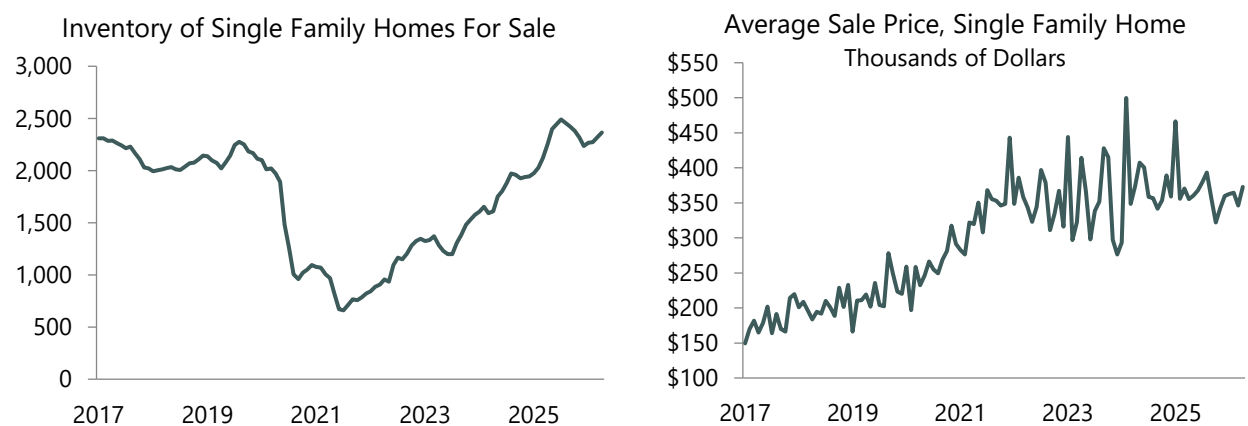
Housing and Population

Aligned with statewide and national trends, the region’s population continues to age, with over 22 percent of the population aged 65 and over compared to the statewide share of 16 percent. At the same time, the region’s working age population is shrinking, leaving the region with a declining labor supply and increasing demand for health care and other services associated with an aging population.

As the number of employed persons has declined in the region and household finances weakened statewide, inventories of homes for sale continue to increase, posting a fourth consecutive year of double-digit growth. Similar to the statewide trend, home prices in the region are correspondingly moderating after peaking at an average value of \$376,000 in 2024. As of April 2026, home prices are down over 7 percent from the prior year, now with an average single home family sale price of \$346,000.

Despite being only 50 percent of the statewide average home price, single family home prices in the region have nearly doubled over the past decade. Several active affordable housing community construction sites such as Tierra Azul, Range View Apartments, and Sawmill Meadow, have anticipated completion dates between mid-2026 and mid-2027, which should further lend to moderating house prices through 2027.

Figure 54
San Luis Valley Housing Market Activity



Source: Colorado Association of Realtors. Data are seasonally adjusted and through April 2026.

