

**COMMON
SENSE**
Policy Roundtable

Is Colorado's Budget Ready for a Recession?

(Webinar to Begin at 9:15)



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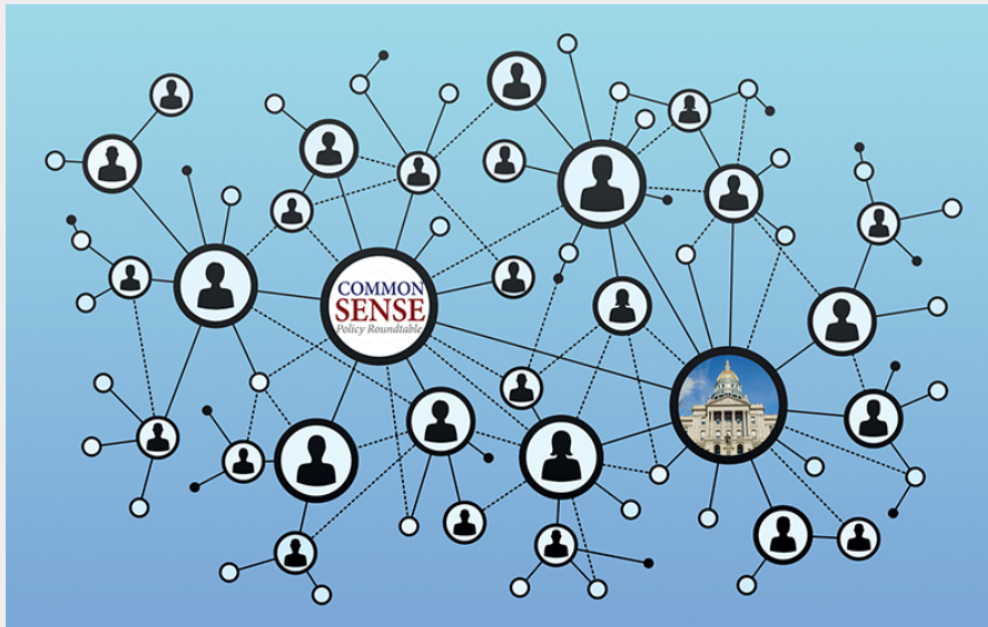
Kristin Strohm
President and CEO



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Policy Roundtable

**We believe sound fiscal and economic research
is essential to uphold Colorado's economy,
vitality, future, and individual opportunity.**

COVID-19 in Colorado



COLORADO RESOURCE STATION
Together We Thrive

Common Sense Policy Roundtable will provide frequent updates on this page to help keep the Colorado community informed with the latest data and links to valid COVID-19 resources.

These reports and findings do not stand in judgment of any policy, any decision or any action aimed at protecting the vital public health interests of Colorado and the nation amid this crisis. Aggressive steps to slow the spread of the Coronavirus are indisputably critical. Colorado's political leaders have, by in large, approached these decisions in a bipartisan way, and with sober and sensible resolve. This report does, however, frame the nature of the trade-offs for the people of Colorado if sweeping policies that prevent large segments of the citizenry from working stay in effect over-time. It has been said — to govern is to choose. As policy makers weigh these difficult decisions in the coming weeks, this report gives color to both the systemic and the highly-personal impact of one range of scenarios on the people of this state.

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Chris Brown
CSPR Director of Policy
and Research

Is Colorado's Budget Ready for a Recession?

Colorado's Revenue Outlook Has Rapidly Changed from Record Highs to a Potential \$3 Billion Shortfall

