



# 2023 EDITION Colorado's Free Enterprise Report



# About Common Sense Institute

Common Sense Institute (CSI) is a non-partisan research organization dedicated to the protection and promotion of Colorado's economy. CSI is at the forefront of important discussions concerning the future of free enterprise in Colorado and aims to have an impact on the issues that matter most to Coloradans.

CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the Colorado economy and individual opportunity.

Common Sense Institute was founded in 2010 originally as Common Sense Policy Roundtable. CSI's founders were a concerned group of business and community leaders who observed that divisive partisanship was overwhelming policymaking and believed that sound economic analysis could help Coloradans make fact-based and common sense decisions.



***We believe sound fiscal and economic research is essential to uphold Colorado's economic vitality, future, and individual opportunity.***



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## About the Mike A. Leprino Free Enterprise Fellowship

The Mike A. Leprino Free Enterprise Fellowship was established by Laura Leprino and Matthew Leprino in honor of the late Mike A. Leprino, who was a pillar in the Denver community. The son of Italian immigrants, he was a banker, developer and community servant. There was no greater defender of free enterprise and the American Dream than Mike, who, from humble beginnings, built an enviable legacy in Colorado. Thanks to his legacy, we can all take a lesson in hard work, the entrepreneurial spirit, and the power of free enterprise.

The Mike A. Leprino Fellowship selects one individual to examine free enterprise issues facing the state of Colorado.

CSI sincerely appreciates the generosity of Laura Leprino and Matthew Leprino for this critically important resource for all Coloradans.



## Evelyn Lim • 2022 Mike A. Leprino Fellow

Evelyn Lim is the 2022 Mike Leprino Free Enterprise fellow and the Director of Policy and Research at the American Cornerstone Institute. She was most recently the Department of Housing and Urban Development’s (HUD) Regional Administrator for Region 8 which covers Colorado, Utah, Wyoming, Montana, North Dakota, and South Dakota.

# Introduction

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The tried-and-true principles of the free enterprise system, even in times of crisis, remain the single best means of allowing the creativity and ingenuity of the people of Colorado to meet the needs of the state. Ultimately, the free enterprise system grants individuals the freedom to make their own choices in light of their own particular needs. By liberating this micro-level economic activity from the heavy hand of government, individuals can best utilize their own strengths, markets can innovate to best meet consumer demand, and businesses can compete to deliver goods and services in the most efficient manner possible.

The record of history is clear: a decentralized economic system, free of cumbersome regulation, will consistently deliver greater wealth, better services, more advanced industries, and improved overall outcomes for the individuals, families, and communities throughout our state. An embrace of free enterprise principles will guide policymakers and voters in their quest to bring Colorado to its full potential, even in challenging economic times.

Even with a high labor force participation rate and strong job growth, high inflation and the possibility of an impending recession have introduced turbulence into Colorado's economic outlook.

A lack of affordable housing, growing regulations, and persistently high crime rates also present significant challenges in maintaining Colorado's economic edge. To ensure a stable and competitive economic position, a reprioritization of essential issues and a return to the principles of free enterprise in addressing those issues will keep the state on the right path through economic uncertainty.

CSI was founded on these very principles, with a few simple goals in mind: produce sound economic analysis which will empower the citizens of our state to understand the policies before us, and provide data-driven research to equip all Coloradans with the information they need to make common-sense decisions. CSI is proud to publish its second annual review of the state of free enterprise. **The *Free Enterprise Report: 2023 Edition* serves as a resource to help Coloradans understand the key issues affecting the state's economy.**

The report is accompanied by The Rankings Book, which provides a useful reference for readers to understand how Colorado ranks in key economic metrics when compared to the rest of the country.

As state leaders look to navigate the challenges and opportunities which lie ahead, CSI will continue to stand ready to provide the key data, research, and analysis needed for Coloradans to make sound decisions. By embracing free enterprise and economic opportunity, CSI firmly believes that Colorado's future can be one marked by opportunity and economic vitality for all its citizens.

# Evaluation Criteria

## POLICY AREAS

This report is organized around the policy areas that drive CSI's research.

