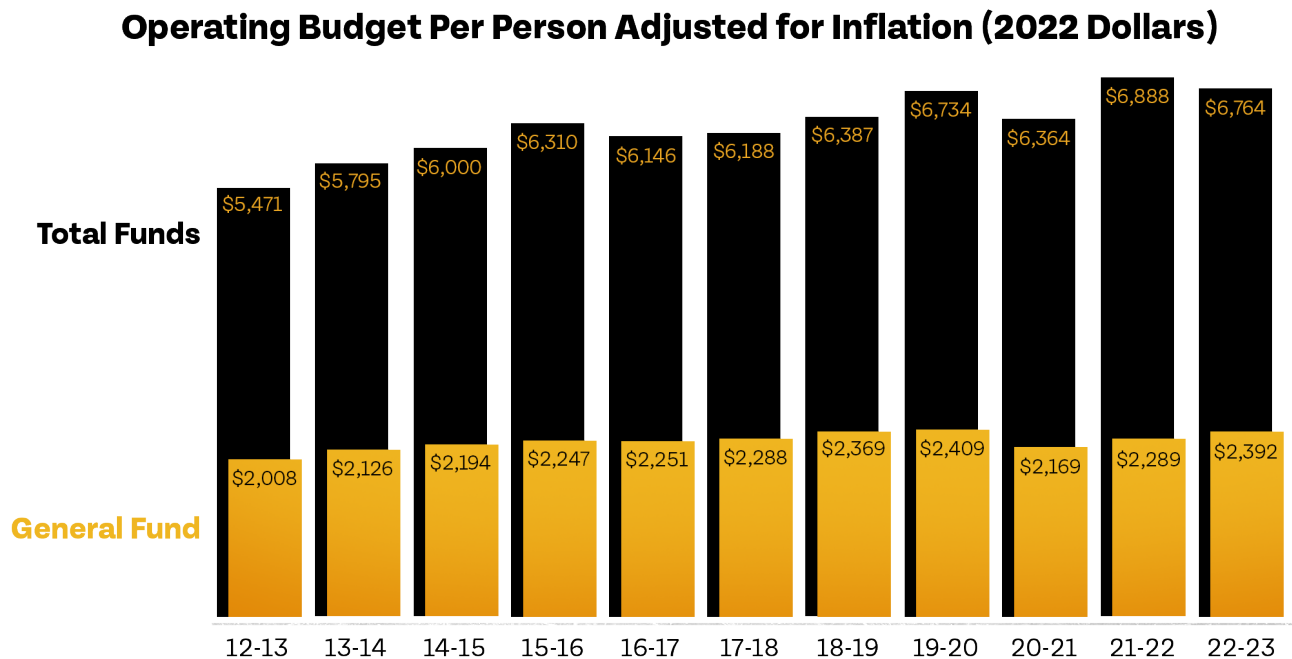


IN THE KNOW: STATE BUDGET

It's easy to get confused by the big numbers that get thrown around when discussing Colorado's state budget. Taxpayers and voters need to know how their tax dollars are being spent and why government can't seem to keep up with the services that constituents rely on.

The truth is, Colorado's state budget has grown quite modestly over the last decade and even as we have added important new services, we have also failed to keep up with basic needs such as K-12 education and transportation because of restrictions imposed by the Taxpayer Bill of Rights, or TABOR.



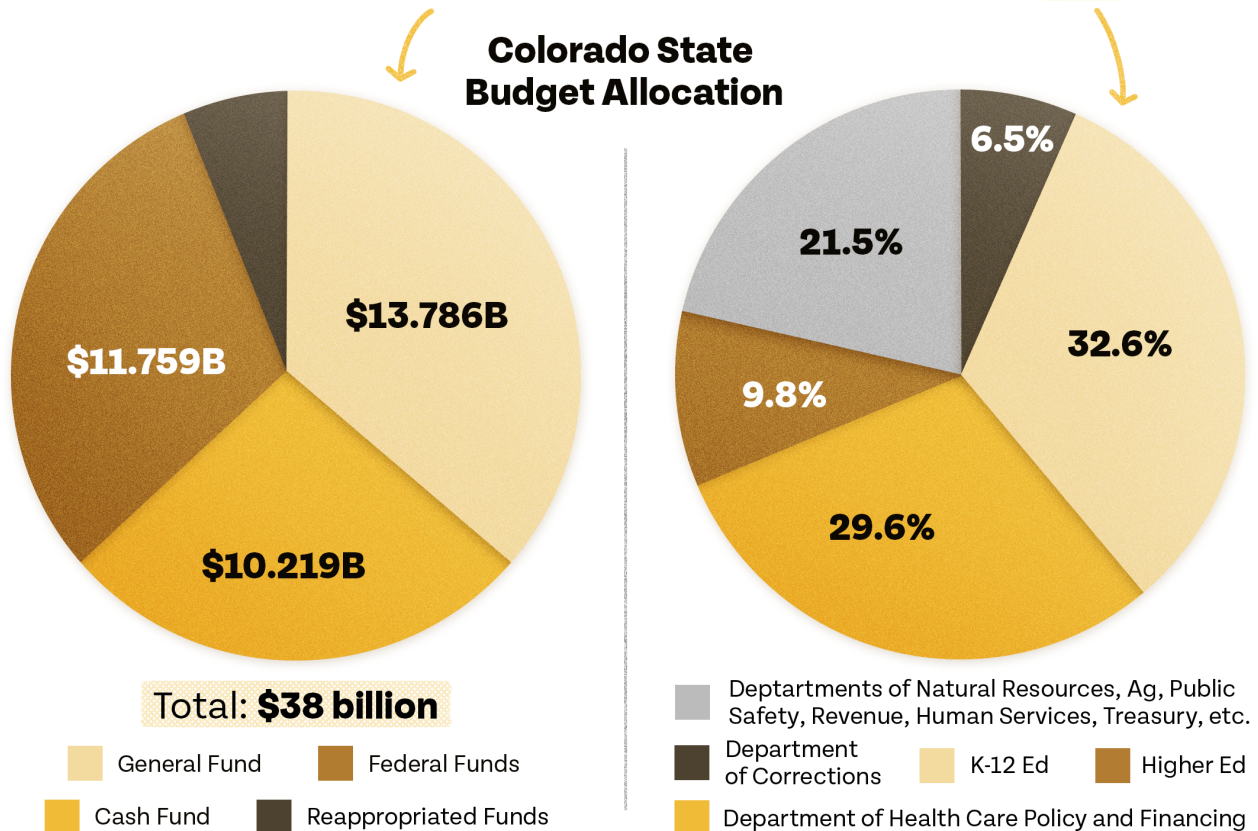
Source notes: The per person calculation is based on the State Demographer's June 2022 population estimate. The adjustment for inflation is based on the Legislative Council Staff's June 2022 forecast of the Denver-Aurora-Lakewood consumer price index.