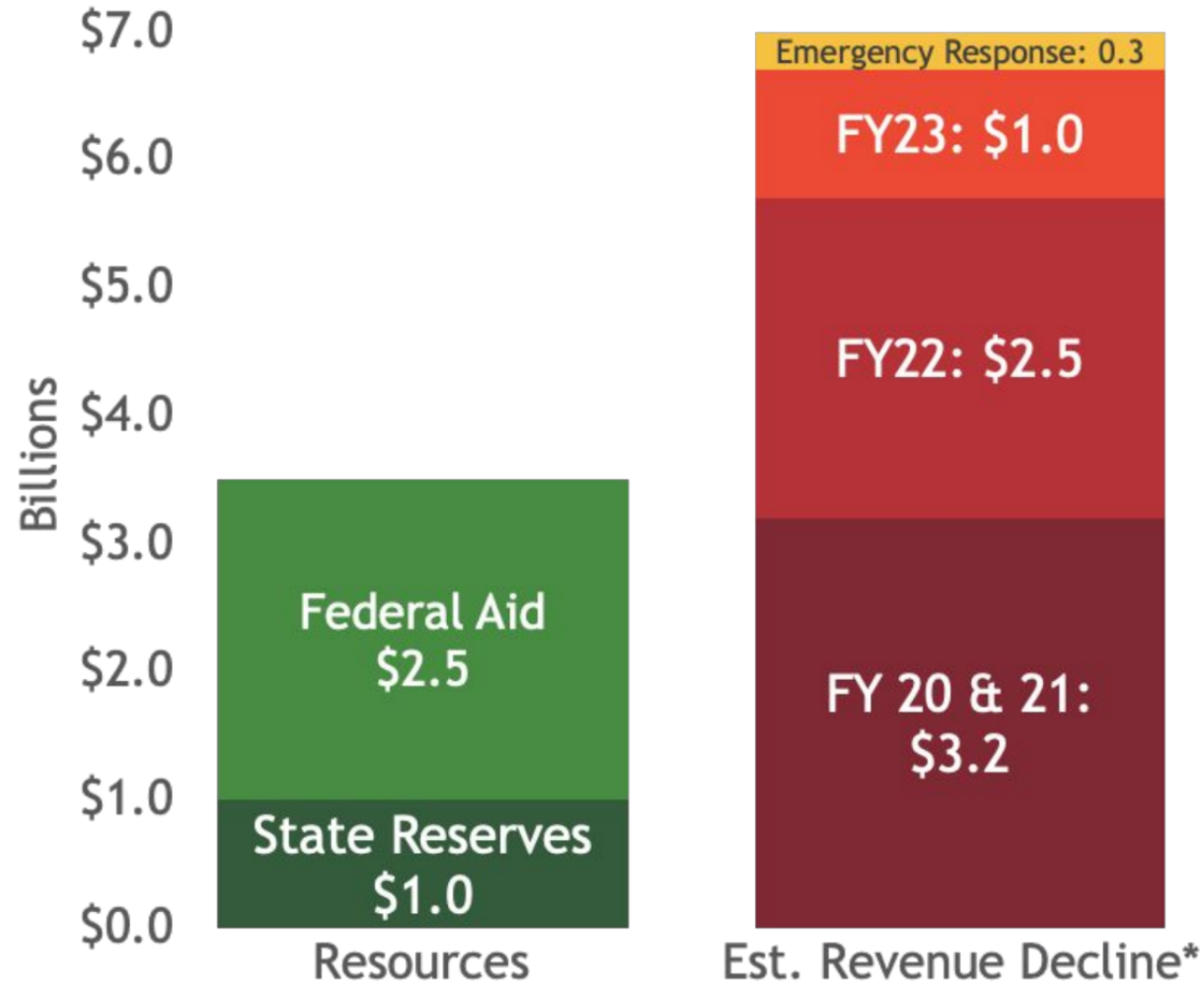
AUTHORS
CHRIS BROWN
SIMON LOMAX



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APRIL 2020

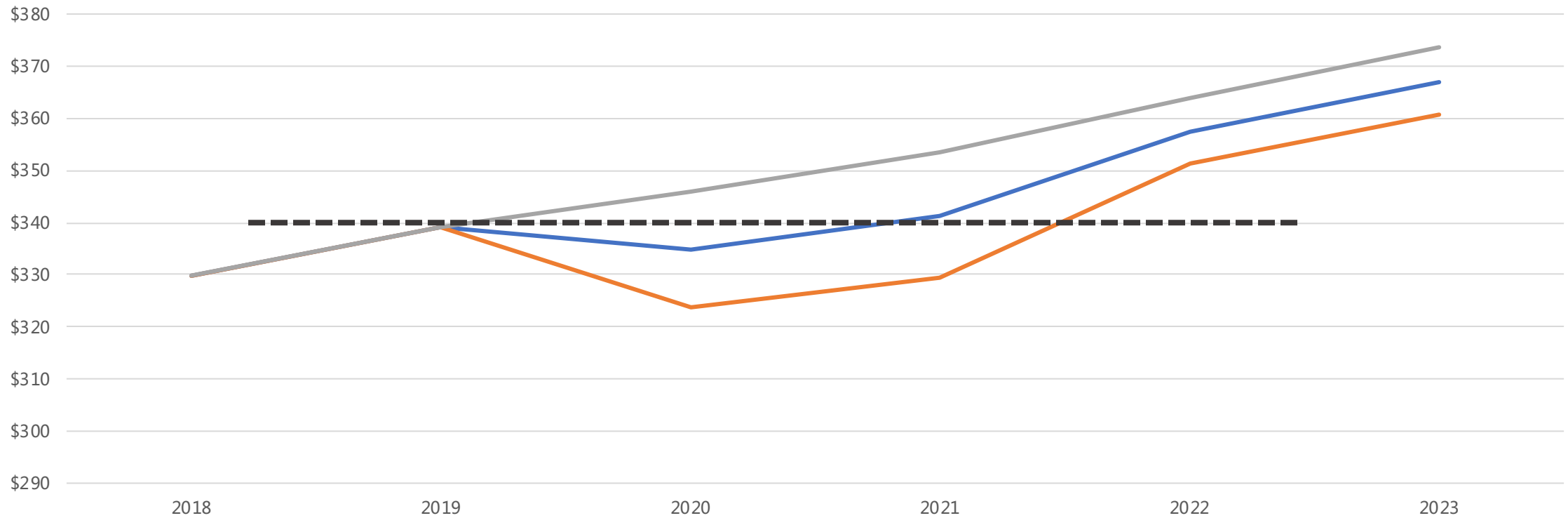
Resources Less Than Needs



*Estimate assumes steep drop in revenue, then gradual build back.