- » JOBS & OUR ECONOMY
- » EDUCATION
- » ENERGY & OUR ENVIRONMENT
- » HEALTH CARE
- » HOUSING & OUR COMMUNITY
- » INFRASTRUCTURE
- » STATE BUDGET
- » TAXES & FEES

In the report, CSI examines each policy area by providing an overview, key indicators, and a list of recent policies and major issues on the horizon. Each section's Performance and Outlook Ratings are based on CSI's research and review of the factors impacting each policy area. The purpose of these ratings is to help policymakers, stakeholders, and voters identify trends—both positive and negative—that demand their attention.

CSI's Performance and Outlook Ratings are broken down as follows:

### Performance Rating



This value is on a scale of 1-5. 1 reflects the lowest performance and 5 reflects the highest performance.

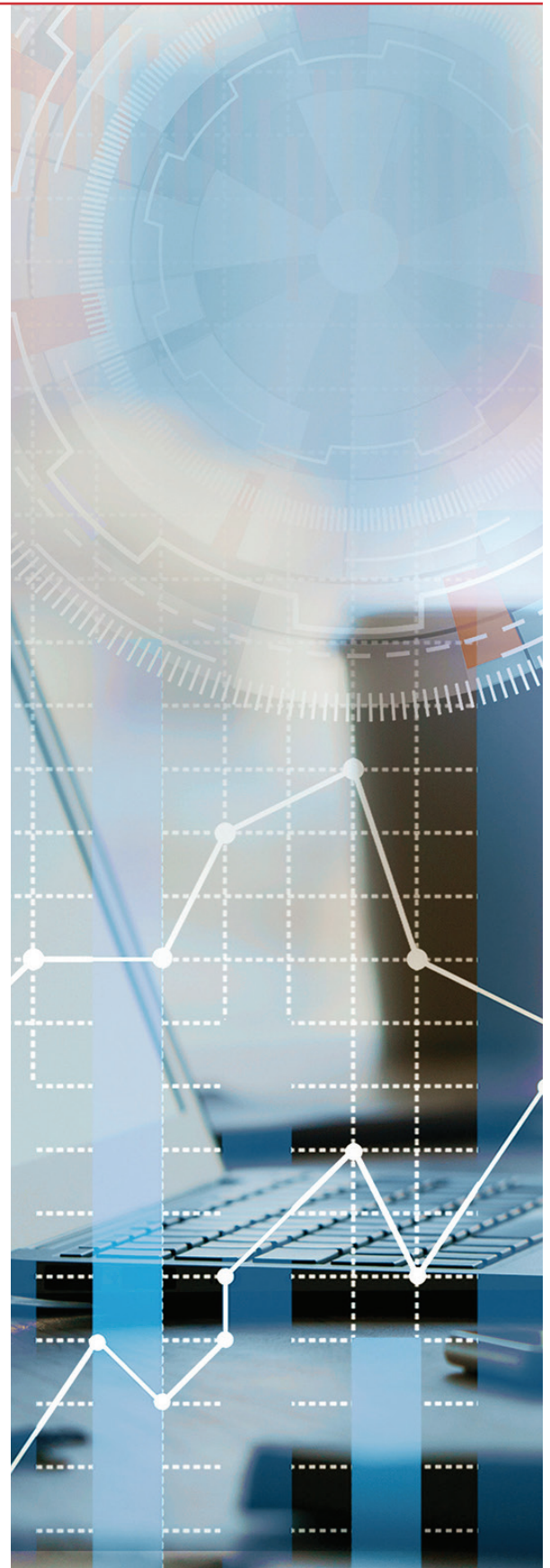
- » **Economic Vitality**
  - › Rankings
  - › Key Indicators
- » **Individual Opportunity**
  - › Rankings
  - › Key Indicators

### Outlook Rating



These ratings indicate a negative, neutral, or positive outlook for the policy area in terms of where the performance is expected to be in the future relative to the current rating.

- » **Recent Policy**
- » **Issues to Watch**



# Summary of Performance and Outlook Ratings

Each performance rating reflects, on a scale of 1 to 5, an assessment of historical data, primarily from the last year, about outcomes within its corresponding policy area. 1 indicates poor performance and 5 indicates excellent performance based on adherence to the principles of free enterprise.

