



## Income Inequality in Colorado

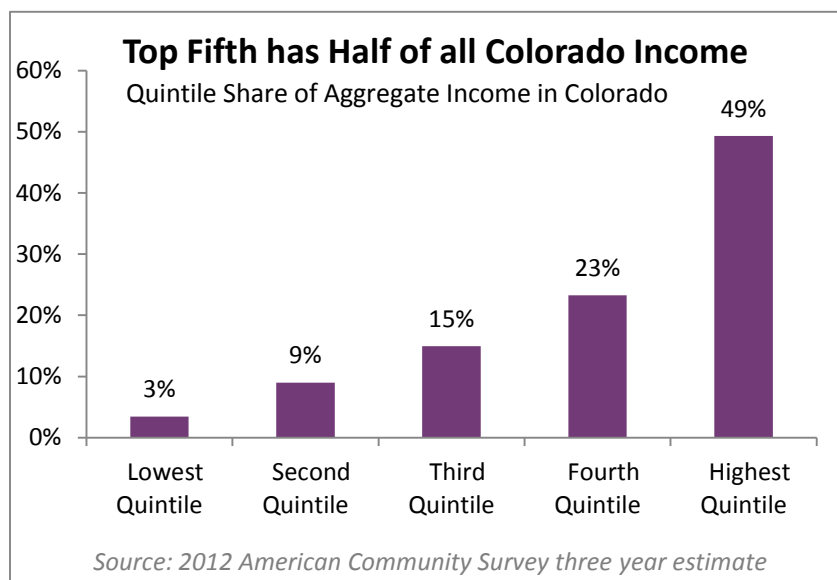
Colorado ranks 24<sup>th</sup> among states in levels of income inequality according to U.S. Census 2012 three-year estimates of state Gini coefficients, the standard metric of measuring income distribution among economists. Although Colorado ranks close to the national average in income distribution, Colorado has had an above-average level of inequality growth compared to other states. From the late 1970s to early 2000s, Colorado had the eighth-highest level of growth of income inequality among the states.

The lowest-income 20 percent of population received only 3.4 percent of Colorado aggregate income while the top 20 percent received 49.3 percent according to the U.S. Census Bureau.

### It wasn't always this lop-sided.

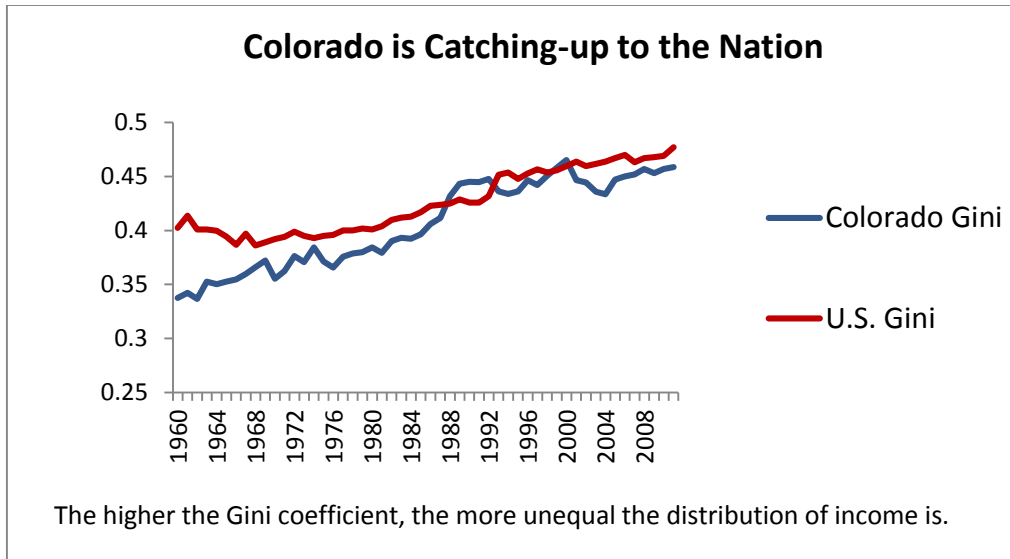
In the late 1970s the ratio of income of the top 20 percent was five times the income of the bottom 20 percent. Now the top 20 percent of incomes is 8.2 times greater than the bottom.<sup>1</sup>

The chart below tracks Gini coefficients for Colorado and the nation. Higher Gini coefficients mean a more unequal distribution of income. As the graph shows, Colorado used to have a much more equal distribution of income, one a lot more equal than the nation, particularly from 1960 to 1980.<sup>2</sup>