*Estimate is very rough, and **does not** represent a forecast update.

Colorado GDP Preliminary REMI Modeling Projections Results Based Upon Moodys 3/31 US Economic Baseline Forecast



— Post-Covid Forecast(as of 3/31)

— More Severe Post-Covid Forecast

— Pre-Covid Forecast

FRED

— Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma



Shaded areas indicate U.S. recessions

Source: U.S. Energy Information Administration

fred.stlouisfed.org

Weekly Unemployment Insurance Initial Claims in Colorado 4.16.20 Update

Over the first four weeks of the implementation of social distancing measures in Colorado, 7.3% of the state's workforce has filed for unemployment insurance.

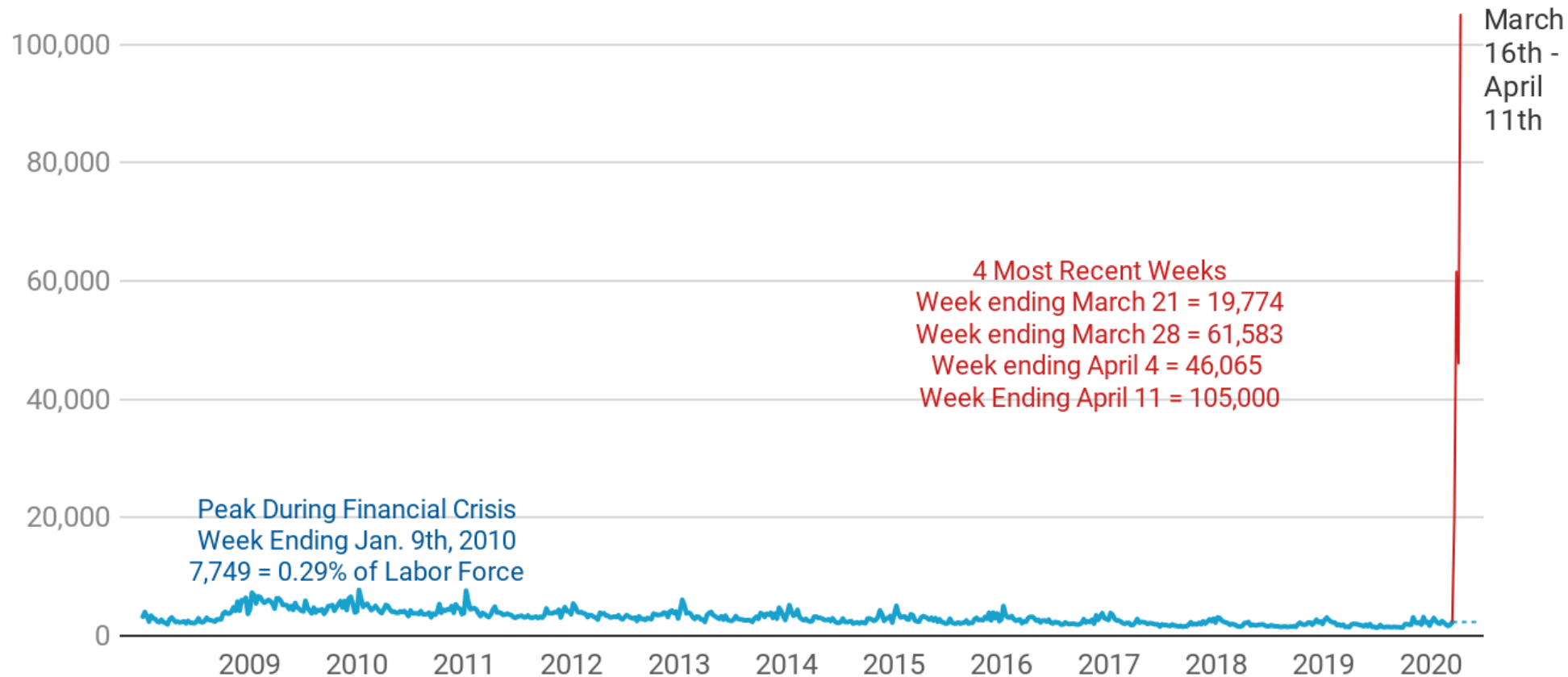
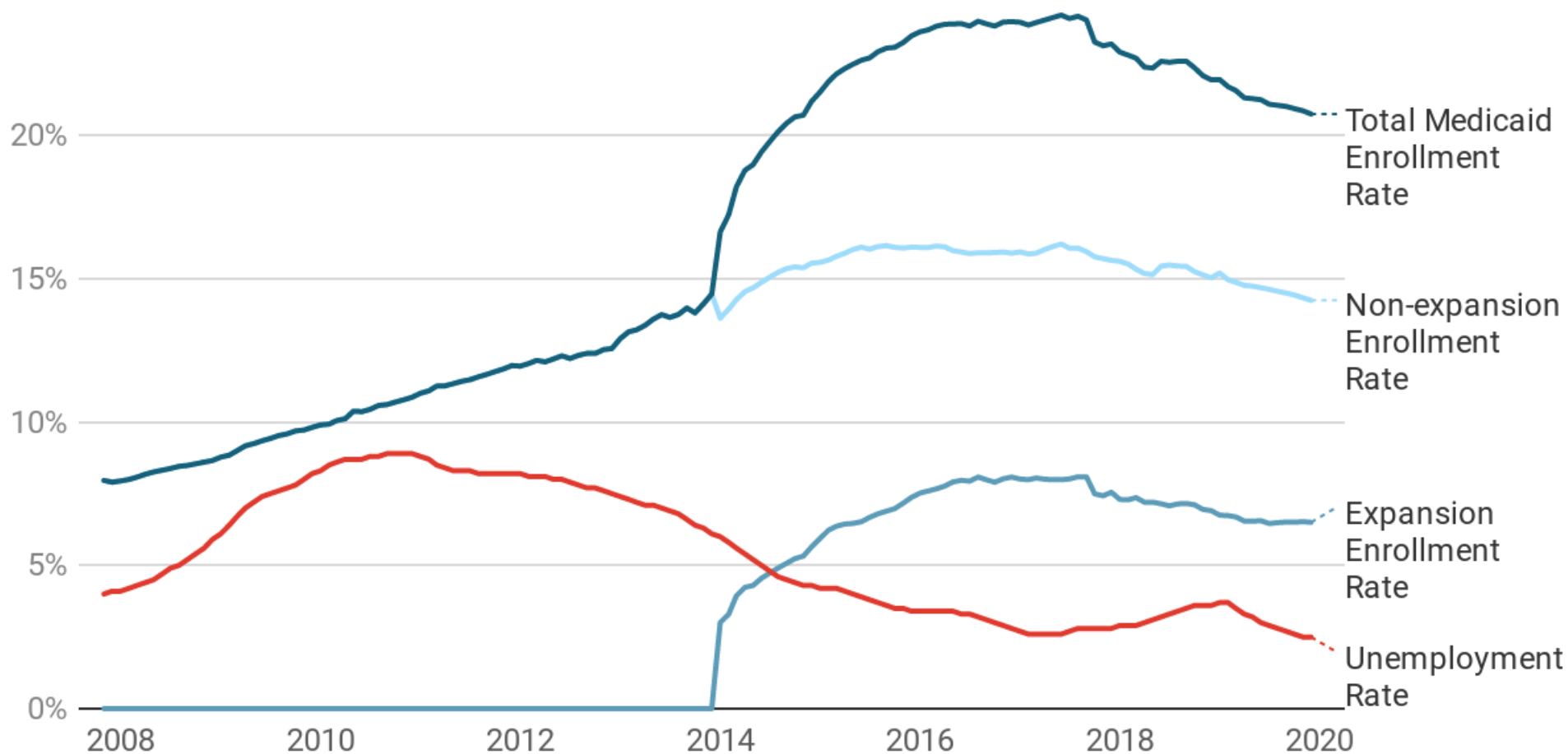


