Report finds temporary funding influx is masking a state general fund that hasn’t kept up with rising incomes of the wealthiest taxpayers.

Relevant Data:

**Inflation-Adjusted Income Growth by Income Level**

- Median Income
- Top 1 Percent

Source: Bell Policy Center analysis of US Census data

**Colorado General Fund as Percent of Total Personal Income**

- Inflation-Adjusted General Fund as Percent of Personal Income
- Population

Source: Bell Policy Center analysis of Legislative Council Staff & FRED data
Overview

A revenue base is the money available for taxation that can be reliably used in a sustainable manner for funding of public priorities. In Colorado, our revenue for state services is primarily derived from income and sales. The influx of federal relief dollars that have buoyed Colorado’s budget in the short term are temporary and should not entice lawmakers to repeat regressive fiscal decisions, such as across-the-board income tax cuts, which have had direct negative impacts on Colorado’s revenue. While Colorado’s top 1% of income earners have seen massive growth in their wealth, the vast majority of Coloradans have not, and the amount of our state’s total wealth invested in communities has not grown over time.

Key Takeaways

1. Colorado’s economy is growing rapidly at the top, but virtually none of that growth is going into sustainable funding for cost-saving public services for the rest of the economy.

2. Due to the income growth for the top earners in Colorado, an unprecedented amount of government revenue will be given to taxpayers. Current TABOR rebate mechanisms disproportionately favor the wealthiest Coloradans.

3. Colorado has implemented across-the-board tax cuts, which also favor the top percentage of income earners, in times of economic growth. These tax cuts have had significant budgetary consequences over time.

Fast Facts

- Funding for the Department of Corrections, K-12 education, and the state share of Medicaid already combine to encompass more than 50 percent of Colorado’s General Fund, and those program costs will continue to rise.

- Federal dollars will only be available through 2024, leaving our state to depend on tax revenues and an arbitrarily capped General Fund to sustain our growing state into the future.

- Since the Great Recession, individual income tax revenue has been between 63.5 percent and 66.4 percent of the General Fund.

- Our General Fund has not kept pace with population growth and the overall growth of the economy.

- The economic gains of the wealthy have dwarfed revenue cap increases.

- The top 1 percent of Coloradans – those making over $500,000 in income annually – see 23 percent of across-the-board tax cuts.

- Colorado cut the statewide income tax rate in 1999 and 2000 to go from 5 percent to 4.63 percent – we can plainly see the effects. Those tax cuts cost the state a total of $10 billion in public dollars from 1999 through 2019.

- Colorado’s statewide taxes are 45th in the country, but local taxes as a percentage of total taxes are 5th highest

- Over the next three fiscal years – 2021-22, 2022-23, and 2023-24 – Colorado is projected to forego $5.6 billion in General Fund revenues through TABOR rebates.

- If Colorado was to put $1 billion more into K-12 education, the state would erase the Budget Stabilization Factor, and per pupil funding would go up $1,200.
Author Quotes

**Laura Valle Gutierrez**  **Author**  |  Senior Policy Analyst

“Our state constantly struggles to find funding for key priorities. This report really shows how short-sighted and permanent cuts, such as income tax cuts, are eroding our revenue base. What was really eye-opening was seeing how far we could come in addressing some of our gaps, such as our inadequate funding for higher education and child care, by simply allowing our state to retain all the revenue it collects, rather than giving away public dollars in a way that disproportionately benefits the wealthy.”

**Joshua Mantel**  **Author**  |  Rapid Response Policy Analyst

“This report highlights the real problems in Colorado’s fiscal system. Our state’s upside-down tax code, combined with unique fiscal restraints, exacerbates the inequality that is already apparent in our economy. Voters need to understand that our state has a dwindling amount of money to use for important public infrastructure going forward, and future tax cuts for the wealthy will only compound those problems. We hope this report sheds light on these tensions and serves to educate our elected leaders and the real decisionmakers in our state – the voters – on the true nature of our state’s revenue base.”

**Scott Wasserman**  **Bell Policy Center President**

“Our state just can’t keep kidding itself about its lack of sustainable funding for the priorities we all care about. What’s especially alarming is how ill-equipped our tax code is to address the expanding gap between the wealthiest few and everyone else in the state. Economic growth doesn’t mean much for most Coloradans if it doesn’t translate into well funded schools, good early childhood options, and better infrastructure. Let’s not wait until the next recession or when we have start making budget cuts again to change the path we’re on.”