Colorado collects less revenue per capita than most states in the mountain region. We're at the bottom in state tax revenue collected as a percentage of personal income. And, as a state highly dependent upon income taxes to pay for basic services, repeated proposals to cut the income tax rate threaten to diminish even further the state's ability to pay for education, health care and other vital services.

Looking at 2019 data, the latest data available through the [State and Local Finance Data](#) at the Urban Institute, we can see that compared to other "mountain" states, Colorado is toward the bottom, in terms of revenue per capita. The average in the United States is about \$7,912 per capita. Colorado, is at less than \$6,000. In practice, that means that our state budget is collecting significantly less revenue per person than the median state, and every other state in our region. The total revenue number includes dollars from taxes, fees, and licensing.

For 2022-23, state legislators budgeted a total of \$38 billion for everything from road and highway maintenance to schools, public safety, health care, human services, and so much more. This number encompasses not just the money that comes from the state taxes we pay, but from the federal government and various funds that use fees to deliver specific services like higher education. In fact, nearly \$12 billion of that \$38 billion – or over 30 percent of the total budget – is federal money.

The state's general fund is the section of the budget that lawmakers have the most discretion over when it comes to spending. It's also where revenue from our state income and sales taxes go. In 2022-23 the general fund is \$13.79 billion. See how that money is spent [here](#).



- Regardless of how much tax revenue we collect under our existing tax rates, Colorado has an arbitrary limit, known as the TABOR revenue cap, that only allows expenditures to grow by population and inflation each year.
- Over the past twenty years, recessions and the TABOR limit have forced us to fall behind on funding critical services:
 - Colorado is, cumulatively, about \$9 billion behind what our state constitution requires we spend on schools. The current annual underfunding – known as the Budget Stabilization Factor – for fiscal year 2022-23 is \$321 million.
 - Colorado has a [\\$9 billion transportation project backlog](#). The fact that Colorado has not increased the gas tax since 1992 and has the 9th lowest one in the nation, also contributes to this problem.
 - Colorado is \$800 million short of the national per pupil average for higher education funding.

Key Context

- There is a big connection between state and local community budgets. This is especially true in education, where the state is constitutionally required to backfill local shortfalls in education funding. When property tax revenue goes down, the state is often forced to pick up the tab. Other locally administered services, like early child care and housing affordability, are heavily reliant on the state budget. When the state's budget fails to backfill these needs, local communities often raise sales taxes and fees.
- Colorado is 45th in the nation in state tax revenue, according to the [2020 Colorado Department of Revenue Tax Profile and Expenditure Report](#). The national average for state tax revenue, per \$1,000 of personal income is \$58.72. Colorado only collects \$43, according to this metric. The reason why this is important is because statewide tax revenue directly influences how much money the state can spend on schools, health care, and transportation. Low tax revenue means much less money to provide Coloradans the services they want and need.
- Colorado is highly dependent upon personal income taxes for its tax revenue. According to an analysis released in [June 2022 by The Pew Charitable Trusts](#), Colorado is No. 4 in the nation in a ranking of personal income taxes as a proportion of a state's tax mix. That means that every time Colorado increases or decreases income taxes, the state is significantly changing its main funding source and its ability to meet the needs of Coloradans. Notably, income tax reductions overwhelmingly benefit wealthier taxpayers.
- Colorado's budget was buoyed in fiscal year 2022-23 by the influx of federal funds from the American Rescue Plan Act that was passed and signed into law by President Biden in 2021. Colorado received more than \$9 billion total from the federal government, but more than \$6 billion of that was targeted for specific programs, such as education, child care, health care, and services for older adults. However, the legislature was able to appropriate more than \$3 billion of it to areas of need. [As we have outlined before](#), here is where that money went:
 - Workforce development programs received \$200 million.
 - COVID-related public health services got \$300 million.
 - Transportation and infrastructure programs were appropriated \$380 million.
 - Affordable housing and homeownership were given \$550 million.
 - Mental and behavioral health picked up \$550 million, as well.
 - Broad economic relief needed \$850 million.
 - Restoring lost revenue – most notably replenishing the Unemployment Insurance Trust Fund – had a tab of \$1 billion.