

## Anticipation of the Economic Forecast

*With a Continued Push to Replenish the Unemployment Insurance Trust Fund*

### The Joint Budget Committee Long Bill and Economic Forecast Anticipation

As the state anxiously awaits the JBC Economic Forecast, the Joint Budget Committee will be finalizing the long bill and budget through the end of March, and the Economic Forecast will be presented to the Committee on March 17. The March economic forecast presents the final numbers to which the joint budget committee budgets its annual state budget bill, aka "The Long Bill" With the Ukrainian crisis compounding and exacerbating inflationary pressures that have been evident for some time, there is high interest in how the state economist will project state revenues in the coming year and in the 3 year forecast horizon.

Should you have an interest in the preparation of Colorado's state budget, Legislative Council provides , [tools to explore aspects of the state budget](#).

With the budget looming, a series of legislative measures are pending that have appropriation requests attached and await action by the respective body's Appropriations Committee. The [Fiscal Notes report](#), released this week, contains several reports showing the fiscal impacts of all legislation currently pending before the General Assembly or that has been enacted into law at the 2022 legislative session. Data is available on expenditures, revenue, TABOR refunds, and fund transfers, as well as the net General Fund budget impact of legislation. Of all the bills introduced this session so far, there will be almost \$58mm in expenditures, have nearly a (\$362mm) net budget impact, a TABOR Refund of (\$219mm) with a net result of (\$142mm). The Operating Budget for the various 21 state agencies can be reviewed on the [Colorado Operating Budget Report](#). For FY 21-22, that total operating budget of \$36.5B. This includes Includes total appropriations and General Fund-only appropriations for each state agency.

### Final Report of the Task Force on Economic Recovery & Relief Cash Fund Submitted to the General Assembly

The Tax Force on Economic Recovery and Relief Cash Fund was charged by the legislature with making recommendations on how to best spend the available \$1B billion in federal APRA funds released to the states last summer. The NCLA, alongside our partners in the business advocacy space, have advocated that the use of the funds would be best spent on the replenishment of the business community. A Task Force Subpanel's [Final Report of the Economic Relief and Recovery Task Force](#), reviewed two approaches for expenditure of funds, including the benefit and drawbacks of the replenishment of the Unemployment Insurance Trust Fund (UITF).

The subpanel report includes some important high-level data about the status quo of the fund:

- The UITF balance peaked at \$1.2 billion in March of 2020.
- The UITF balance fell into deficit in August of 2020, and just over \$1.0 billion has been borrowed to cover UI benefits.

The Subpanel's status quo scenario to analyze the use of ARPA funds to replenish the UITF includes a review of surcharges, interest, and other economic levers and outcomes. The Subpanel's Report provides a decision metric that was used for the evaluation of various programs. The Subpanel utilized the evaluation of the Unemployment Insurance Trust fund Option to construct the proposed metric. The metric and UITF ranking include:

- Relevance to the affected group- High -The results of the draws on the UITF are well-documented, as are the impact to employers from the change in rate schedules and other charges
- Multi-year benefit-: Potentially High, with some risk All else equal, based on the calculations provided by the CDLE in a hypothetical small firm example, an infusion of \$600 million to the UITF will lower UI premium tax rates for 4 out of the next 5 years.
- Multiplier Effect-Likely medium

- Administrative Burden-Low
- Start-Up Costs - Low

Another criterion considered was a standard return on investment or break-even calculation. The infusion of \$600 million to the UITF was a good candidate for this type of analysis because of assessing outcomes with and without the intervention. Because of the potential variation in time to achieve a break-even or better situation with more certainty, the report recommends the State delay this decision until the economic forecasts (see above story) have more assurance, as the baseline costs for employers overall are not materially improved in the early years of the analysis.

Another proposal reviewed by the subpanel for the ARPA funds the Subpanel explored was the Hero Pay Proposal. The proposal would provide one-time payments of \$1,500 to eligible “essential” workers in the state. The subpanel report notes essential workers have experienced difficult working conditions during the pandemic, generally are paid lower wages, and are often the most vulnerable to the pandemic. In their analysis, the Subpanel assumed that half of the \$550M proposed for the Hero pay program \$275M would be spent by households receiving the payment, gross output was estimated to increase by \$357.8M, and employment, which includes both full- and part-time workers, is estimated to increase by 2,600 jobs in the state. The Subpanel estimates there would be 371,000 applicants.

The NCLA will continue its advocacy for the use of the funds for replenishment of the UITF but competing interests make the push a challenge.

### Strategies for the Upcoming Weeks

With the defeat of [HB 1138 - Reduce Employee Single-occupancy Vehicle Trips](#), which the NCLA opposed, Senate bill sponsor Senator Faith Winter, Adams (D) will be eager to attach amendments to [HB 1026, Alternative Transportation Options Tax Credit](#) which the NCLA supports. HB 1026 is the incentive-based legislation that encourages employers to take steps to reduce the single-occupancy vehicle travel of their employees. HB 1026 awaits the House Appropriations Committee and is anticipated to be sent to the Senate in the next couple of weeks. NCLA is closely monitoring this bill and will work to block any amendments in the Senate that are drawn from the onerous HB 1138.

[SB22-138 - Reduce Greenhouse Gas Emissions In Colorado \(AMEND\)](#)– The multi-topic GHG bill will visit the Senate Transportation & Energy Committee on Tuesday. Rich Werner, head of Upstate Colorado and NCLA Board member will testify on behalf of the NCLA in support of amendments to the bill we sought and to which we secured a commitment from the sponsors. The amendments will 1) remove the 230 ban on fuel compustion small engine off road equipment and 2) removes the 2028 mid-point GHG reduction goal included in the introduced version of the measure. The NCLA will convey our support of other elements of the bill regarding carbon sequestration, agriculture and opprotunities for agrovoltaics as all are beneficial economically to our strong agriculture economic region.

[HB 1244 - Public Protections From Toxic Air Contaminants \(OPPOSE\)](#)– Awaits its first committee hearing after heavy opposition expressed during a large stakeholder meeting. Since the measure is a majority party priority giving blanket authority to rulemaking bodies such as the Air Quality Control Commission within CDPHE, the bill is on a path for success. Democrats will use this strategy to carry on their environmental agenda if they lose the majority status during the next election. NCLA will work closely with other Chambers to amend the bill to make it more palatable for business.

### NCLA Tracking Report

On a bi-weekly basis, the NCLA Board reviews and considers its position on pending legislation. See the [NCLA 2022 Legislative Tracking Report](#) list the measures thus far introduced that the NCLA is monitoring and upon which the NCLA will or has taken a position.