Each outlook rating projects whether a combination of recent trends and recent policy changes will cause the performance of each policy area to decline, remain the same, or improve.

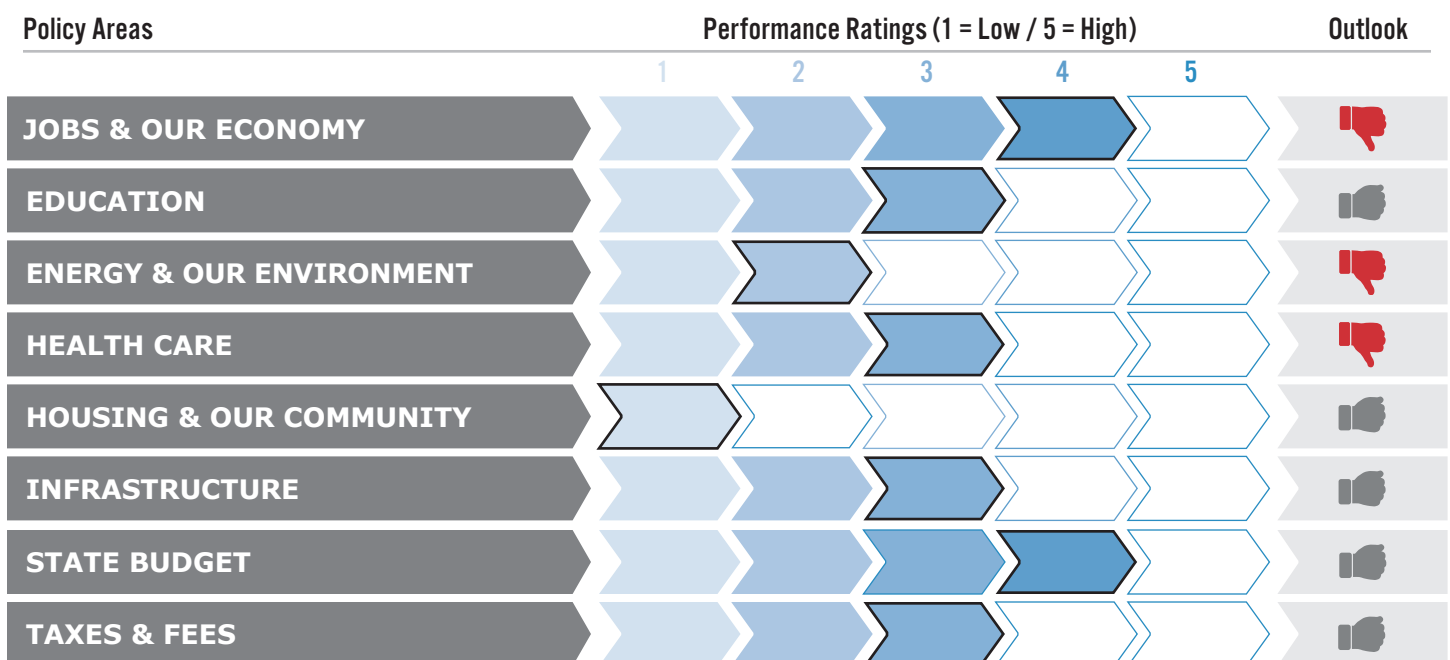
Taken together, these ratings assess how the free enterprise system in Colorado is performing and will perform in the future.

Bottom Line

**Colorado policymakers will face tough decisions with high inflation and a potential recession on the horizon. To ensure a stable and competitive economic position, a reprioritization of essential issues and a return to the principles of free enterprise in addressing those issues will keep the state on the right path through economic uncertainty.**

To be clear, these findings are not presented as the final word, nor the only valid perspective on Colorado’s free enterprise system. CSI acknowledges that different observers, when presented with the same information, can reasonably disagree about the meaning and significance of that information. What is important is to start a conversation.

## Colorado 2023 Performance and Outlook Ratings



# Rating Insights

The following findings summarize the performances and outlooks of each major policy area based upon important data trends, policy developments across the state, and recent CSI research.