Chart: CSPR • Source: Colorado Department of Labor and Employment, Bureau of Labor Statistics • Created with Datawrapper

Colorado Medicaid Enrollment History

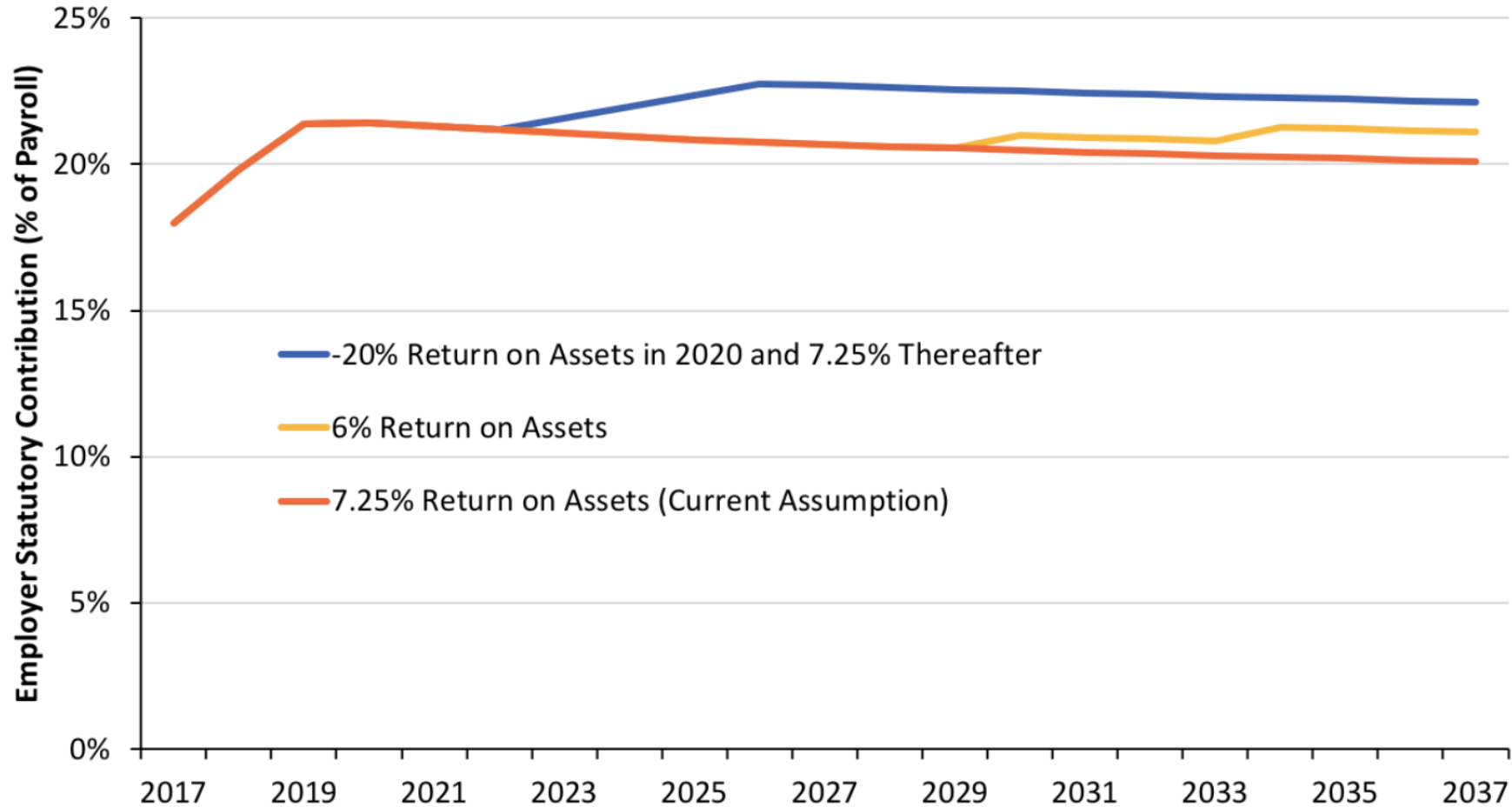


Medical Premiums Expenditure and Caseload Reports released by the Colorado Department of Health Care Policy and Financing

Chart: CSPR • Created with Datawrapper

SB200 Projected Statutory Employer Contribution

Colorado PERA: School Division (% of Payroll)



Note: Employer contribution shown is inclusive of statutory rate, plus supplemental payments, plus a general fund direct distribution. Projected rates are based on PERA's assumed 3.5% payroll growth rate, slower payroll growth will mean the direct distribution is slightly larger as a percentage of payroll.

