

Colorado's Fiscal Challenges

in

14 Charts



The Bell Policy Center
February 2016

Bellpolicy.org

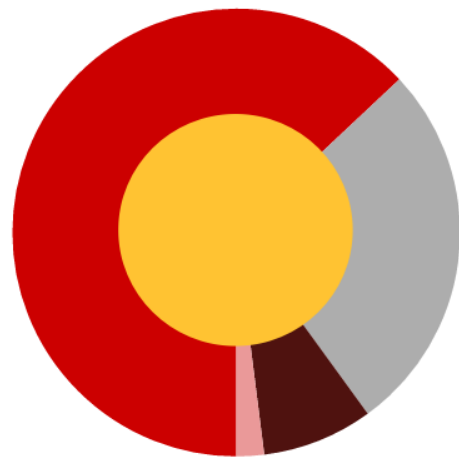
Our economy is growing and state revenues are growing with it. As a result, Colorado has started to restore some of the deep cuts made to vital services during the Great Recession.

Still, Colorado faces a growing structural imbalance between the revenues it collects and the services it provides. The causes are complex and will persist even after the economy fully recovers. Even so, the state has begun to rebate some revenues as a result of TABOR.

The Bell Policy Center offers these 14 Charts to help Coloradans better understand how the budget works, what causes the imbalance and where current trends are taking us.

The General Fund: How much and from where

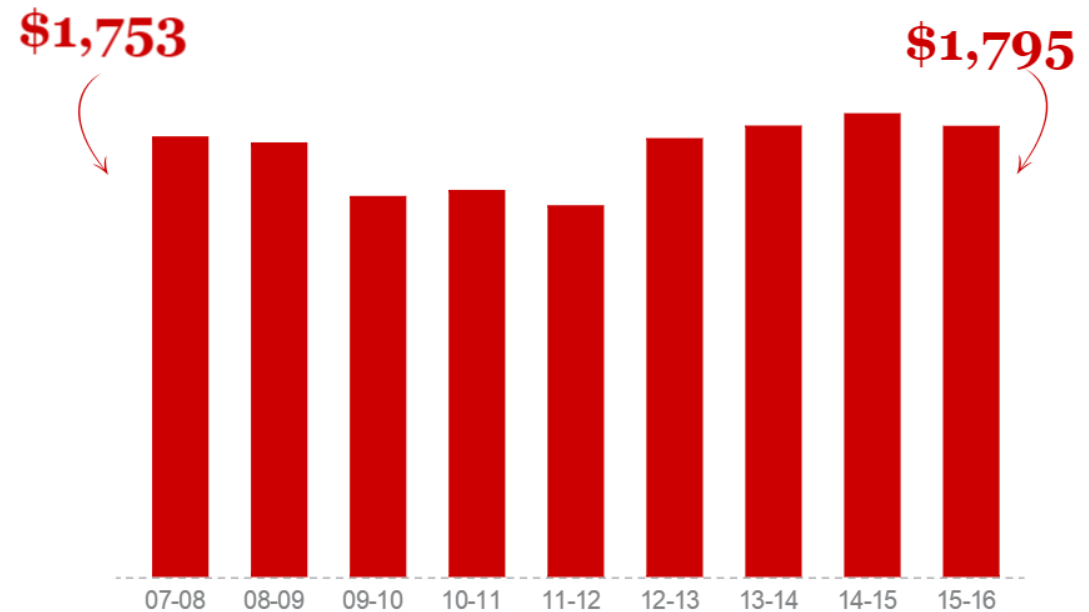
Revenue comes overwhelmingly from individual income and sales taxes



At \$9.9 billion, Colorado's General Fund is about 3.6 percent of the state's \$275 billion economy.

■ Individual Income Tax (60.4%) ■ Sales and Use Tax (29.7%)
■ Corporate Income Tax (5.6%) ■ Other (4.3%)

Revenue per Coloradan adjusted for inflation is now slightly above pre-recession levels



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For sources and more information go to:
www.bellpolicy.org/research/colorados-fiscal-challenges-14-charts-sources-7

Where General Fund spending goes

Six departments receive 94% of the General Fund

The state constitution and statutes dictate that most of the General Fund go to just 6 departments. The other 17 departments receive the remaining 6% of the budget.