## JOBS & OUR ECONOMY

Performance Rating  4 out of 5

- » Colorado's employment growth between Q3 2021 and Q3 2022 ranked 7th among all states. Professional service employment growth has been strongest; however, Colorado's mining sector remains 6,500 jobs lower than the start of the pandemic.
- » Colorado has experienced a 7.7% rate of inflation over the last 12 months (.5 percentage points below the national average), and the average Colorado household has spent \$9,207 more since 2020 because of inflation.
- » Colorado's employment growth remained strong throughout the year, and the state unemployment rate of 3.4% is below the national rate. The total employment level is up 2.3% above the pre-pandemic level, ranking Colorado 11th in terms of its post-pandemic employment recovery.
- » The labor force participation rate in Colorado is still relatively high—0.8 of a percentage point above January 2020's rate of 68.6%.

### Outlook: Negative

- » Colorado has twice as many job openings as people who are unemployed, but the state's net migration has slowed to a pace that may be insufficient to meet future workforce needs.
- » Rising inflation and the strong possibility of a recession sour Colorado's economic outlook. If a recession occurs, the economy will slow, output will fall, and the unemployment rate will increase.
- » In the coming year, recently approved regulations will impact employers of all sizes throughout the state. Employers will soon be charged with navigating regulatory overhauls and new workforce programs like Paid Family and Medical Leave Insurance (FAMLI).
- » Minimum wages in Denver and Colorado will increase on January 1, 2023, and increase labor costs for some Colorado businesses.

## EDUCATION

Performance Rating  3 out of 5

- » Education spending in Colorado has continued to rise, but an increasing share of funds is being spent on administrative functions rather than classroom instruction. The increase in overall education spending has not translated into improved educational outcomes for students.
- » After nearly three years of remote instruction and disrupted classes, most Colorado students are not meeting grade-level expectations on standardized tests. National assessment data also demonstrate that fourth and eighth graders' math and reading aptitudes declined during the pandemic.
- » Colorado's postsecondary education system continues to produce too few graduates with credentials that match the needs of Colorado employers. Increasing costs and declining enrollment in postsecondary institutions harm our state's economic competitiveness.

Outlook:  Neutral

- » As Colorado's school districts work to address learning gaps caused by pandemic restrictions, parents and teachers will have to address their academic, social, and mental health impacts while seeking to understand the pandemic's long-term effects on student learning.
- » Public-school enrollment, especially in large urban districts, is declining. This will lead to decreased funding and school consolidations/closures.
- » Without structural changes to the state's K-12 funding formula, which limits the state's ability to distribute funds equitably, it is unclear whether increases in funding can address declining student performance. The state may need to consider funding students, rather than school systems, in order to ensure that learners are prioritized and can achieve their academic potential.
- » Continued support from Colorado policymakers of enhanced transportation options to make school choice a reality for all families will help ensure that competition between Colorado schools will benefit students across the state.
- » To advance the cause of postsecondary success and meet workforce demands, the state must promote alternative pathways to success, including innovative partnerships between industry and higher education focused on in-demand skills.

## ENERGY & OUR ENVIRONMENT

Performance Rating  2 out of 5

- » Despite high oil prices, Colorado oil production is 76% of its pre-pandemic level. The number of rigs operating in the state increased in 2022 but is still 40% lower than its peak pre-pandemic level.

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- » Employment in the mining & logging sector, which includes oil and gas extraction, is 25% below its pre-pandemic level.
- » Additional regulations and new rules have slowed permitting in the state and added \$500 million to the oil and gas industry's annual cost of doing business in Colorado.
- » Since 2010, Colorado's net generation of renewable electricity has more than tripled. In 2021, largely due to state policy, it accounted for 35% of the state's total generation, up from 30.7% in 2020. This has contributed to an increase in consumer utility rates of 10.5% over the past 12 months.

### Outlook: Negative

- » Because the state is not currently on track to meet the emission reduction requirements stipulated by HB19-1261, new regulatory requirements to reduce greenhouse gas emissions will be imposed upon all sectors of the economy, especially transportation and the built environment.
- » Barring a sudden decline in energy demand, energy prices are expected to continue to rise in 2023. At the same time, state and local regulations have decreased the likelihood of large new investments in oil and gas production.
- » The EPA's upcoming reclassification of the Front Range as a severe air quality non-attainment area will force local distributors to sell reformulated gas, which is more expensive than current fuel blends, and subject more local businesses to strict emission permit laws.
- » Efforts are underway to eliminate subsidies of natural gas connections which will increase the cost of utilities.