Source: Reason Foundation, 2018

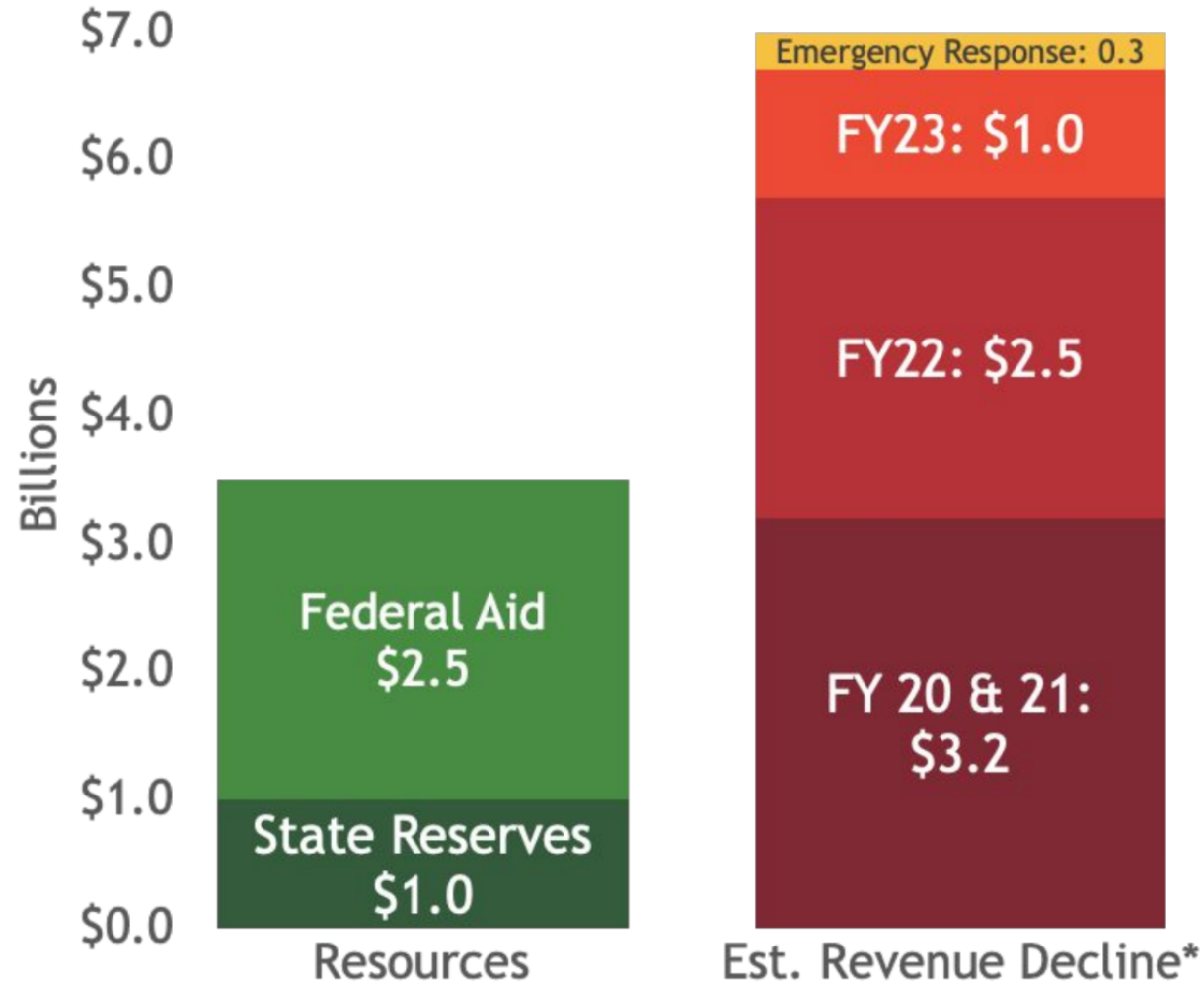
Colorado Joint Budget Committee Memos

billion for state and local governments. Based on language in the Act and the most recent federal interpretation available to staff, these funds cannot be used to address revenue losses but only unanticipated expenses due to COVID-19. State supplemental budgets are allowed to the extent

ESTIMATED COLORADO SHARE OF FEDERAL PROGRAMMATIC AND GRANT APPROPRIATIONS	
DEPARTMENT	SHARE TOTAL APPROPRIATIONS
Education	\$120,994,000
Governor's Office (Emergency Education Relief Funds)	43,904,000
Higher Education	166,797,000
Human Services	63,226,543
Local Affairs	86,027,000
State	6,670,000
Total	\$487,618,543

CORONAVIRUS RELIEF FUND - COLORADO SHARE		
A	Total Colorado share	\$2,237,992,322
B	Maximum local government share	\$1,007,096,545
ALLOCATIONS TO ELIGIBLE LOCAL GOVERNMENTS (COUNTIES)		
	Adams	\$90,487,375
	Arapahoe	114,825,462
	Denver	127,175,770
	El Paso	125,985,177
	Jefferson	101,935,119
C	Calculated local allocation	\$560,408,902
	State share (A-C)	\$1,677,583,419

Resources Less Than Needs



*Estimate assumes steep drop in revenue, then gradual build back.

*Estimate is very rough, and **does not** represent a forecast update.

Colorado State Appropriations By Department FY 20

■ State Revenue ■ Federal Revenue

	State Revenue	Federal Revenue
Education	\$5,523,874,944	\$619,445,796
Higher Education*	\$4,849,953,707	\$25,884,840
Health Care Policy and Financing	\$4,537,661,362	\$6,057,784,830
Transportation	\$1,483,476,167	\$621,466,824
Human Services	\$1,483,307,017	\$647,022,854
Corrections	\$932,713,468	\$3,575,312
Treasury	\$787,789,534	\$0
Judicial	\$786,399,908	\$4,425,000
Public Safety	\$404,717,964	\$70,080,226
Revenue	\$397,435,739	\$1,036,329
Natural Resources	\$303,616,313	\$26,682,640
Public Health and Environment	\$263,867,956	\$302,978,839
Local Affairs	\$254,398,759	\$82,120,530
Regulatory Agencies	\$112,022,514	\$1,323,269
Labor and Employment	\$108,163,142	\$153,713,234
Governor	\$104,651,140	\$6,897,440
Legislative Department	\$55,287,745	\$0
Agriculture	\$49,034,603	\$3,909,565
State	\$40,053,629	\$0
Law	\$36,406,250	\$2,354,094
Personnel	\$31,572,896	\$0
Military and Veterans Affairs	\$13,085,936	\$118,540,772

