

# MEASURING ADEQUACY

## Funding & State Services

Colorado is at an inflection point in how the state balances revenues and expenditures. Policy architects cannot responsibly make budgeting decisions about a piece of the state budget without considering the holistic impacts or accounting for the broader universe of needs. The Colorado Fiscal Institute and The Bell Policy Center have teamed up to estimate what it would take to adequately fund a spectrum of basic government functions from education to water to direct care, and more. The intent is to give policymakers a panoramic view of needs, and establish where Colorado is in meeting those needs.

### **This leads to the question: How much revenue is truly enough?**

This brief looks at several budget line items to identify what is adequate funding. Our analysis provides a short-term look ahead to quantify the actual costs of community priorities. Instead of looking only at what Colorado can do with limited dollars, this analysis looks at the needs of the state and how that translates into needed state revenue. Colorado can no longer afford to limit its aspirations to dollars collected within arbitrary limits if it is to compete with other states. Starting with what communities across the state require enables Colorado to match revenue to needs. Accordingly, the numbers in this analysis go beyond caseload growth and instead are intended to outline the funding necessary to bring the state to adequacy in key areas.

**In total, an estimated \$13.189 billion will be needed over the next three fiscal years to adequately fund the identified programs.** While this number is not comprehensive of all community priorities, it provides a window into the true cost of adequately funding programs that Coloradans rely upon throughout the state.

# K-12 EDUCATION

BUDGET IMPACT THROUGH FY 25-26: **\$4.018 BILLION**

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K-12 funding comprises the largest portion of Colorado's General Fund budget. Since fiscal year 2009-10, Colorado has funded K-12 schools below the level required by the state's constitution – a level which is considered a floor by many. The Budget Stabilization Factor (BS Factor) is the measure of how far below the constitutional requirement – the requirement is to keep up with inflation and updated pupil counts – K-12 public education funding is, and it currently sits at \$321 million just for FY 2022-23. But the BS Factor is not a measure of the funding necessary to ensure that all students meet Colorado standards. The state of Colorado has never commissioned a study to determine that amount, but national per pupil rankings can give some benchmarks.

Colorado currently sits 35th in per pupil funding nationally, according to the U.S Census Public Elementary-Secondary Education Finances for Fiscal Year 2021. Over the next three fiscal years, Colorado will need to spend an extra \$1,263 per pupil just to raise our per pupil funding to 25th in the country. **Over the next three fiscal years, the total amount needed to reach the median of states is \$4 billion.**