## HEALTH CARE



- » Health insurance prices are still increasing rapidly—in 2023, premiums in the individual and small-group markets will increase by 10.4% and 7.4%, respectively. Colorado's average benchmark health insurance premium is set to increase at a rate almost double the national average in 2023.
- » Four carriers announced that they are leaving one or more of Colorado's health insurance markets in the first year of the Colorado Option, which imposes strict price controls for plans offered in the individual and small-group markets.
- » Colorado's health care system includes many of the country's top hospitals and delivers a relatively high quality of care.
- » Colorado remains one of the country's healthiest states and boasts strong health indicators such as relatively low smoking and obesity rates.

## Outlook: Negative

- » Over the next two years, the Colorado Option will require insurance carriers to reduce the prices of their individual and small group plans by an additional 10% below a 2021 baseline. Some carriers are already leaving Colorado's markets and it will become even harder for remaining insurers to comply in the future.
- » Because of rapid medical inflation and the Colorado Option's price controls, health care providers will face growing pressure to either cut their services or pass costs to the remaining private insurance market.
- » Other market controls imposed by the state legislature, like the Colorado Prescription Drug Affordability Review Board, continue to expand the government's role in health care. It remains to be seen whether these policies will decrease prices, as intended, or cause additional disruptions that lead to higher costs within the health care industry.

## HOUSING & OUR COMMUNITY

Performance Rating  1 out of 5

- » Housing prices have fallen by 3.2% since May, but they remain more than 40% higher than they were at the end of 2020. Mortgage rates have climbed 198 basis points over the same period, offsetting the impact of lower home prices on affordability. Housing affordability is near its lowest point in 33 years.
- » Between 2021 and 2023, an estimated \$1.7 billion will be spent or budgeted to address homelessness. Spending on homelessness has increased, but unsheltered and chronically homeless populations have also risen. Although the population of homeless veterans is down 31% since 2020, the total metro Denver population of individuals experiencing homelessness grew by 13% between 2020 and 2022.
- » Crime rates in Colorado currently top pre-pandemic levels. 12 of the state's cities rank among the top ten in the country for their rates of crimes such as violent crime, rape, robbery, and arson. Colorado also has the country's worst rate of motor vehicle theft and is ranked second in crimes against property.
- » Crime rates remain elevated at a monthly average of 530 crimes per 100,000 people, but there is evidence that some crime rates, like murder, rape, fraud, robbery, and assault have begun to level off.

## Outlook: Neutral

- » Colorado's monthly number of building permits has fallen by 20% in the second half of the year and builder confidence is at its lowest in 10 years. These serve as warnings that new housing supply may not be sufficient to keep up with projected demand.

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- » Inflation and increased costs of living, including high home prices, impact communities' abilities to attract and retain teachers, police officers, firefighters, and other public servants. Following national trends, municipal police recruitment in Colorado continues to struggle despite offers of better pay and benefits.
- » Due to the passage of Proposition 123 (dedicated revenue for affordable housing programs), the state will commit significant resources in an effort to increase Colorado's affordable housing supply. The measure's success depends on the participation of local governments. State lawmakers will need to monitor local government enrollment closely in case the fund grows larger with each passing fiscal year.
- » Local officials have taken steps to address rising crime in their communities. The Aurora City Council, for example, voted to revise theft ordinances to address crime by instituting mandatory minimum sentences and increased penalties. The Governor called for increased penalties for auto theft convictions, though no policy action has been taken.
- » Colorado's FY23 budget includes \$42 million to help reduce crime, with a focus on preventing and prosecuting auto theft. Colorado's increasing crime rate must be addressed.

