

ROAD MAP FOR SUSTAINABLE GOVERNMENT

A SUMMARY OF THE 2013 CITIZEN'S BUDGET

Why should Colorado be the only state to maintain its own Social Security type of program? In **"Old Age Pension"** we urge a measure be placed on the ballot to free up about \$100 million per year. It should allow Colorado to conform to the way every other state handles welfare for the elderly.

We return you to the highest priority, of public pensions, to visit a different aspect. The pension situation is made worse by the existence of an unsustainable program of post-retirement health benefits. The chapter on **"Retirement Health Plan"** draws on extensive work in the first edition. It explains that Colorado can copy Idaho to shed a billion dollars of unfunded liability and put the government employee benefit on a stable foundation.

In a chapter on **"Higher Education,"** we identify the good foundation already in place on which to build broad reforms. We urge expansion of the College Opportunity Fund so that students make choices that more closely approximate market decisions. Such reform would also lead to better, more flexible governance of state colleges and

universities. We also show that immediate savings could accrue to institutions if leaders would obtain greater teaching productivity throughout the types of college instructors and professors.

We did not find good sources to quantify all the corporate welfare used in economic development schemes at all levels of government in Colorado. This is the sole chapter with few figures and more philosophy as guidance. In **"Corporate Welfare"** we urge legislators to end the practice of picking businesses to benefit from redistribution, because in doing so, the proposed improvements to the economy backfire and make us all worse off.

There are 27 specific reforms under **"Transportation."**

Broad categories include how to choose projects more objectively and how to manage them better; initiatives to rebalance the development of roads rather than transit; expansion of HOT lanes and other market-like reforms; and more and better private-public partnerships.

A chapter that appeared in the first version appears again, in **"Lottery Proceeds."** We demonstrate that elected leaders should reconsider priorities, so that lottery proceeds are redirected to support K-12 education funding, at least for the five years.

The Independence Institute urges you to make this Citizen's Budget for 2013 a central part of your debates and policy discussions as we move through the next two years of the current government, and on into the next election.

Please use it as a reference to inform those discussions.



The Independence Institute's 2013 Citizen's Budget offers a series of proposals that together constitute an agenda to improve state government. The government's economic condition does not have to hang on a fiscal cliff edge in order for all residents to want to see a better set of ideas, to get more out of the funds available, and to see tax dollars used wisely.

Our 2013 Citizen's Budget is the second edition; the first was released in 2010. Among the host of ideas contained in this edition, some are new, to reflect changing conditions and to address current concerns. Lots of good ideas from the first edition remain unfulfilled by the legislature. Those ideas are given fresh figures and analyses and offered here in concise form, so that you can absorb the concepts quickly and return to the full discussion either on-line or in hard copy from their introduced version.

In this document, we give the highlights of each chapter. You can view the entire Citizen's Budget and download individual sections on our website at: <http://tax.i2i.org/citizens-budget-2013>.

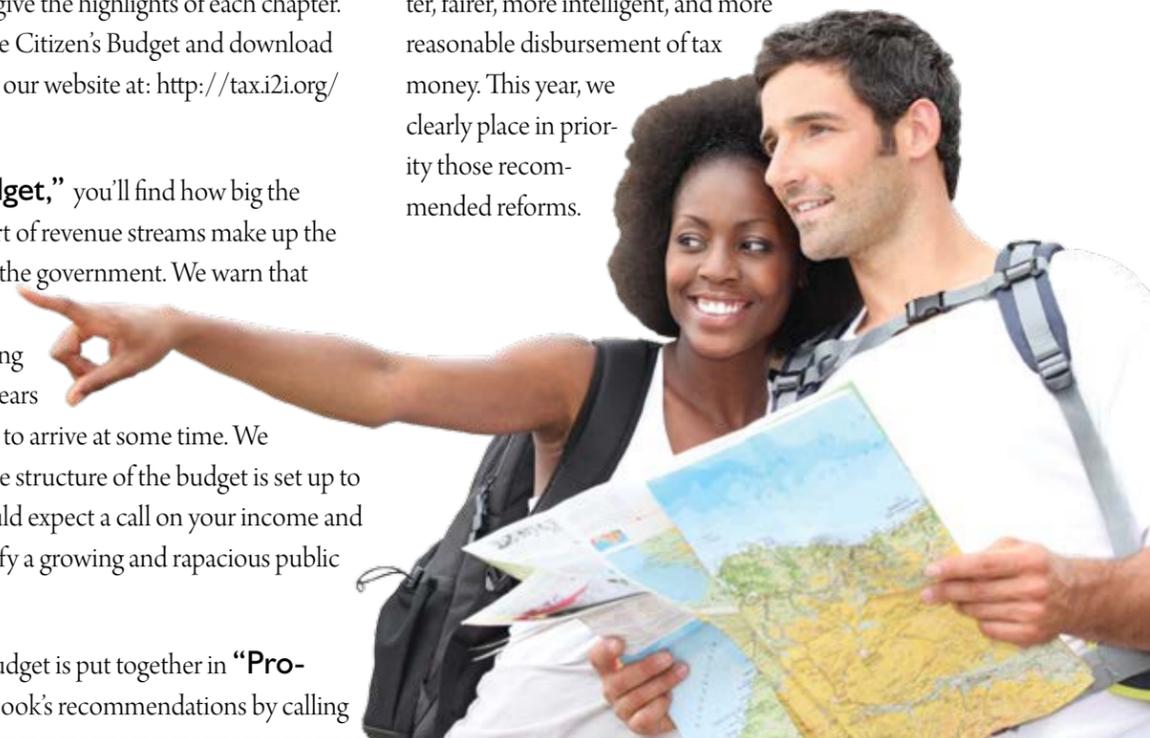
In **"The State Budget,"** you'll find how big the budget is and what sort of revenue streams make up the total income taken by the government. We warn that Colorado is not ready for potentially damaging crises, which may be years away but seem certain to arrive at some time. We make the point that the structure of the budget is set up to fail, meaning you should expect a call on your income and family budgets to satisfy a growing and rapacious public sector.