■ K-12 Education (37%)

■ Health (26%)

■ Human Services (9%)

■ Corrections (8%)

■ Judicial (5%)

■ Higher Ed (9%)

■ Everything Else (6%)



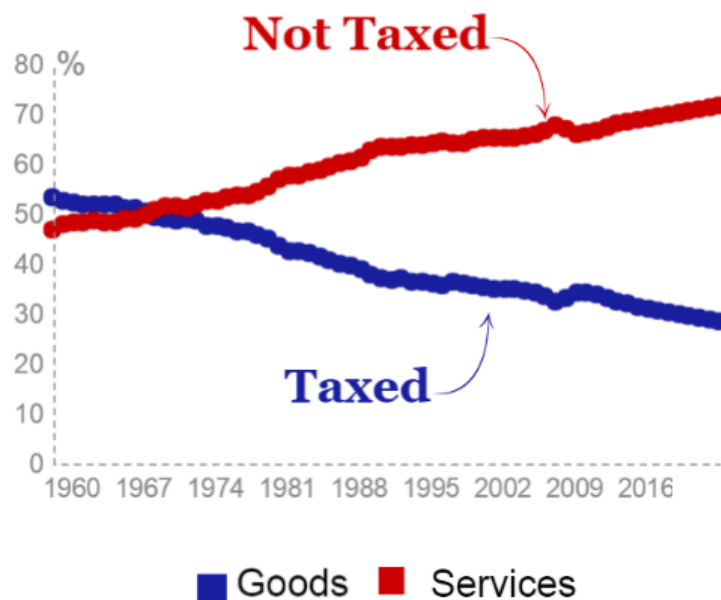
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Two examples of structural problems with Colorado's taxes

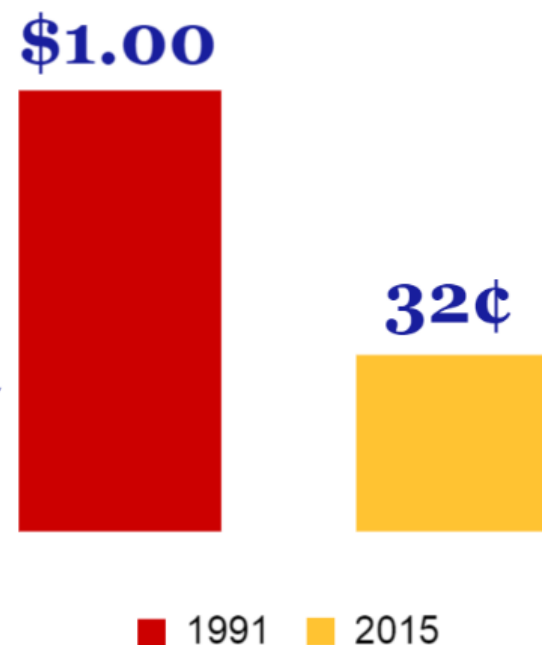
Sales tax covers fewer purchases



Coloradans buy fewer goods (to which sales taxes apply) and more services (to which they mostly do not). Result: sales tax revenues do not keep pace with our state's needs.

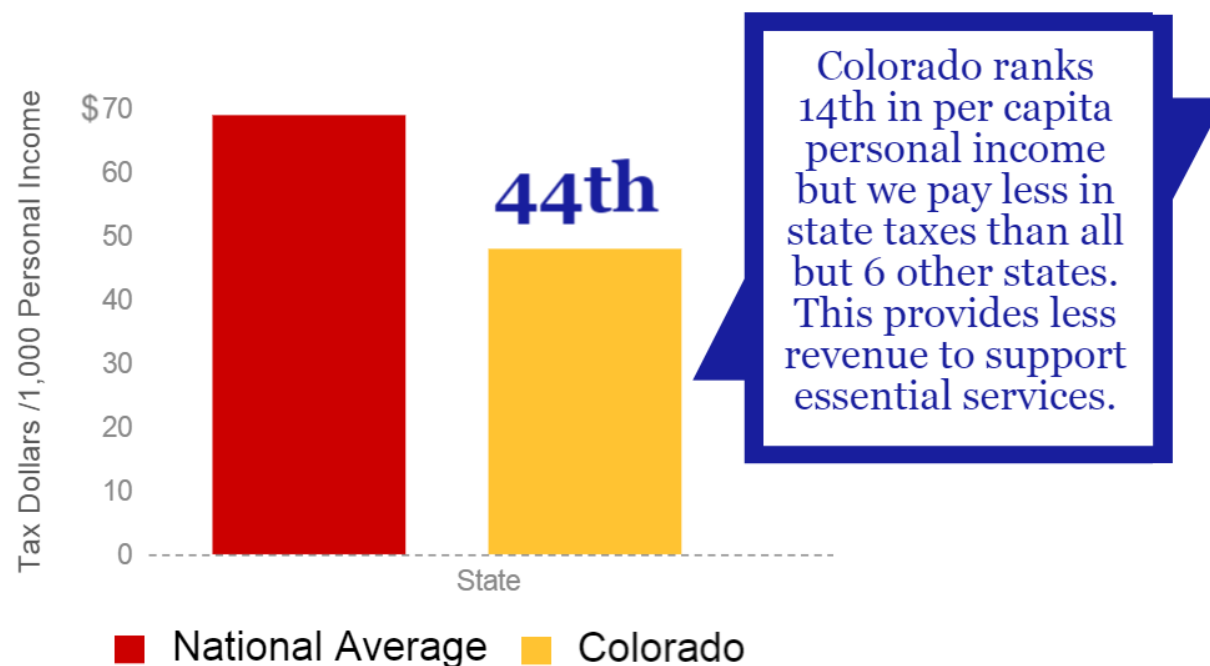
Colorado's gas tax was set at 22 cents per gallon in 1991. It has not changed since then, though inflation has grown more than 80 percent and more efficient cars use less gas. Result: much less money to fix roads.