## INFRASTRUCTURE



- » Rapid population growth has put a significant strain on Colorado's infrastructure systems, particularly transportation, energy, and water.
- » Recent legislation, SB21-260, significantly increased funding for transportation projects by raising new revenue across multiple fees.
- » Current water infrastructure, laws, decrees, and compacts increase the competition for water under drought conditions by limiting Colorado's ability to share water regionally. This has led to large price increases and the transferring of water rights from agriculture to municipalities.
- » Denver International Airport's passenger volume recovered from the pandemic faster than almost any other airport's and it's now ranked as the world's third-busiest airport—the highest ranking it has ever achieved.

Outlook:  Neutral

- » In the future, Colorado will have to do more with less water. Actions from state and local leaders will be needed to adapt the state's water systems to create a sustainable water supply. The draft 2023 Colorado Water Plan outlines important projects and adaptations but lacks sufficient funding.
- » SB21-260 mandates new planning requirements for transportation capacity projects, complicating an already difficult roadway capacity improvement and maintenance process and making the status of our transportation investments uncertain.

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- » Utility companies are in the process of expanding their grids to accommodate both growing demand due to vehicle and building electrification efforts and higher shares of renewable energy. Costly upgrades, which consumers will pay for with higher rates, will be required in order to ensure reliable utility service.

## STATE BUDGET

Performance Rating  4 out of 5

- » At \$39.3 billion, the FY23 budget was the largest budget in Colorado history. Buoyed by a strong economic recovery, the budget totals \$2 billion more than the prior year and includes \$2.6 billion in federal stimulus money.
- » The public workforce continues to grow—the FY23 budget includes a 1.9% increase in the state’s full-time equivalent employment (FTE). Eight agencies’ FTE grew by over 6% in FY23. Over the last ten budgets, the cumulative growth rate of spending dedicated to state government employment was 21.6%.
- » During the 2022 legislative session, the state took steps to resolve two major funding obligations: a missed 2020 Public Employee Retirement Association (PERA) payment of \$225 million and a negative Unemployment Insurance Trust Fund balance of over \$1 billion.

### Outlook: Neutral

- » The Governor’s FY24 budget proposal appropriates \$40.5 billion (a 3.15% increase over FY23) and will become the largest in the state’s history if it’s approved by the legislature. It also includes a record-high general fund reserve of 15% (\$2.2 billion).
- » An economic downturn in the near term would limit the legislature’s spending power on new priorities. The Legislative Council staff expect a revenue increase of \$1 billion, but most of it will be spent on existing obligations.
- » Colorado taxpayers are expected to receive a TABOR refund from the FY23 budget, which will be distributed in 2024.
- » Colorado has fully repaid the loan of over \$1 billion it received from the federal government to fund its unemployment insurance program during the pandemic. Even though the Unemployment Insurance Trust Fund is no longer in debt, employers will continue to pay high premiums until the fund balance is restored to its pre-pandemic level.
- » Though the funding status of PERA has improved in recent years, volatile financial markets and a potential recession could trigger another contribution rate increase and impel further legislative action.

## TAXES & FEES

Performance Rating

1

2

3

4

5

3 out of 5

- » Colorado's income tax structure is competitive relative to other states'. Its individual and corporate income tax rate has historically been among the lowest in the country; voters have also reduced it by .23 percentage points over the last two years.
- » Because of TABOR restrictions, which limit the growth of the state budget by requiring voter approval of tax increases, lawmakers have looked to generate additional revenue through fees. In FY22, 70.7% of all state revenue was exempt from TABOR—up from 46% in FY93.
- » Because of the repeal of the Gallagher Amendment in 2020, which froze property tax assessment rates, the taxes Coloradans pay on residential property are rising faster than they would have under the old formula.
- » Legislative action in 2022 partially replenished Colorado's Unemployment Insurance Trust Fund and prevented scheduled payroll tax increases from going into effect over the next several years. Still, employers' unemployment insurance taxes will increase in the long run due to policy which will more than double the state's base wage by 2026.