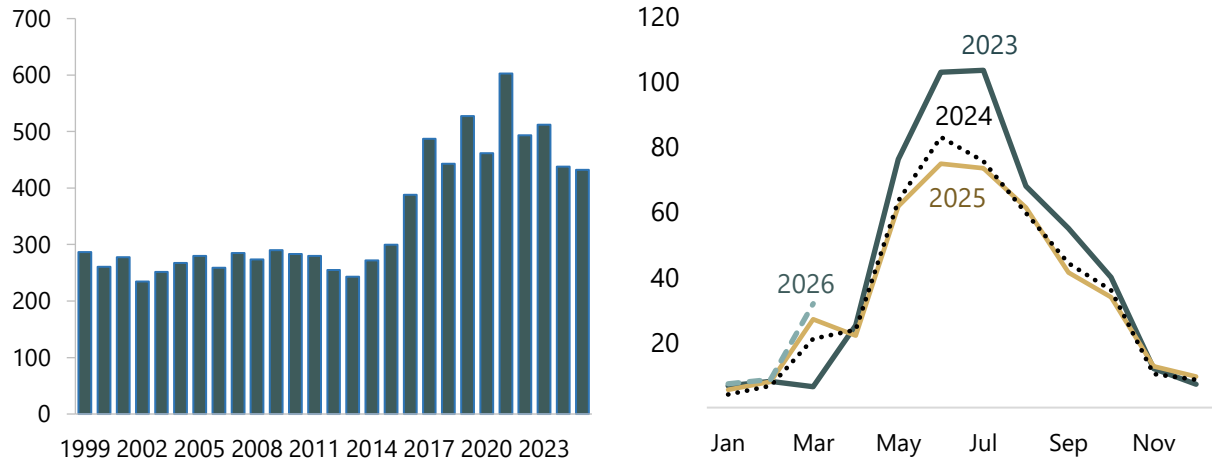
Tourism and Consumer Spending

Despite a spike in visits to the Great Sand Dunes National Park and Preserve in early 2025, visits ended the year down 1.2 percent, the lowest level in nearly a decade. Similarly, national park visits are up 18 percent year-to-date through March 2026, though this trend is not expected to carry forward through the year. The increase in park visits earlier in the year is likely attributable to changes in the climate, with a warmer and drier winter sparking increased visits in the first quarter of the year, likely supplanting other visits later in the season.

In line with national park visits that have been on a downward trend since 2023, retail sales in the region have been indicative of real declines since 2023 and ended 2025 down 0.2 percent.

Peak season park visitations in 2026 are expected to land near or below 2025 levels as international tourist activity to the U.S. remains depressed, and a weak labor market paired with rebounded inflation suppresses growth in state consumer activity.

Figure 55
Visits to Great Sand Dunes National Park and Preserve
 Thousands of Visits



Source: National Park Service; data through March 2026.

Appendix: Historical Data

National Economic Indicators

Calendar Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GDP (Billions)	\$16,254.0	\$16,880.7	\$17,608.1	\$18,295.0	\$18,804.9	\$19,612.1	\$20,656.5	\$21,540.0	\$21,375.3	\$23,725.6	\$26,054.6	\$27,811.5	\$29,298.0	\$30,762.1
Percent Change in GDP	4.2%	3.9%	4.3%	3.9%	2.8%	4.3%	5.3%	4.3%	-0.8%	11.0%	9.8%	6.7%	5.3%	5.0%
Real GDP (Billions of 2017 dollars)	\$17,442.8	\$17,812.2	\$18,261.7	\$18,799.6	\$19,141.7	\$19,612.1	\$20,193.9	\$20,715.7	\$20,284.5	\$21,532.4	\$22,075.9	\$22,724	\$23,358	\$23,850
Percent Change in Real GDP	2.3%	2.1%	2.5%	2.9%	1.8%	2.5%	3.0%	2.6%	-2.1%	6.2%	2.5%	2.9%	2.8%	2.1%
Unemployment Rate	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%	5.3%	3.6%	3.6%	4.0%	4.3%
Inflation	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	2.9%	2.6%
10-Year Treasury Note (annual avg.)	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%	4.3%
Personal Income (Billions)	\$13,917.8	\$14,068.8	\$14,784.1	\$15,473.7	\$15,887.7	\$16,662.8	\$17,528.2	\$18,363.2	\$19,631.7	\$21,498.9	\$22,153.8	\$23,585.0	\$24,905.9	\$26,099.9
Percent Change in Personal Inc.	4.6%	1.1%	5.1%	4.7%	2.7%	4.9%	5.2%	4.8%	6.9%	9.5%	3.0%	6.5%	5.6%	4.8%
Wage & Salary Income (Billions)	\$6,928.1	\$7,114.0	\$7,476.3	\$7,859.5	\$8,091.2	\$8,474.4	\$8,899.8	\$9,325.1	\$9,465.3	\$10,315.0	\$11,122.8	\$11,732.4	\$12,387.9	\$12,958.7
Percent Change in Wage Income	4.6%	2.7%	5.1%	5.1%	2.9%	4.7%	5.0%	4.8%	1.5%	9.0%	7.8%	5.5%	5.6%	4.6%
Nonfarm Employment (Millions)	134.2	136.4	138.9	141.8	144.3	146.6	148.9	150.9	142.2	146.3	152.5	155.9	157.7	158.4
Percent Change in Nonfarm Emp.	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.4%	-5.8%	2.9%	4.3%	2.2%	1.2%	0.5%

Sources:

GDP and income data from U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.