Source: JBC State Appropriation Reports • Created with Datarapper

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Simon Lomax
CSPR Fellow

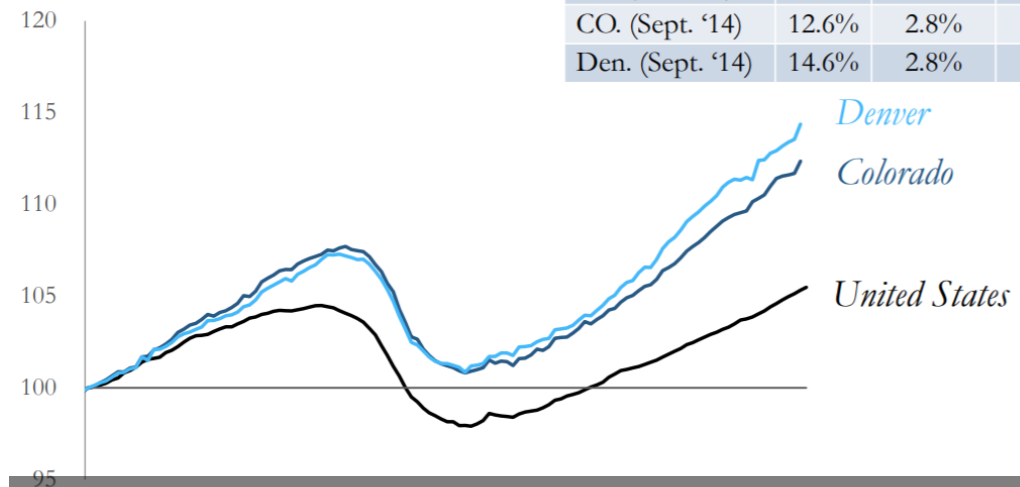
Lessons from the last recovery

- Employment in Colorado recovered from the Great Recession (Dec. 2007 to June 2009) much faster than the national average.
- From 2007 to 2014, employers in Colorado created new jobs at five times the national rate (i.e. 4.9% vs. 1%).

PAYROLL EMPLOYMENT GROWTH

Index 100 = October 2004, Seasonally Adjusted

Percent Change	Past 10 Years	Past Year	Dec. '07 to Current
U.S. (Oct. '14)	5.5%	1.9%	1.0%
CO. (Sept. '14)	12.6%	2.8%	4.9%
Den. (Sept. '14)	14.6%	2.8%	7.2%



Source: Federal Reserve Bank of Kansas City, Denver Branch

Lessons from the last recovery

In 2014, analysts with Colorado PERA and the Federal Reserve Bank of Kansas City identified Colorado's top performing industries in terms of job growth:

Energy

Hospitality

Healthcare

Manufacturing

Construction

Professional & Business Services

Some of these industries have been hit by the COVID-19 crisis especially hard, but if they can bounce back, history shows these sectors can help Colorado achieve a faster recovery than the rest of the country.

Implications for state policy?

"I think the discussion definitely shifts back to the fundamentals. Creating jobs. Helping businesses grow and invest in our communities. We aren't going to argue or complain about growth. People are going to welcome growth."

*--Jeff Holwell, Director of Economic Development,
City of Lone Tree*

*Former chief operating officer, South Metro
Denver Chamber of Commerce*

"It's back to basics. It's time to go old school: Checking in, asking businesses how they are holding up, and listening."

*--Kevin Hougen, President and CEO, Aurora
Chamber of Commerce*

Sector in focus: Energy

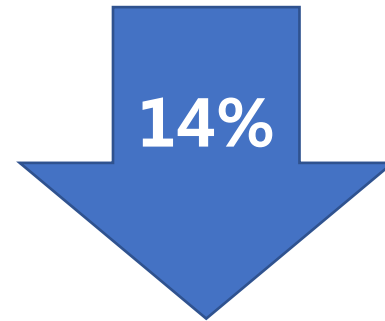


How a 'one-two punch' to oil and gas sector could impact real estate in downtown Denver

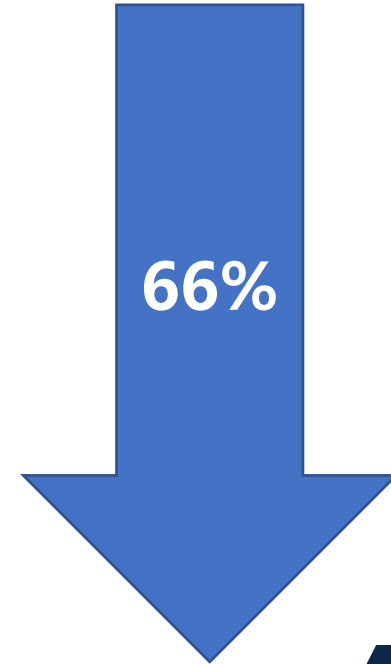
An oil price war and global pandemic have converged on Denver's oil and gas sector, prompting layoffs and pay cuts in an industry that currently occupies roughly 20% of downtown Denver's office space.

YTD performance (as of 4/15/2020)

S&P 500



WTI Crude Oil



Source: CNBC

Sector in focus: Energy

- Colorado is the 5th largest oil-producing state, 6th largest in natural gas
- In addition to state revenue, oil and gas generates local property tax revenue for K-12 public schools and other services, including road construction and maintenance, police and fire departments, water and sanitation infrastructure

Similar to residential and commercial properties, oil and gas production is subject to the same property tax formula.

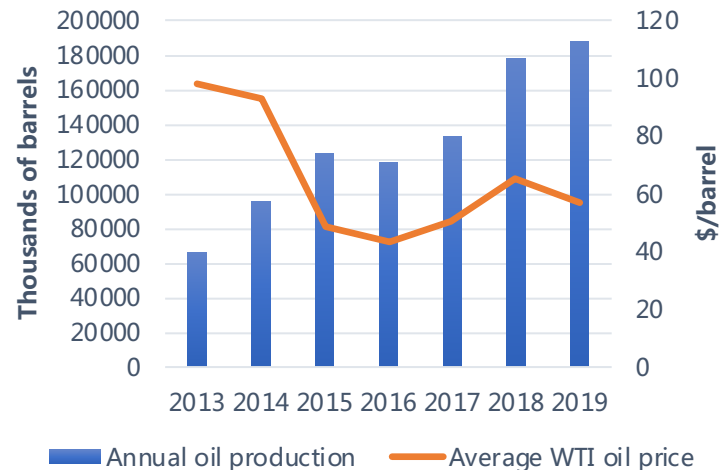
PROPERTY TAX DUE = ACTUAL VALUE X ASSESSMENT RATE X (MILL LEVY/1000)