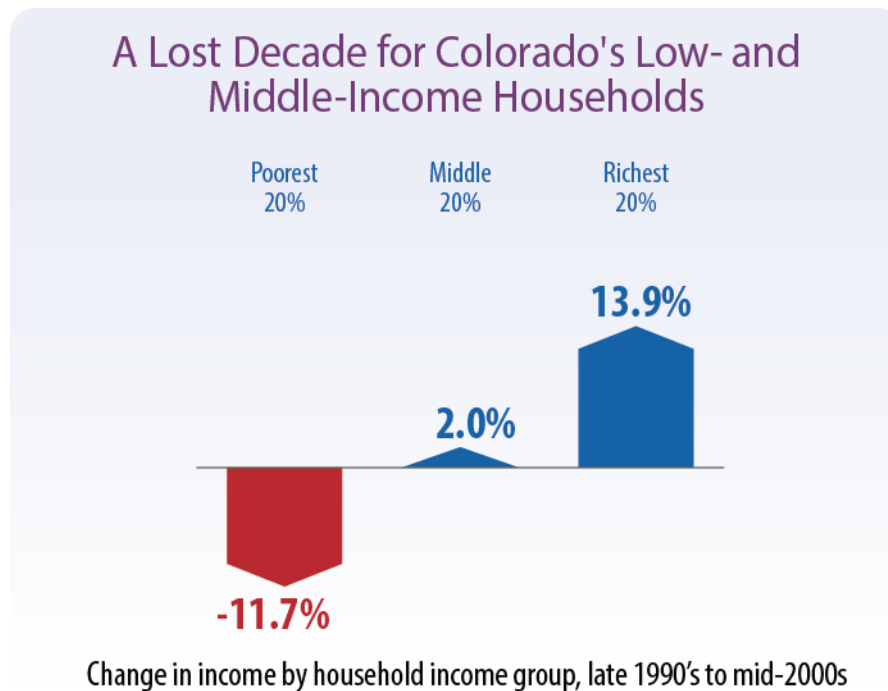
<sup>1</sup> Source: Pulling Apart: A State by State Analysis of Income Trends (2012) Center on Budget and Policy Priorities. Available at <http://www.cbpp.org/files/11-15-12sfp.pdf>

<sup>2</sup> CFI calculated Colorado Gini coefficients using: Frank, M. (2008). A New State-Level Panel of Income Inequality Measures Over the Period 1916-2005. *Sam Houston State University Working Paper Series* and the U.S. Census Bureau Gini figures for recent years.



**Income growth has been unequal for the past few decades with the poorest Coloradans losing ground.**

The incomes of the poorest 20 percent of Coloradans has fallen by 11.7 percent from the 1990s to the 2000s. The middle-class incomes in Colorado have only grown by 2 percent over that same period while the top 20 percent richest Coloradans have seen their incomes increase around 14 percent.<sup>3</sup>

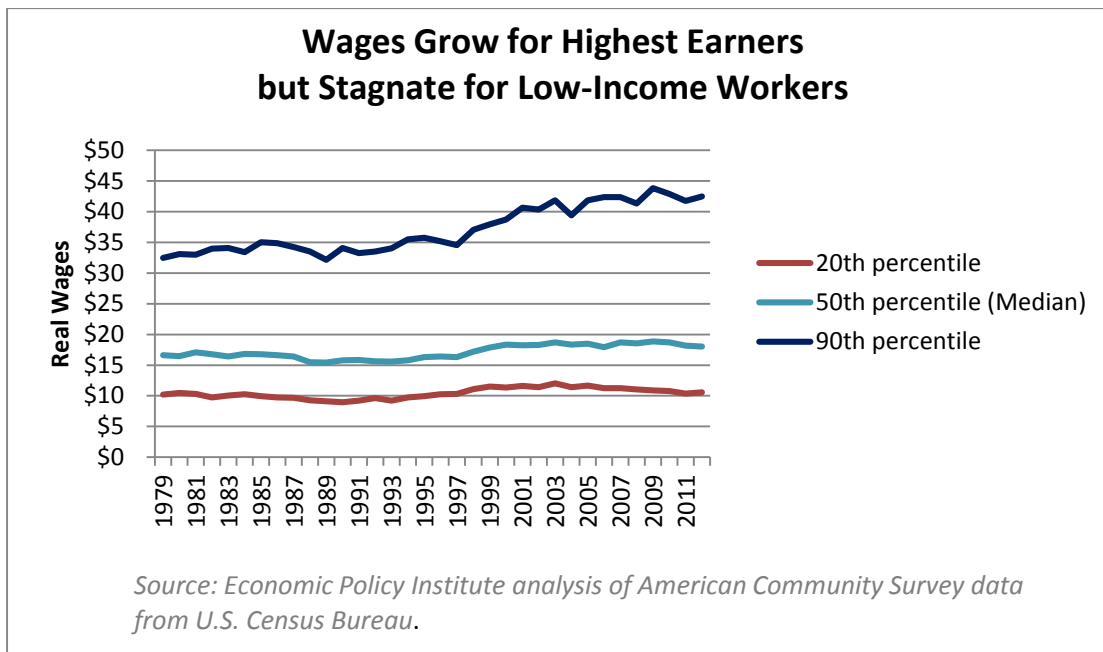


<sup>3</sup> See <http://www.cbpp.org/files/pullingapart2012/Colorado.pdf> It's important to note that this data does in fact account for federal taxes, for the value of food stamps, housing vouchers, welfare and social security. It does not include realized capital gains. As a result, the data shows a somewhat lower level of inequality than would be the case if capital gains were included.

**Wages, the essence of the middle class, have slowed for low- and middle-income Coloradans.**

Wages make up a little more than 70 percent of gross income in Colorado according to IRS Individual Income tax data. Because other forms of income like capital gains largely accrue to upper-income earners, it is informative to look at the growth in wages as a way to tell the inequality story.

Since 1980, the wages of the poorest fifth of Coloradans have only grown by 1 percent in real terms. The wages of the median Colorado worker have increased 9.3 percent while the wages of the top fifth have increased by 18.7 percent.



Since 70 percent of the economy is driven by consumer spending, it is very important that the middle class have the money or “purchasing power” to go out and support local businesses and keep the economy working. As a higher portion of Colorado’s income gets concentrated in the hands of a few individuals, this leaves fewer customers with money to spend in the local Colorado economy. When half of the state doesn’t have the disposable income to spend in the economy, everyone suffers.

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