Unemployment, inflation, and nonfarm employment data from U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).

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

Colorado Economic Indicators

Calendar Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Nonfarm Employment (Thousands)	2,312	2,381	2,464	2,541	2,602	2,660	2,727	2,790	2,653	2,751	2,870	2,937	2,970	2,962
Percent Change in Nonfarm Emp.	2.4%	3.0%	3.5%	3.2%	2.4%	2.2%	2.5%	2.3%	-4.9%	3.7%	4.3%	2.4%	1.1%	-0.3%
Unemployment Rate	8.0%	6.7%	5.0%	3.7%	3.1%	2.6%	3.0%	2.7%	6.8%	5.5%	3.1%	3.3%	4.1%	4.0%
Personal Income (Millions)	\$236,033	\$247,817	\$268,453	\$279,696	\$283,679	\$303,367	\$328,113	\$351,476	\$374,449	\$418,190	\$448,677	\$473,105	\$494,799	\$518,168
Percent Change in Personal Income	5.4%	5.0%	8.3%	4.2%	1.4%	6.9%	8.2%	7.1%	6.5%	11.7%	7.3%	5.4%	4.6%	4.7%
Per Capita Income	\$45,495	\$47,088	\$50,251	\$51,401	\$51,312	\$54,176	\$57,798	\$61,278	\$64,707	\$71,924	\$76,653	\$80,021	\$82,625	\$86,181
Percent Change in Per Capita Income	4.0%	3.5%	6.7%	2.3%	-0.2%	5.6%	6.7%	6.0%	5.6%	11.2%	6.6%	4.4%	3.3%	4.3%
Wage & Salary Income (Millions)	\$124,947	\$129,521	\$138,626	\$146,578	\$151,168	\$160,940	\$170,790	\$182,963	\$187,779	\$205,550	\$225,417	\$238,971	\$250,130	\$261,578
Percent Change in Wage & Salary Inc.	5.5%	3.7%	7.0%	5.7%	3.1%	6.5%	6.1%	7.1%	2.6%	9.5%	9.7%	6.0%	4.7%	4.6%
Retail Trade Sales (Millions)	\$74,100	\$77,639	\$83,395	\$87,379	\$90,627	\$95,890	\$100,503	\$105,547	\$112,431	\$131,528	\$144,145	\$145,707	\$145,993	\$149,068
Percent Change in Retail Trade Sales	6.0%	4.8%	7.4%	4.8%	3.7%	5.8%	4.8%	5.0%	6.5%	17.0%	9.6%	1.1%	0.2%	2.1%
Housing Permits	23,301	27,517	28,698	31,871	38,974	40,673	42,627	38,633	40,469	56,524	48,341	39,404	32,185	33,754
Percent Change in Housing Permits	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%	4.9%
Nonresidential Construction (Millions)	\$3,695.3	\$3,624.0	\$4,350.9	\$4,990.8	\$5,992.1	\$6,150.7	\$8,132.0	\$5,161.5	\$5,607.5	\$5,681.0	\$6,610.9	\$6,553.4	\$4,935.8	\$6,880.7
Percent Change in Nonres. Construction	-5.8%	-1.9%	20.1%	14.7%	20.1%	2.6%	32.2%	-36.5%	8.6%	1.3%	16.4%	-0.9%	-24.7%	39.4%
Denver-Aurora-Lakewood Inflation	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%	2.3%
Population (Thousands, July 1)	5,193.7	5,270.8	5,352.6	5,454.3	5,543.8	5,617.4	5,697.2	5,758.5	5,786.9	5,814.4	5,853.4	5,912.2	5,988.5	6,012.6
Percent Change in Population	1.4%	1.5%	1.6%	1.9%	1.6%	1.3%	1.4%	1.1%	0.5%	0.5%	0.7%	1.0%	1.3%	0.4%

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.