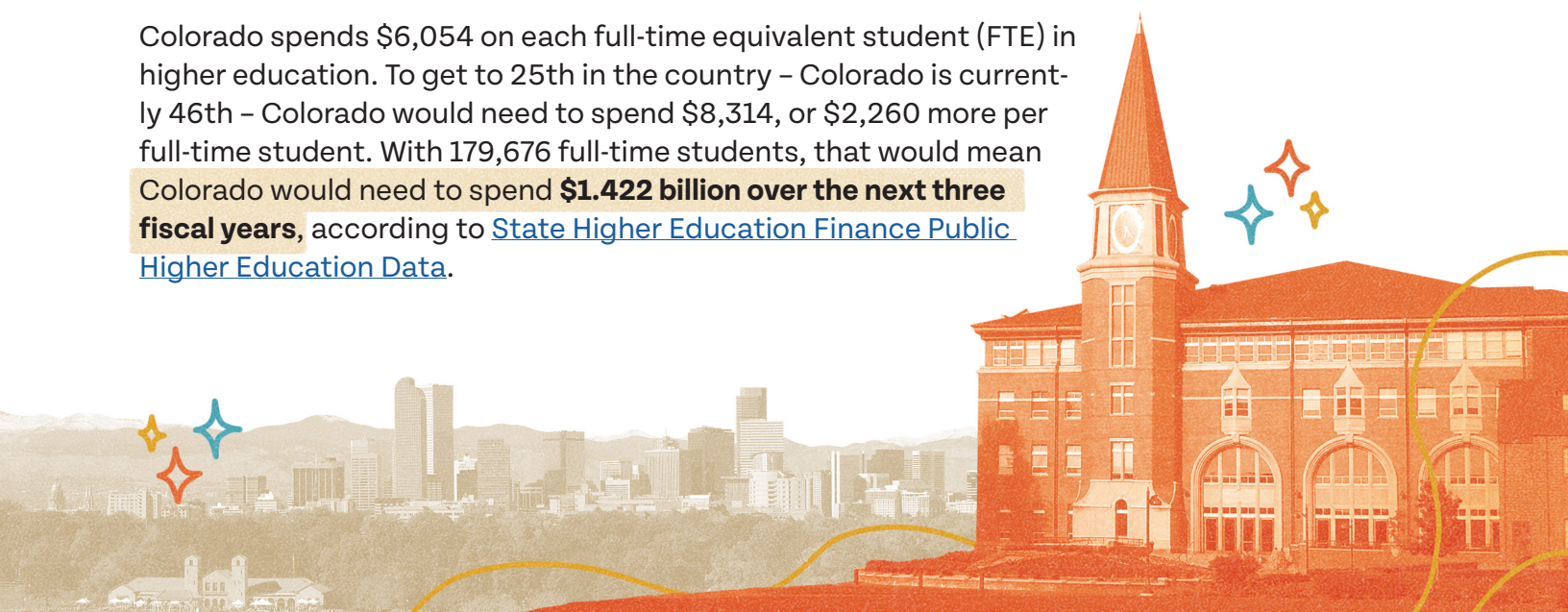
# HIGHER EDUCATION

BUDGET IMPACT THROUGH FY 25-26: **\$1.422 BILLION**

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Since the Great Recession, Colorado has lagged on funding higher education. Whereas [two-thirds of higher education funding came from the state in the early 2000s](#), it is now just one-third, with the remaining two thirds coming from student tuition. This shift has led to increased student debt and institutions that are unaffordable for many Coloradans. At a time when post-secondary education is a critical step toward a good-paying job, this shift in funding has been detrimental to Coloradans – especially those in marginalized communities.

Colorado spends \$6,054 on each full-time equivalent student (FTE) in higher education. To get to 25th in the country – Colorado is currently 46th – Colorado would need to spend \$8,314, or \$2,260 more per full-time student. With 179,676 full-time students, that would mean Colorado would need to spend **\$1.422 billion over the next three fiscal years**, according to [State Higher Education Finance Public Higher Education Data](#).





# CHILD CARE AND UNIVERSAL PRE-K

BUDGET IMPACT THROUGH FY 25-26: **\$4.168 BILLION**

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When considering child care and universal pre-K funding adequacy, it's important to keep in mind that families need affordable and accessible child care, and the workers providing that care must have wages that allow them to be self sufficient.

Using the [Bell Policy Center's cost model](#) - which builds in self-sufficiency wages for workers and an adequate supply of workers to meet demand - the state is projected to need additional revenue based on the following assumptions: workers earn a self-sufficiency wage, an increase in demand and participation in high quality care, and a majority of children receive full-time care. The projections include adjustments for inflation and projected population changes, and account for new Universal Preschool (UPK) funding from the Colorado Department on Early Childhood. Using those assumptions, \$1.6 billion is needed for FY 2023, and \$1.2 billion is needed for FY 2024 and FY 2025, for a **three year total of \$4.168 billion**, above and beyond the current budget projections.

# LONG-TERM CARE

BUDGET IMPACT THROUGH FY 25-26: **\$1.470 BILLION**

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Colorado is one of the fastest aging states in the country. To meet the needs of older Coloradans who wish to age in their home or community, our state needs more [direct care workers](#). As Medicaid is one of the largest funders of home care services, the state plays a direct role in ensuring adequate wages and benefits for these essential workers.

Colorado is experiencing a direct care shortage, due largely to low compensation. To bring all current direct care worker wages in Colorado up to [MIT's self-sufficiency standard](#) for the state (\$19.22/hour), and account for taxes and benefits, **Colorado needs to invest just under \$1.5 billion over the next three fiscal years.**

# COLORADO'S WATER NEEDS

BUDGET IMPACT THROUGH FY 25-26: **\$2.111 BILLION**

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With drought and climate change impacts surging through the West, water conservation is a long-term priority for Colorado. To that end, Colorado devised the Colorado Water Plan to help guide the state toward high-priority projects that will help build sustainable water infrastructure. However, funding for these projects have never been guaranteed and significantly more revenue is needed to ensure sustainable water supply for the future.

Colorado needs an estimated \$1.5 billion by 2050, an average of \$53.6 million annually, to implement the [Colorado Water Plan \(CWP\)](#), above and beyond what is expected from sports betting revenue approved under Proposition DD. However, the CWP estimates \$19.7 billion is needed to complete the full range of water conservation projects needed by that time, including those that treat the state's most critical forests and address drinking water needs. Those two projects need \$18.2 billion in additional needs on top of the CWP's \$1.5 billion.

Using the complete figure, Colorado needs an estimated \$703.571 million annually to meet its water needs. **Over a three-year horizon, that would equal \$2.1 billion through FY 2025-26.**