Purchasing power of the gas tax has plummeted

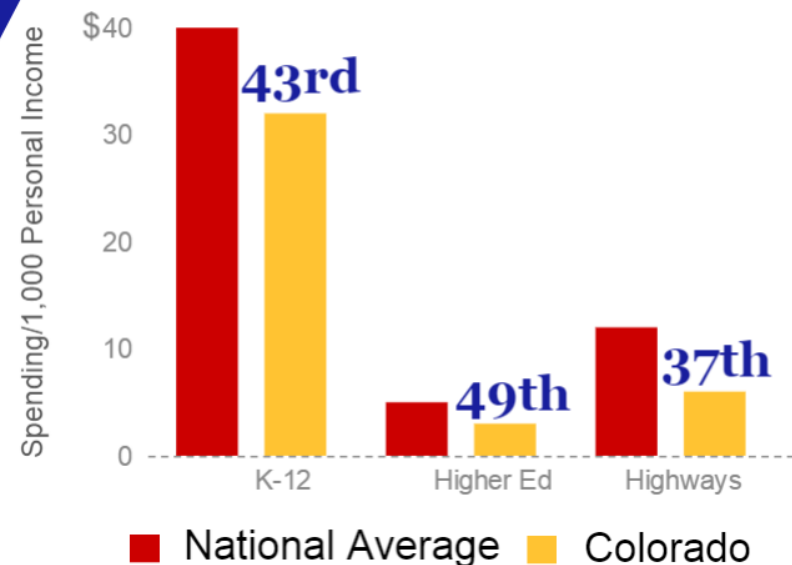


Colorado taxes and spends less than most other states

State taxes per \$1,000 of personal income are very low

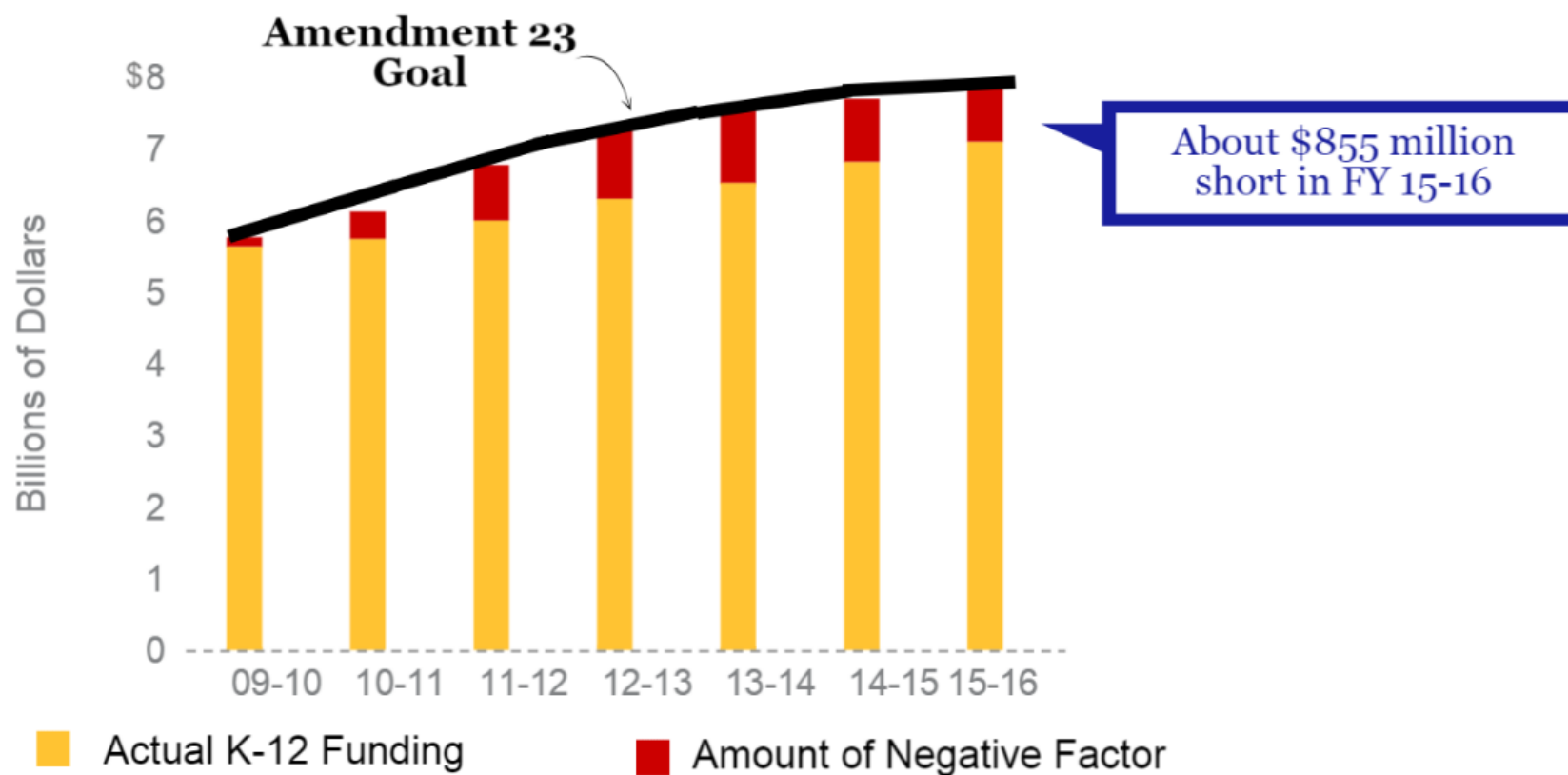


State spending near the bottom for vital services



Funding for education not keeping pace

K-12 Funding falls below Amendment 23 goal

