



INDEPENDENCE INSTITUTE.ORG ISSUE BRIEF

2015 Thumbnail Guide to Colorado's Spending Problem

By Linda Gorman

Colorado state government has a spending problem. Between FY 1999-00 and FY 2013-14, its inflation-adjusted expenditures rose by 38 percent...

The 2014 Colorado Comprehensive Annual Financial Report warns that large cuts in federal spending would "adversely impact" the state's ability to provide services to its citizens at the state and local level.

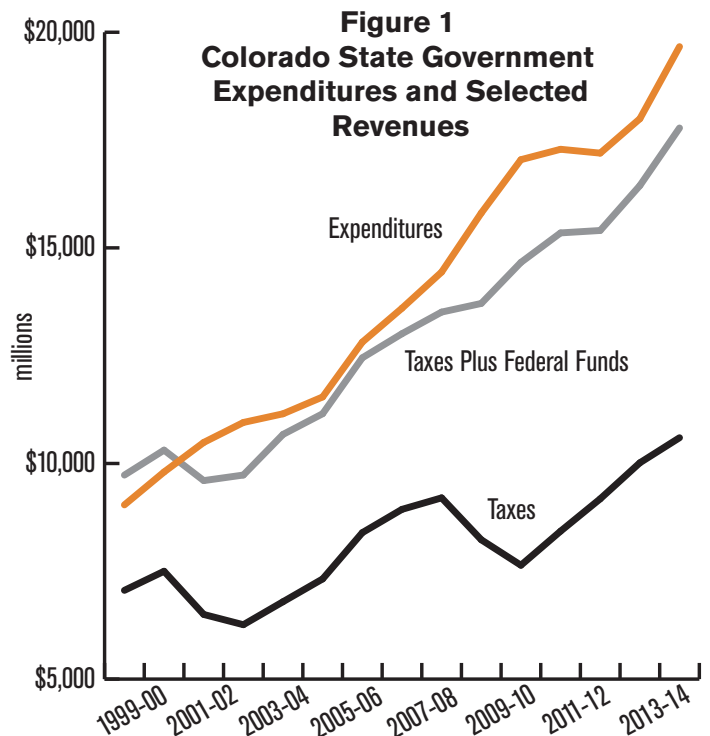
As Table 1 shows, inflation-adjusted state tax revenues grew by 8.8 percent while inflation-adjusted per capita personal

income, grew by 6.9 percent. Personal income is an estimate of pre-tax income for everyone in the state. It adds net earnings plus dividends, interest, rental income, and government transfer payments before taxes are paid.

Private sector production pays the taxes that support government activities. Figure 3 shows that private employment in Colorado has stagnated for almost 15 years and that it has decreased as a fraction of the number of residents of working age.

Spending for school districts and social assistance accounts for more than 60 percent of the state budget. According to the National Education Association, Colorado ranked 22nd in per pupil educational spending in 2013-14. It spent \$10,723 per student, just \$632 below the national average.

Table 1. How has Colorado State Spending Changed: 1999 to 2014? Table with 4 columns: Category, FY 1999-00 Spending, FY 2013-14 Spending, and Inflation-adjusted Percent Change.



Colorado ranked 22nd in terms of overall fiscal solvency in the Mercatus Center’s survey of 2013 state fiscal condition.⁷ It was 39th in the trust fund solvency ranking. As Table 2 shows, Colorado government entities had unfunded pension liabilities of \$27.1 billion in 2013 using actuarial valuations in conformance with GASB. The state share of the unfunded liabilities was \$9.7 billion, about 92 percent of its total 2013 tax revenue.⁸

Colorado relies on federal grants to fund more than a third of its state budget. It has exceptionally large unfunded pension liabilities, and has endured more than a decade of anemic growth in private employment. To preserve the state’s fiscal health, the legislature should consider a moratorium on new spending, new taxes, and new taxes disguised as fees. Any additional revenues should be used to meet the state’s obligations to fund its employee retirement and to wean it from its dependence on federal funds.

