

INDEPENDENCE INSTITUTE ISSUE BACKGROUNDER

A THUMBNAIL GUIDE TO COLORADO STATE GOVERNMENT'S SPENDING PROBLEM

BY LINDA GORMAN • IB-A-2013 • FEBRUARY 2013

Colorado state government has a spending problem.

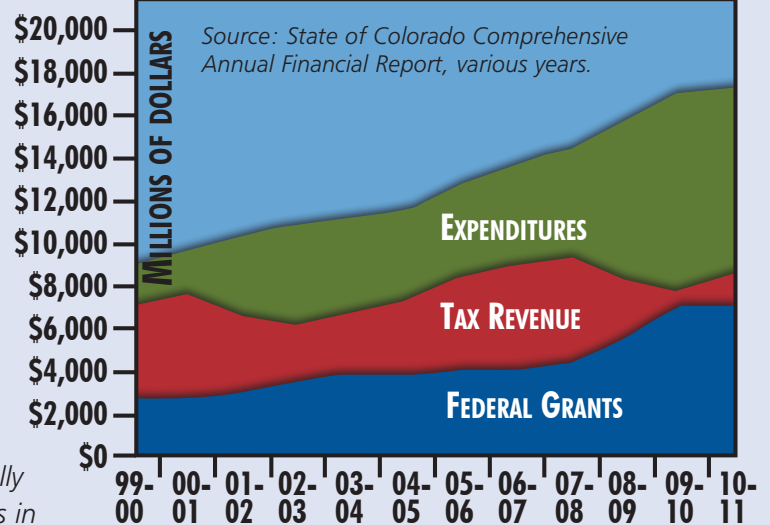
Although inflation-adjusted per capita personal income in Colorado is still below its 2003 level, state spending has risen every year since 1999. State tax revenue has risen, but it cannot keep up with the spending.

Legislators have used federal grants, aggressive increases in fees, and cash funds collected for other purposes to bridge the gap between spending and state tax revenue.

Given the state of federal finances, depending upon the federal government for 38 percent of the state budget (FY2010-11) is a risky strategy. The Office of the State Comptroller has warned that:

Without significant federal revenue increases or potentially unsustainable federal borrowing, there may be large cuts in federal spending. In the absence of all or a significant portion of this funding, the State's operations and ability to provide services to its citizens would be inversely impacted as would local government services.¹

COLORADO REVENUES & EXPENDITURES



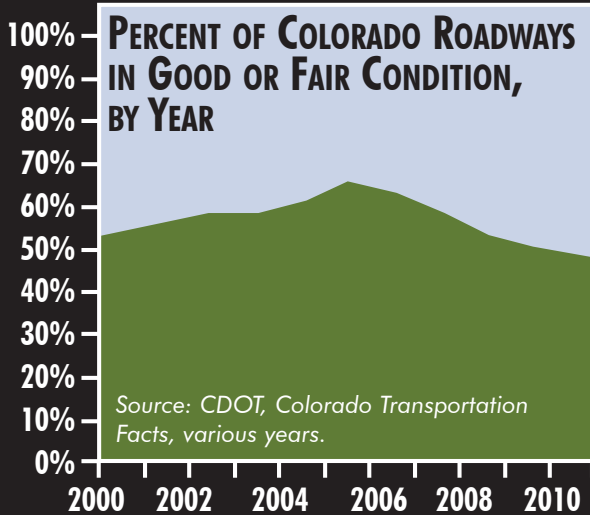
¹ State of Colorado Comprehensive Annual Financial Report, FY 2010-11, p. 40.