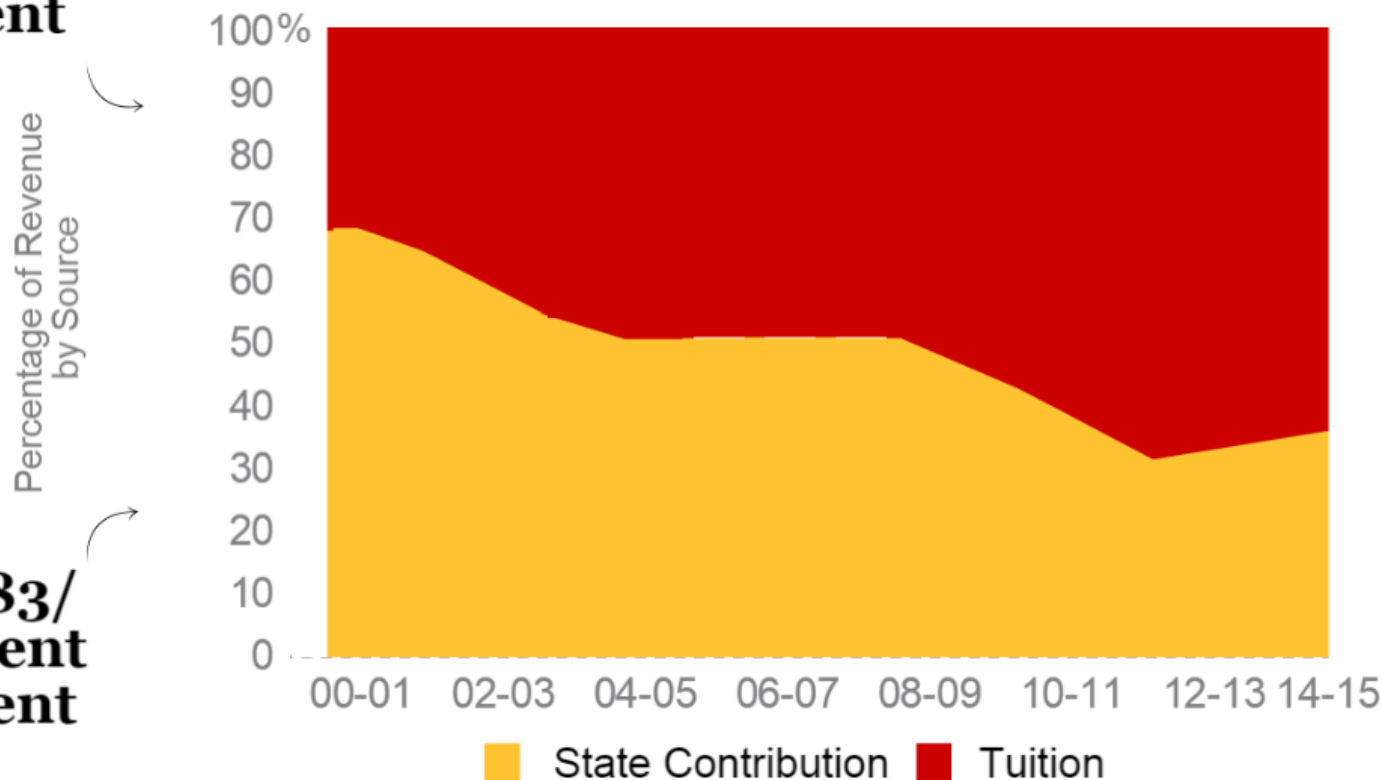


Higher education cuts shift costs to students and families

**\$3,668/
resident
student**

Student share of college costs
increased as state share declined

In 15 years, the
contribution of the state
has been cut in about
half while the price for
Colorado's students and
families has more than
doubled.