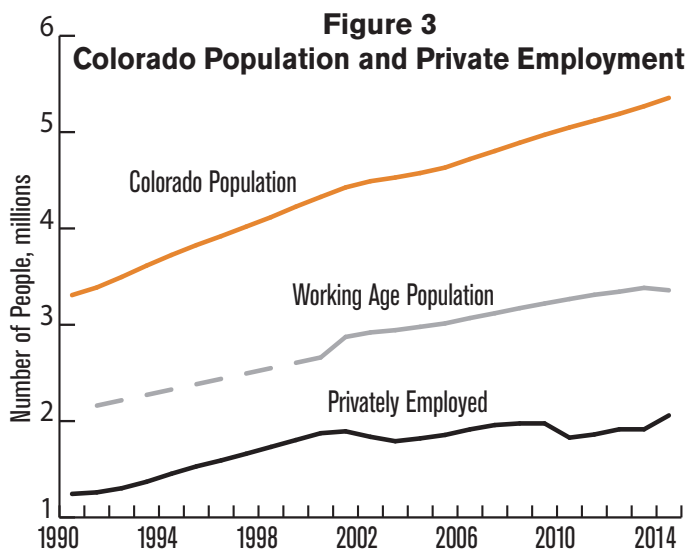
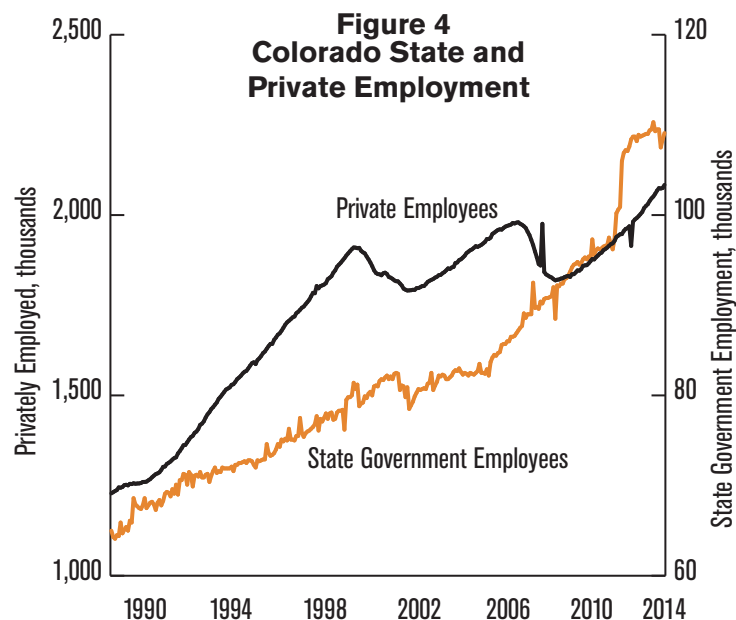


Table 2: Funded Ratios for Colorado Government Trust Funds: Actuarial Value of Assets Divided by Actuarial Value of Liabilities assuming an investment return of 7.5%.⁹

Trust Fund	2010	2011	2012	2013	Unfunded Accrued Liability
State Division	62.8%	57.7%	59.2%	57.5%	\$9,714,265,000
School Division	64.8%	60.2%	62.1%	60.3%	\$14,057,932,000
Local Government	73.0%	69.3%	74.5%	73.1%	\$1,210,984,000
Judicial Division	75.0%	69.3%	73.1%	73.0%	\$94,798,000
Denver Public Schools Division	88.9%	81.5%	84.0%	81.2%	\$709,977,000
Health Care	17.5%	16.5%	16.5%	18.8%	\$1,263,850,000
Denver Public Schools Health Care	17.9%	18.6%	18.6%	20.2%	\$61,154,000

Endnotes

¹ Colorado Comprehensive Annual Financial Report, various years. Author’s calculations. The Consumer Price Index was used to calculate inflation-adjusted spending.
² Colorado Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, p. 40.
³ As of 2014, Education spending included the Department of Education and the proportion of the Department of Higher Education not reported as a business-type activity. Social Assistance includes the Department of Human Services, Veterans’ Affairs, and the Department of Health Care Policy and Financing. Transportation spending includes the Department of Transportation. Justice includes the Department of Corrections, Division of Youth Corrections in the Department of Human Services, the Judicial Branch, the Department of Law, Department of Public Safety, and the Civil Rights Division of the Department of Regulatory Agencies.
⁴ Bureau of Labor Statistics and U.S. Census Bureau population estimates, various years.

⁵ Bureau of Labor Statistics.
⁶ NEA Research. March 2015. *Rankings & Estimates*. National Education Association. Online version. http://www.nea.org/assets/docs/NEA_Rankings_And_Estimates-2015-03-11a.pdf, accessed April 6, 2015. Table H-11, p. 55.
⁷ Eileen Norcross. July 2015. *Ranking the States by Fiscal Condition*, Mercatus Research, Mercatus Center at George Mason University, Arlington, VA. <http://mercatus.org/sites/default/files/Norcross-StateFiscal-Condition.pdf>, accessed July 7, 2015.
⁸ Colorado Public Employees’ Retirement Association. December 31, 2014. *Comprehensive Annual Financial Report*. Online version, <https://www.copera.org/sites/default/files/documents/5-20-14.pdf>, accessed July 1, 2015.
⁹ Colorado Public Employees’ Retirement Association. 2014. *Comprehensive Annual Financial Report for the Year Ended December 21, 2013*, Denver, Colorado. p. 43. Online version, <https://www.copera.org/sites/default/files/documents/5-20-13.pdf> accessed July 7, 2015.