As the following table shows, expenditures have grown in every category except transportation:

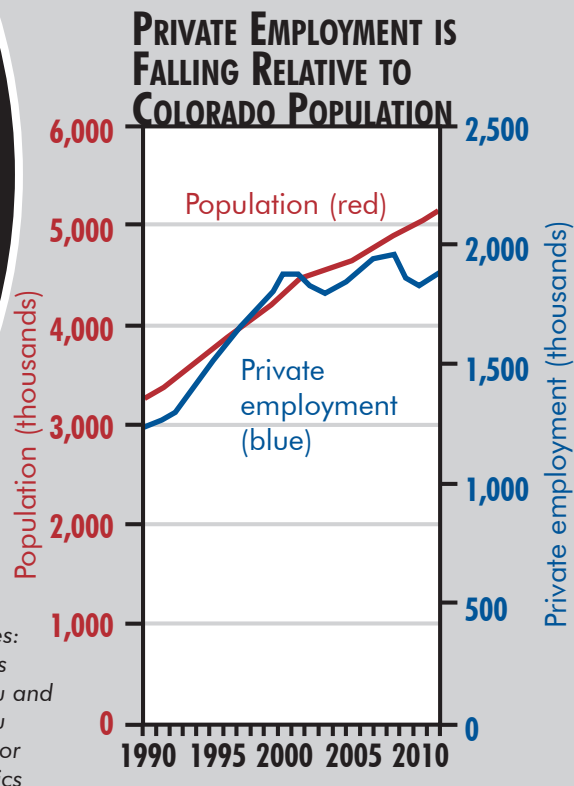
INFLATION-ADJUSTED INCREASES IN STATE OF COLORADO EXPENDITURE CATEGORIES (FY 1999-00 TO FY 2010-11)

Expenditure Category	Inflation-adjusted Percent Increase	Unadjusted Percent Increase	Spending FY 2010-11 (2010-11 dollars, millions)	Spending FY 1999-00 (1999-00 dollars, millions)
Debt Service	3,101%	4,060%	\$208	\$5
Education*	709%	951%	\$778	\$74
Social Assistance	102%	163%	\$5,656	\$2,152
K-12 Education	47%	91%	\$4,303	\$2,257
Justice	30%	69%	\$1,314	\$776
Health & Rehabilitation	5%	36%	\$592	\$434
Transportation	-15%	11%	\$1,064	\$958
Expenditures	27%	67%	\$17,286	\$10,329
Tax Revenues	-8%	19%	\$8,430	\$7,058
Federal Awards	107%	167%	\$6,917	\$2,573
Per Capita Personal Income	5%	36%	\$42,190	\$30,919

*Corrected version. An earlier version of this Issue Backgrounder erroneously labeled this row "Higher Education." Per capita personal income is not in millions of dollars. Sources: State of Colorado Comprehensive Annual Financial Reports, Bureau of Labor Statistics, and Bureau of Economic Analysis.

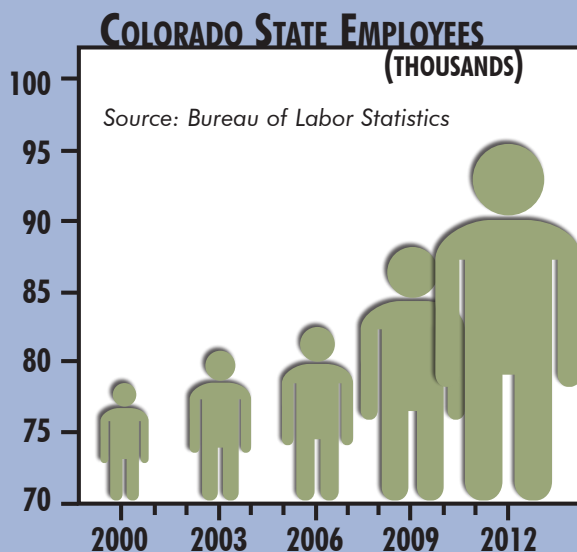


The decline in transportation spending appears to correlate with the decline in Colorado road quality. Officials promise that new taxes and fees will be used to fix roads, but the road budget falls and roads deteriorate.



The large spending increases are not justified by population increases. If anything, Colorado population growth has slowed relative to the growth in the 1990s.

More worrisome is the fact that private employment growth has been anemic since the late 1990s, the time when the fraction of the population that is privately employed peaked. State policies may be discouraging both job creation by private employers and job seeking by individuals.



Meanwhile, the number of state employees has grown rapidly. Even without including benefits, state employees enjoy higher pay than private employees.