**\$7,608/resident
student**

**\$7,683/
resident
student**

**\$3,954/resident
student**

*Adjusted for inflation
in 2014 dollars

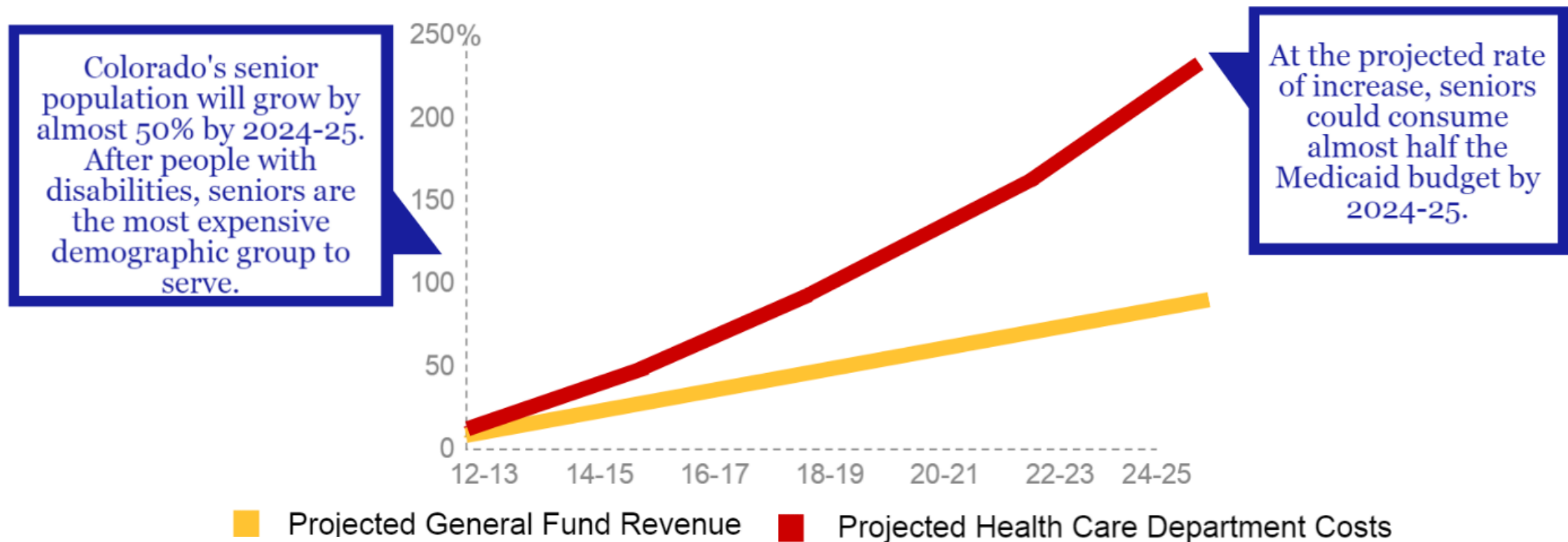


