



The Bell Policy Center

303 E. 17th Avenue, Suite 400, Denver CO 80203 • 303.297.0456

Public Testimony to Joint Budget Committee

Joshua Mantell, Rapid Response Policy Analyst • Feb 08, 2022

Thank you for the opportunity to testify today. My name is Joshua Mantell, and I am the rapid response policy analyst at the Bell Policy Center. The Bell Policy Center provides policymakers, advocates, and the public with reliable resources to create a practical policy agenda that promotes economic mobility for every Coloradan.

I am here to testify about the importance of our sustainable revenue base while contemplating the fiscal year 2022-23 budget. Colorado has a unique opportunity to invest in our fiscal future, while targeting relief to people all over this state that need help now. With billions of dollars in federal funds, as well as General Fund revenue that is expected to be over the cap, this year is an important moment to ensure that we are planning for the long-term in this state.

The Bell Policy Center just finished a 3-part series of reports on our state's revenue base. We wanted to cut through all the noise and look at what we can expect going forward from our long-term revenue base - mainly the income and sales taxes that make up most of the General Fund that you all are tasked with budgeting. Colorado's revenue base is going to be a problem going forward. Over the last 20 years, the state has continually cut income tax rates, to the point that our General Fund has decreased as a share of total personal income in our state. This means that as our economy has grown, our public investment has not kept pace. Our General Fund is being stretched thinner and thinner to try and help more people with less money.

To see how this has played out in Colorado, we just have to go back a couple decades. In 1999 and 2000 the General Assembly cut the state's income tax rate from 5 percent to 4.63 percent. In inflation-adjusted figures, we would have nearly \$700 million more in our General Fund to support our public investment. We are basically behind an entire Budget Stabilization Factor just because of tax cuts made 20 years ago. In that time, our state was flush with money, and it seemed to make sense to cut taxes. But then the dot-com bubble burst, we went into a recession, and the only reason our General Fund recovered at all was because of Referendum C. We cannot continue to make short-term decisions at the expense of our long-term fiscal health.

This can be found by focusing in on mandated spending in Colorado. It is taking up more and more of the General Fund, leaving the state with a zero-sum game on funding priorities. With more than 50 percent of the General Fund going just to the state share of Medicaid spending, K-12 education, and the Department of Corrections, our state is having a hard time keeping up with the needs of our growing population, while we are at the same time continually adding more programs without dedicated funding to sustain them.

Given this fiscal terrain, we cannot add more long-term liability to our budget with short-term funding. We must think into the future and make smart investments to support our communities that we can continue to fulfill in future years. Otherwise, we will continue to make programmatic promises we can't keep. Our coming budget must acknowledge our long-term fiscal health, even as we celebrate the present fortunes.

Without more revenue, the choices in front of this committee will get more difficult in the years ahead, as mandated spending continues to crowd out other vital public programs. That is why investment in public infrastructure and our communities should focus on targeted relief and opportunities for those who need it. If we continually give tax cuts, tax breaks, and economic relief to Coloradans who do not need it, then we will further eat into our sustainable revenue base that will be the only way to sustain our fiscal health into the future. We have to resist across-the-board tax reductions that will make our unfair tax code even worse. We cannot keep putting the state's fiscal burdens on our low- and middle-income families, while the wealthiest Coloradans get wealthier.

Thank you for allowing me to share our thoughts and happy to answer any questions.