The assessment rate on oil and gas production is more than **12X higher than residential properties** and **3X the rate of commercial properties.**



Sector in focus: Energy

Colorado oil production vs.
average WTI oil price



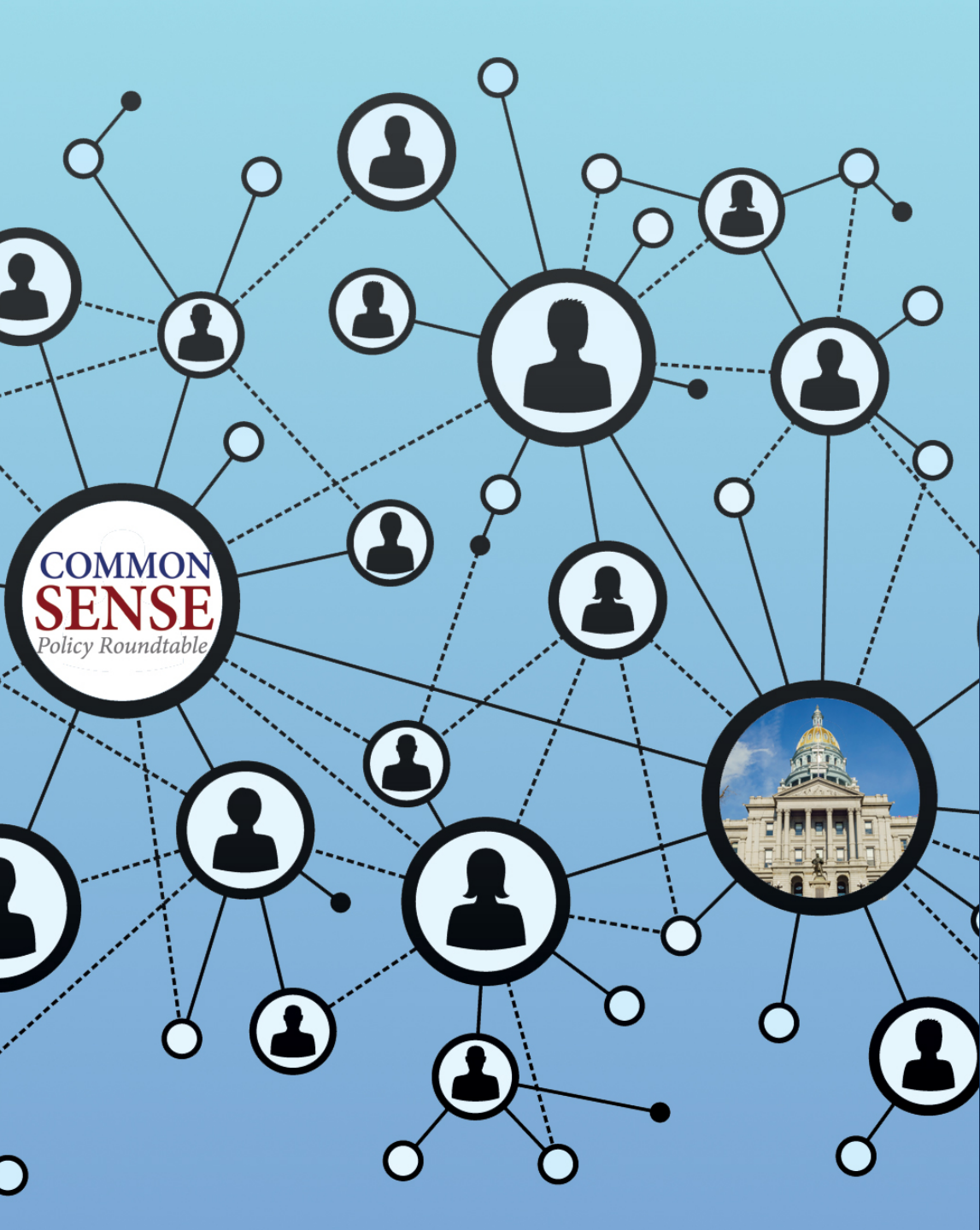
Colorado energy producers have withstood price crashes before and continued to increase production, thanks to:

- Improved efficiencies that allow oil and gas to be produced profitably at lower prices
- Regulatory procedures that allow new drilling projects to be reviewed and approved, i.e. available permits

Sector in Focus: Energy

Policy issues confronting the energy sector during the economic recovery from COVID-19 may include:

- Ballot measures to increase drilling setbacks
- State agency rulemakings and permitting decisions under Senate Bill 181
- Local regulatory and siting decisions under Senate Bill 181
- New legislative proposals that go beyond Senate Bill 181



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*Questions?
Thank You*

www.CommonSensePolicyRoundtable.org/COVID19