Learn how the state budget is put together in **"Process."** We start the book's recommendations by calling

for restoration of a constitutional provision that intelligently constrained legislative profligacy and helped to guarantee investment in government buildings and other durable goods, whereas now spending focuses only on current operational demands. We call also for a modification from asking only "How much will it cost?" to a better question: "What are we getting for all these expenditures?"

"Priority Budgeting" touts the benefits of an overall reform in the process—something that has received bipartisan support but has evaded implementation. Courageous leadership in both the House and Senate will be needed to transition to a better process.

The remainder of the Citizen's Budget for 2013 has specific ideas for several major categories of spending. If legislators were to adopt these commonsense reforms, the benefit to the citizens would likely exceed a billion dollars of better, fairer, more intelligent, and more reasonable disbursement of tax money. This year, we clearly place in priority those recommended reforms.



The government teacher and government worker pensions threaten to gobble up an impossibly large portion of current and future tax dollars. Our chapter shows that the promised solution to the problem imposes severe costs on the state budget, and is unlikely to fix the problem in the foreseeable future. Further, in its nearly inevitable failure, the so-called “solution” will push the system into a financial crisis from which it will emerge only with drastic reform. The “**Public Pensions**” chapter once again goes beyond a litany of problems. It should first be used by legislators, policy analysts, and political activists as a reference tool. The chapter sets out the problems and weighs the trade-offs. Then it provides a series of important solutions that should be passed into law. The earlier the reforms take place the less pain will occur in moving to a sustainable system. Coloradans ignore this problem at increasing peril to future citizens. Some suggestions should generate little controversy:

- Create an option for new, young workers to escape the current overcommitted plan;
- Ensure much improved transparency; and
- Insist on professional outside investigation of presumed contributions and make it public.

The following recommended reforms are necessary but will undoubtedly generate more resistance:

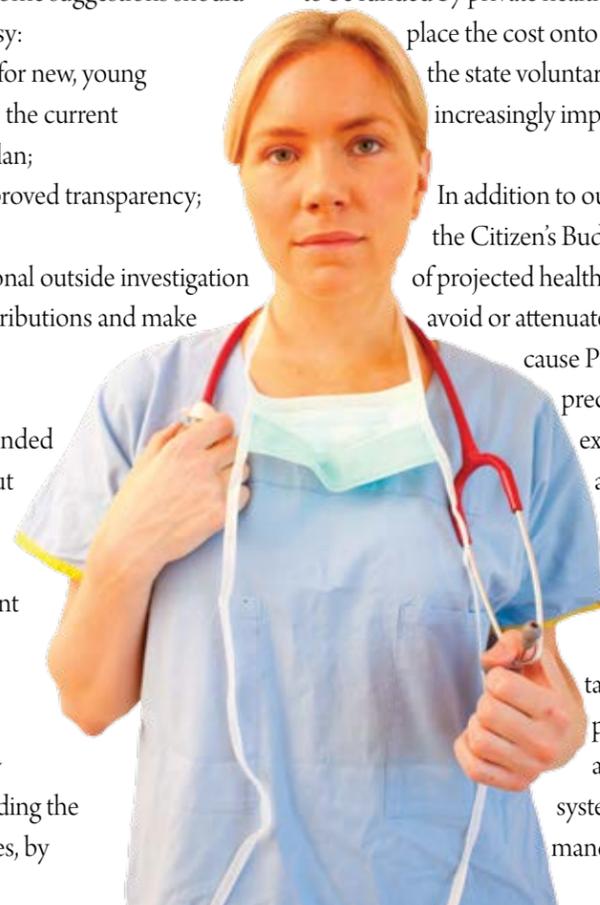
- Replace the current presumption that taxpayers must bear all the risk and responsibility for funding, including the Association’s losses, by