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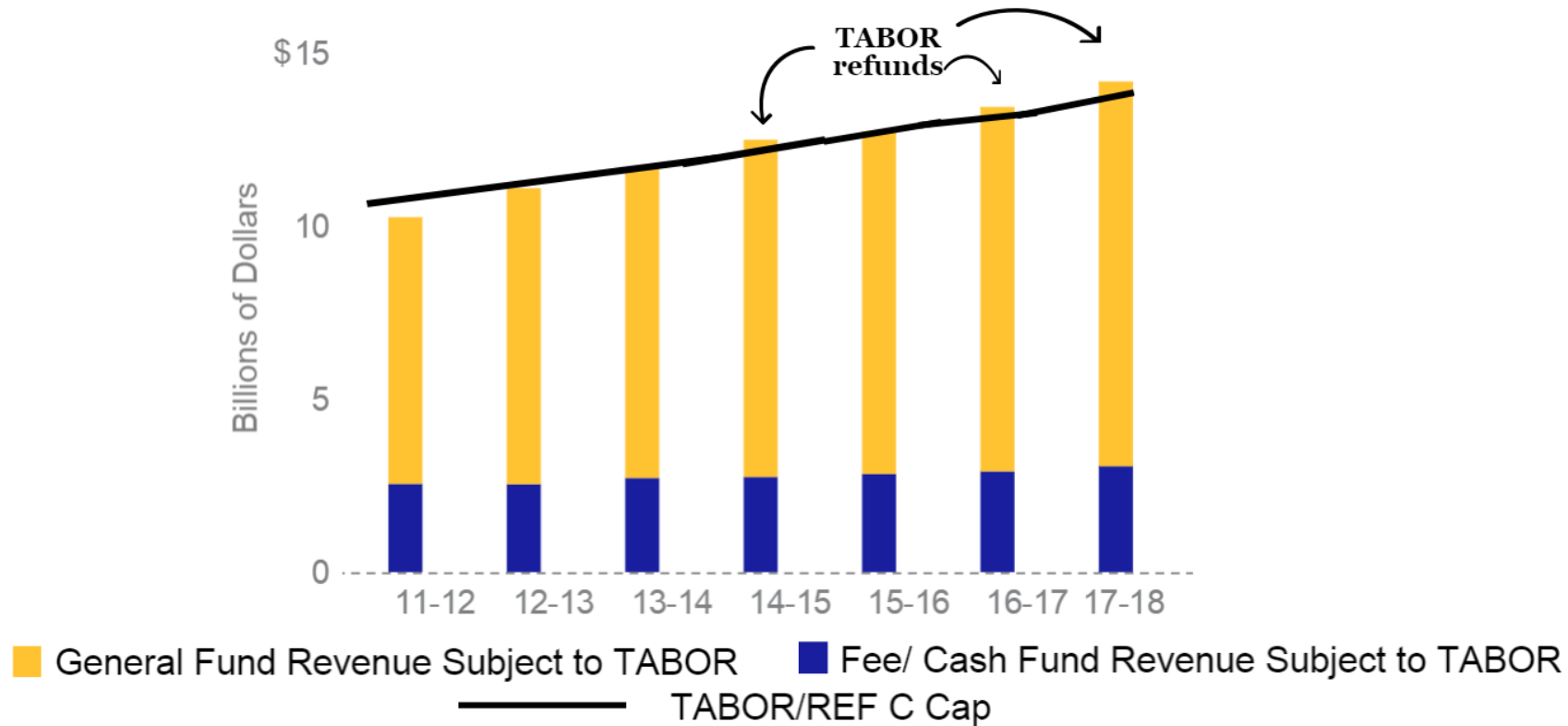
Aging population is driving Medicaid costs higher than any other state expense

