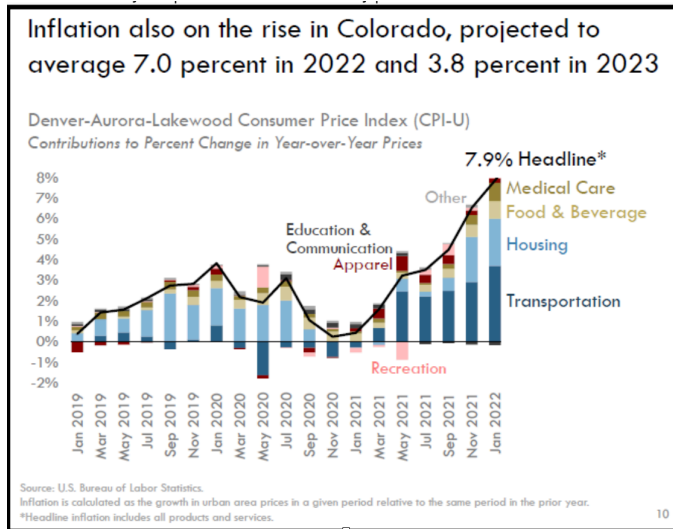


State Economic Forecasts Shows Future Risks

NCLA Takes Positions on Newly Introduced Bills



This week Kate Watkins, Chief State Economist for Legislative Council, provided a [presentation](#) to the NCLA Board of Directors following the release of the State's March Revenue Forecast.

Amid soaring inflation, elevated fuel prices, fresh worries about supply-chain disruptions, and the uncertainty around the Ukraine invasion, the March forecast reveals that while jobs have recovered from pre-pandemic levels, economic forecasts risks are highly elevated. As inflationary pressure continues, prospects of a recession were factored in the forecast this quarter, a first in many quarters. Meanwhile, economic activity has reached and exceeded pre-pandemic levels

but employment has yet to fully recover in several service industries hit hardest by the pandemic.

Notably, growth of the past year gave the General Assembly a projected \$3.2 billion, or 20.7 percent, more to spend or save in the General Fund than what is budgeted to be spent and saved in FY 2021-22. The legislators opted to spend nearly all of the projected revenue (we'll have a breakdown of the budget next week). Excess TABOR Revenue that exceeds the allowable "Referendum C Cap" amounts to \$1.56 billion. Majority Democrats are considering how to refund those dollars to taxpayers.

The upside of the forecast outlook would come from a near-term resolution to the war in Ukraine, rapid return to spending on services, productivity growth, and higher labor force participation. However, Watkins was quick to point out the risks to the March 2022 forecast, which was less optimistic than the December 2021 forecast. Among the risks to the economic forecasts are the continued supply and demand mismatches, inflation and tighter monetary policy, waning fiscal stimulus, and geopolitical uncertainty, all of which elevate the risk of recession during the forecast period. While projected TABOR refunds are large enough to absorb regular forecast error, a recession would likely reduce revenue below the Referendum C cap, resulting in less revenue available for spending or saving in the General Fund budget.

NCLA Board Takes Positions on Thirteen Newly Introduced Bills

With a month left in the legislative session, bills of strong interest continue to be introduced. The NCLA Board reviewed and took positions on the following measures:

Labor Issues

- [HB22-1354](#). **Protecting Injured Workers' Mental Health Records** - OPPOSE – Limits the exposure of mental health records and ties employers' hands to access employee mental health records. The Board noted impacts this could have on business around limiting disclosures during legal challenges and another effort to erode the state's workers' comp system.
- [SB22-161](#). **Wage Theft Employee Misclassification Enforcement** - OPPOSE – The bill modifies laws about the payment of wages, employee misclassification, and workplace safety. It delineates enforcement procedures and remedies for violations. The NCLA Board opposes bills that will negatively impact employment laws that increase penalties or facilitate new kinds of litigation. Additionally, unsafe work environments are under the purview of OSHA.
- [HB22-1305](#). **Paid Family Medical Leave Premium Reduction** - MONITOR- Reduces the premium paid by employers for the state's paid family and medical leave program, starting January 1, 2023, through June 30, 2023, from nine-tenths of 1% of wages per employee to eighty-one hundredths of 1% of wages per employee. The upside is employers would not have short-term reduced costs; however, there is concern over the long term fiscal sustainability of the bill. Pulling from the general fund, the bill is a bit of a shell game of delayed taxes and more of an election year strategy for the sponsors.