making taxpayers responsible only for the employer share of contributions and PERA responsible for gains or losses realized through investment choices;

- Move state government workers toward retiring at an age closer to that of the taxpayers who fund them; and
- Provide accountability to the existing bailout plan by setting a date at which bailout contributions by employers and employees will be phased out and those funds re-directed toward other budget priorities.

The second reform chapter, “**Medicaid,**” discusses at length the new political environment that is being changed by the federal health care law. What comes through clearly in this section is the great uncertainty that legislators now face, and the evolving nature and continued ambiguity of full implementation. Rely on the chapter both as a reference and as an analysis of the trade-offs that Colorado must face. The chapter urges elected officials to reverse their current direction and make every new covered individual better off by moving away from funding through Medicaid instead to be funded by private health care. Such state-level reform should place the cost onto the federal government, rather than the state voluntarily shouldering an increased, and increasingly impossible, burden.

In addition to outright savings proposed elsewhere in the Citizen’s Budget, this chapter quantifies inflation of projected health care costs and proposes steps to avoid or attenuate them. The chapter warns that, “Because PPACA makes such sweeping changes, precise estimates of annual changes in existing state Medicaid expenditures are little better than guesses.” The demands of meeting all new program details probably will force government to curtail other services, or a galling demand for a lot more in taxes. We do not pretend to be able to predict with any certainty how people and businesses will engage the new system as the provisions of the federal mandates take effect. You should read



this chapter to understand the dynamics that our State will face as it conforms to its required roles. We call for several specific reforms, as follows:

- Revise the commitment to Medicaid managed care, now that it has been proven to be more costly than the alternative it replaced;
- Reform the long-deferred modifications in out-of-pocket charges for people already benefitting from the government health care programs; and
- Amend the growth in administrative overhead and change the bureaucracy’s objectives which favor reliance on Medicaid.

In the chapter titled “**Bridge Enterprise Fund,**” the Citizen’s Budget describes how the \$100 million per year “FASTER” car registration tax—and its related \$300 million in new public debt—is unconstitutional, dishonest and immoral. In passing this legislation, the State violated its trust with the people and failed its fiduciary duty. We hope to see new legislation to unravel the scheme and render moot a current \$1 billion lawsuit. Doing so would allow elected officials to figure

out the best cure and best steps forward in a proactive manner, rather than reacting later to a solution imposed by a court. Additional savings would be found by not trying the case, which would free up resources in the community, for the Attorney General’s office and for the Colorado Department of Transportation.

With the “**K-12 Funding for Education**” chapter, you will benefit this year from an increased emphasis on how the School Finance Act works, that is, the process and the extent of State support for elementary and secondary education. Publication is especially timely as considerable attention is being placed on the topic during the 2013 legislative session, and on the anticipated issue campaign that will follow. Fundamental revisions to the funding system are being contemplated. We also explain some of the ongoing poor funding decisions and urge reforms to save a quarter billion dollars:

- End the practice of paying for “Master’s bumps,”
- Insist on wise use of funding by better managing overhead “business” costs,
- Initiate a statewide scholarship tax credit to improve competitiveness in the system and save some funds doing so, and
- Appeal the dangerous Amendment 23.

We include a short digression from our more academically rigorous investigations. “**A Modest Proposal**” provides some fun by suggesting that citizens and their elected servants should just ignore this entire agenda. Live for today, grapple with nothing substantive, and instead see how much more money you should throw at the problems. Waste a lot; want for nothing?

We introduce a new analysis of an area of state government that consumes a large portion of total spending. The “**Human Services**” section offers a glimpse into the size and complexity of this part of the budget. It selects two from among many different programs to explain what services they provide and to raise questions about possible needed reforms.

