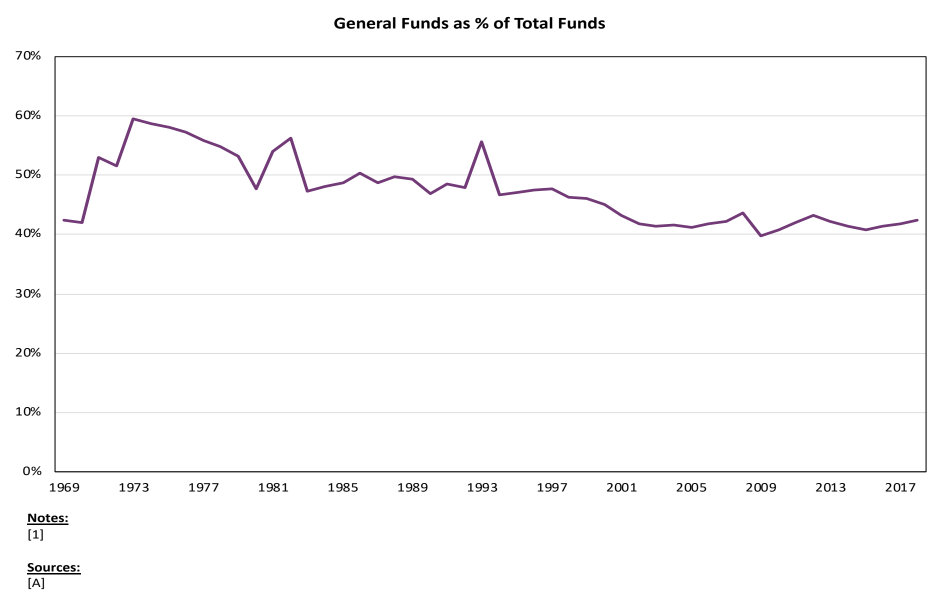
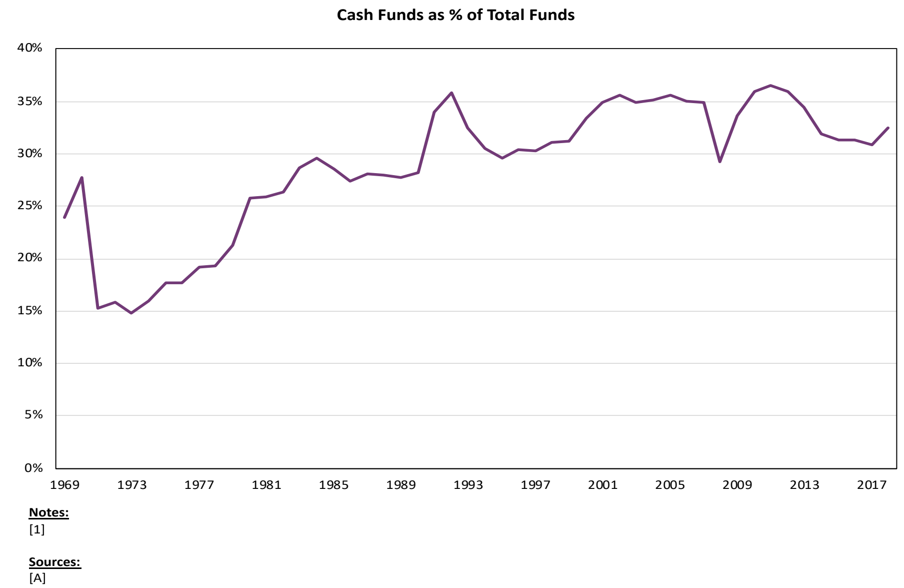
STATE OF CHANGE
PART 3: REVENUE & GROWTH

Since World War II, Colorado has generally enjoyed faster growth than most states. This occurred in three eras: military operations, the tech boom, and the recreation industry. Though wildly different, all have one thing in common: public investments. Throughout the 20th century, the federal government invested in military operations in the state, such as Lowry Air Force Base, the Air Force Academy, and the North American Aerospace Defense Command (NORAD). These investments resulted in a lasting infrastructure of young, educated workers, tech facilities and equipment, and affordable public higher education. Thanks to the tech boom of the 1990s, Colorado's employment and median wage rose from $66,000 in 1990 (adjusted for inflation) to $72,000 in 2019. Tech jobs thrived due to our state's past public investments in research, science, and technology. In the 2010s, as outdoor recreation became increasingly popular, Colorado saw growth in population and personal income higher than the national average as young people and retirees alike came to Colorado for skiing, climbing, and hiking.

Unfortunately, despite the clear link between Colorado's strong post-war economy and public investments (paid for by taxes), the state has been unable to translate economic growth into tax revenue. This is primarily due to the TABOR amendment. Passed by voters in 1992, the amendment means Colorado has some of the most restrictive fiscal limitations of any state in the country. In addition to other provisions, it limits the amount of General Fund revenue Colorado can retain and mandates all tax increases be posed as ballot questions decided by voters.





This is significant because Cash Funds only go towards specific programs—things like using the fees hunters pay for licenses to fund herd mitigation.

The shift in reliance from the General Fund to Cash Funds means Colorado's tax code—and the public spending it funds—can't respond quickly to specific public policy issues, leading to chronic underinvestment in health care, education, and higher education. Since the passage of TABOR, income taxes as a portion of Colorado's total tax revenue have stagnated despite rising personal incomes, and Colorado lawmakers are prohibited from raising income taxes or creating a graduated income tax without the passage of a ballot measure.

TABOR has also exacerbated inequities in the tax code. As income became more and more concentrated with the wealthiest individuals, the state's single-rate income tax was ineffective at turning that into funding for public investments. It has also caused Colorado to rely heavily on regressive taxes like the state sales tax, fines, and fees for revenue. Despite consistently outperforming the country decade after decade, Colorado's growth has been uneven.

This has also led to wide differences in unemployment, access to housing, completion of higher education, the poverty rate, and median incomes depending on race, ethnicity, and geography. In 2017, while the front range experienced high job growth, rural areas struggled, and the unemployment rate of Latinx and Black Coloradans continues to be higher than white Coloradans.

In order to spread Colorado's prosperity more evenly across the state, we must modernize and upgrade our tax system to correct for our over-reliance of regressive forms of taxation and provide adequate revenue for public investments that form the foundation of Colorado's economic expansion eras.

DESPITE STRONG WAGE GROWTH, GENERAL FUND REVENUE HAS BEEN STAGNANT

Colorado Fiscal Institute