Transportation Issues

- [SB22-193](#). **Air Quality Improvement Investments** – CONDITIONAL SUPPORT-This measure provides \$125m in grants for various programs, including electric bikes access, diesel truck emission reductions, and electric school buses. These were projects that were to be funded out of enterprises established in SB21-260. With the slow grow and reduction in revenue generation of those enterprises, the bill proposes funding the programs through general funds.
- [SB22-180](#). **Programs To Reduce Ozone Through Increased Transit** - MONITOR - Provides a month of free transit during the high ozone season. The bill provides funding to the metro area RTD. The NCLA will seek clarification, and if necessary inclusion, of the Northern Colorado transit entities as eligible entities to receive grants under the bill give the non-attainment status for ozone extends to the two-county region.
- [SB22-176](#). **Early Stage Front Range Passenger Rail Funding** - OPPOSE - Provides funding for early-stage work required for front range passenger rail corridor development, including \$6.5m for environmental assessment work required for the development of the Burnham Yard rail property and \$2.2M for the formal district to continue their planning work. The NCLA has been opposed to the Front Range Rail as a competitor for the few available transportation and road improvement funds.
- [HB22-1351](#) **Temporarily Reduce Road User Charges** - OPPOSE - The bill delays the initial imposition of the road usage fees from July 1, 2022, to January 1, 2023, and increases the amount of the reduction in the road safety surcharge for registration periods beginning in 2023 from \$5.55 to \$11.10. It also transfers general fund dollars to the state highway fund and the highway users tax fund to replace the reduction in revenue to those two sources as a result of the policy of HB 1351.

Workforce

- [SB22-192](#). **Opportunities For Credential Attainment**- SUPPORT – The bipartisan measure develops a process that encourages higher education institutions to identify incremental achievements on the path to degree completion, including stackable credentialing. The measure

includes a host of funding flowing into programs and with focus upon to the top three industries in which job growth is occurring.

- [HB22-1350](#). **Regional Talent Development Initiative Grant Program-** SUPPORT – The bill provides \$95m going into regional economic issues to enhance talent development. NCLA believes the associated funding stream will be regionally significant and provide important talent development programs.
- [HB22-1349](#). **Postsecondary Student Success Data System-** SUPPORT – The bill requires the Department of Higher Education to develop measures of student success and a postsecondary student success data system.

Environment

- [SB22-182](#). **Economic Mobility Program-** NO POSITION – The legislation creates the economic mobility program within CDPHE and the mobility program fund, requiring a \$4 million transfer from ARPA dollars.
- [HB22-1348](#). **Oversight Of Chemicals Used In Oil & Gas-** OPPOSE – This bill establishes a regulatory scheme that requires disclosure of certain chemical information for products used in downhole oil and gas operations and is duplicative of current requirements. For close to a decade now, oil and gas operators have been required to report chemicals used for fracking into a publicly accessible database. There are trade secret protections, and this bill tries to weaken those protections. The Board noted that the COGCC should be able to accomplish what this bill proposes at a regulatory level instead of statutorily.
- [HB22-1345](#). **Perfluoroalkyl And Polyfluoroalkyl Chemicals-** MONITOR - This bill prohibits the use of PFAS in certain products when there is a substitute and is applicable to fire fighting.

Crime/Quality of Life

- [HB22-1326](#). **Fentanyl Accountability And Prevention-** AMEND – this bill makes possession of any compound, mixture, or preparation that weighs more than 4 grams and contains any amount of fentanyl, carfentanyl, or an analog thereof a level 4 drug felony. The Board noted that the bill fails to provide strict penalties for the possession of less than 4 grams keeping it a misdemeanor charge and noted that a single grain of fentanyl can be fatal. The Board feels the measure needs strengthened to add felony to possession under 4 grams. The business community has a vested interest and is concerned about the cost of increasing crime rates.

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.