General medical costs projected to increase more than 200% by 2024-25, far outpacing General Fund growth



TABOR rebates have begun before cuts have been fully restored

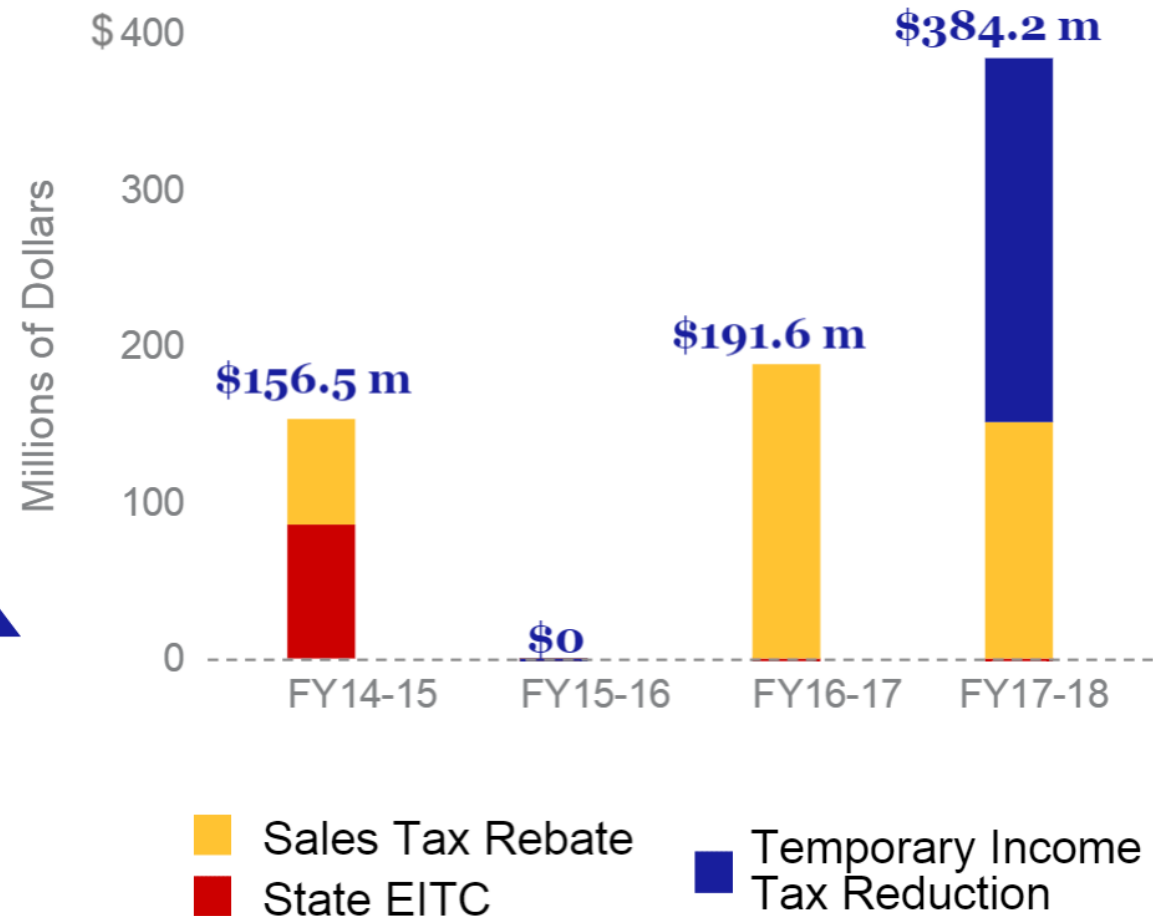
TABOR revenue exceeded cap in FY14-15 and is
projected to exceed it again in the future



TABOR rebates take several forms

Amount and kind of TABOR rebates

The Earned Income Tax Credit for low-income workers is the first TABOR rebate. Once it is triggered, it becomes permanent, which is why it does not show up as part of future TABOR rebates.



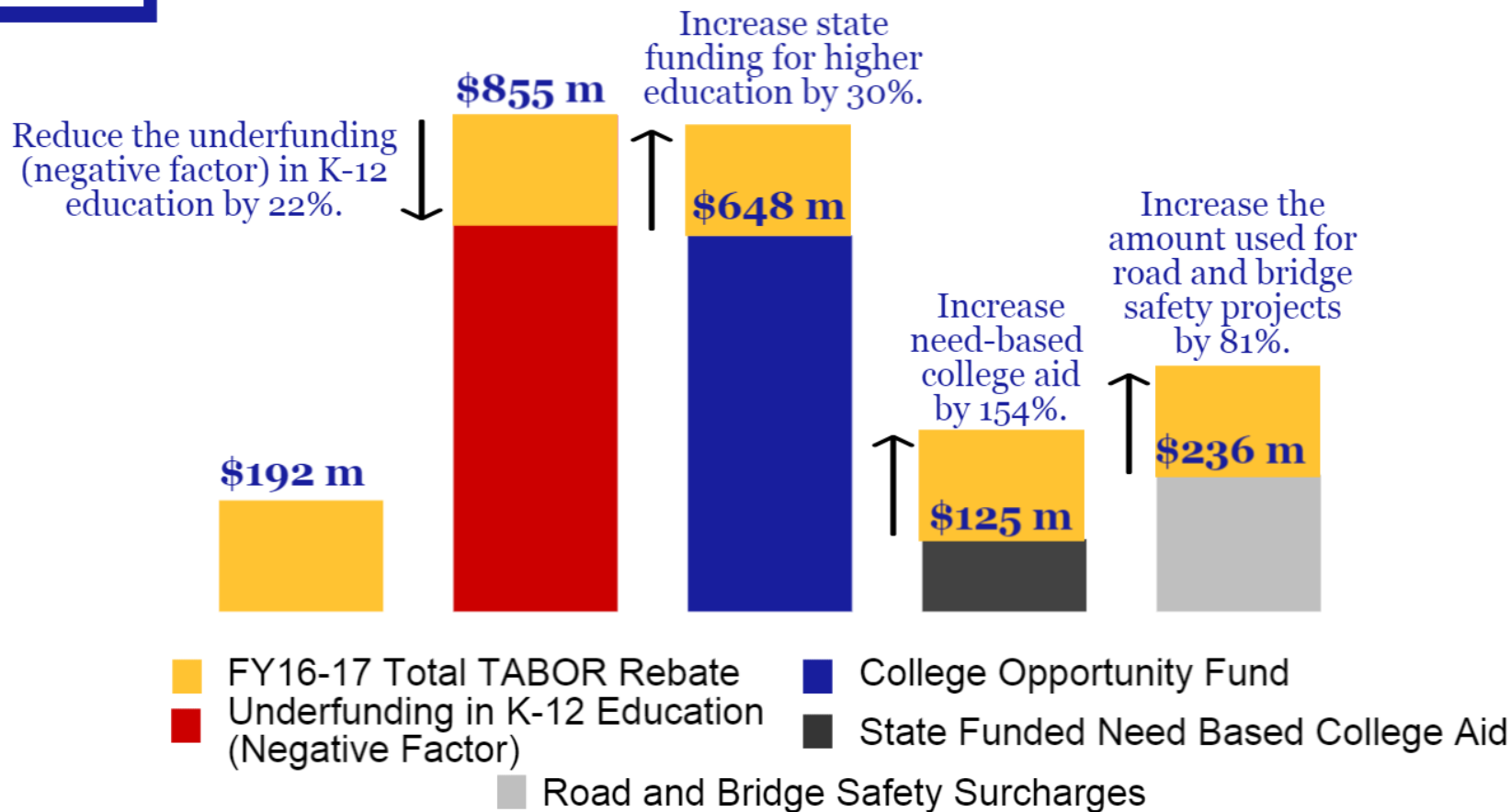
Once the TABOR surplus reaches a certain threshold, income tax rates will be temporarily reduced from 4.63% to 4.5% for all taxpayers. In 2017-18, 61% of the rebate is projected to come in the form of this temporary tax reduction.



Other ways rebates could be used to fund state priorities

TABOR rebates compared to state priorities (based on FY15-16 spending)

TABOR rebates
could be used to:



Future of Colorado's budget if nothing changes

At current rates, almost all
of General Fund revenue will
go to three departments
by 2030



2015



2030

- K-12 Education, Health Care and Human Services and Prisons
- Everything Else



We hope these charts help to inform the conversation about Colorado's future. At the Bell, we believe the structural imbalance in our state fiscal system threatens our future quality of life in Colorado. It jeopardizes the effectiveness of critical public systems — schools, healthcare, public safety, the social safety net, and more. Please contact the Bell Policy Center with any questions or comments and join other Coloradans in this statewide conversation.



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