### Outlook: 🗳️ Neutral

- » As evidenced by policies approved during the 2021 and 2022 legislative sessions, Colorado lawmakers will continue to favor fee increases and tax law changes which bypass TABOR.
- » The 2022 legislative session reduced future taxes and fees, but only temporarily. Despite the short-term cuts, the 2022 legislative session actually effected a small net tax and fee increase in the long run.
- » In 2022, voters approved two statewide ballot measures that will affect Coloradans' taxes: Proposition FF will increase the number of students eligible for free school meals by 615,000 (a 125% increase) by increasing taxes on Coloradans who earn more than \$300,000 per year, and Proposition 121 will reduce the state income tax rate from 4.55% to 4.4%.
- » Though the two recent income tax cuts approved by voters (Proposition 116 in 2020 and Proposition 121 in 2022) will help to lower costs, Coloradans' net tax and fee burden is still rising.
- » In 2023, Colorado employers and employees will begin paying a .9% payroll tax to fund the state's new paid family and medical leave program.

## OVERVIEW

Colorado’s economy is robust and diverse, and by most measures Colorado has returned to pre-pandemic levels of economic activity. However, the looming threats of continued high inflation and heightened regulatory burdens could severely impact the state’s economy.

### FAST FACTS

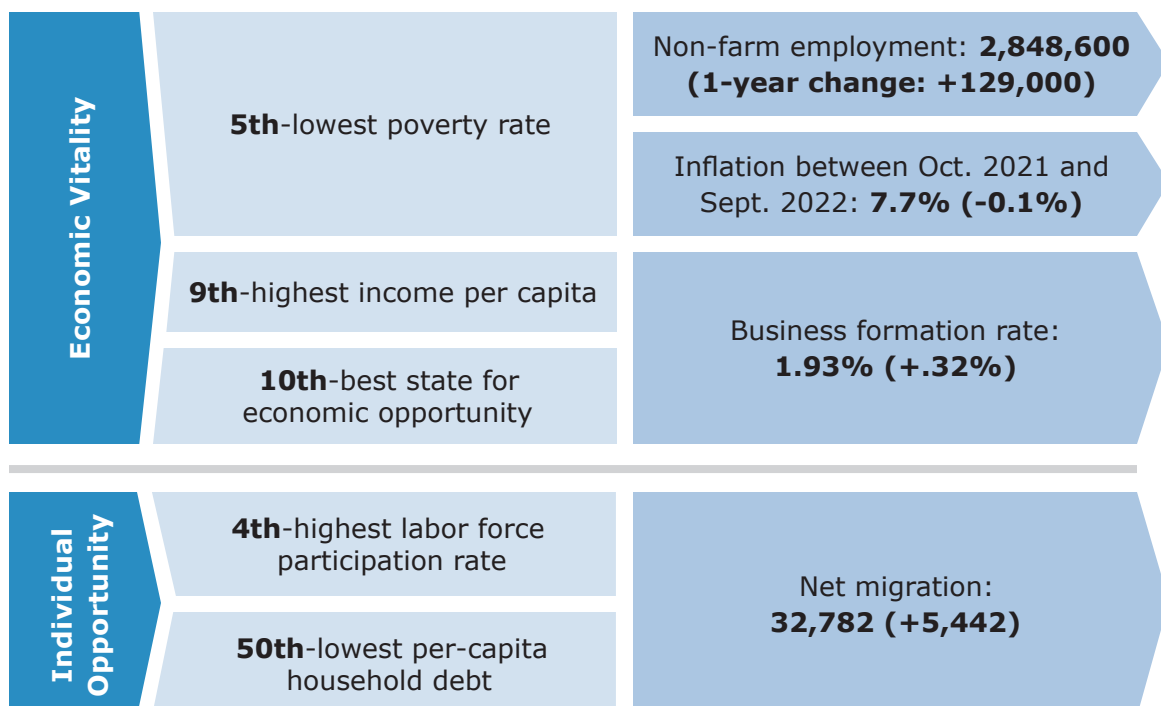
- » **GDP: \$480,828.3 million (1.9% of U.S.)**
- » **Labor force: 3,255,124 (2% of U.S.)**
- » **Private employment: 2,434,600 (84.5%)**
- » **Government employment: 448,200 (15.5%)**

## PERFORMANCE RATING

Colorado’s economic recovery from the COVID-19 pandemic has outpaced much of the rest of the country, but inflation, a looming recession, energy market volatility, and continuing supply chain shortages impede the state’s full economic recovery. Colorado’s year-on-year inflation rate is 7.7%, but the average hourly wage has increased by only 6.4% over the same period. Consequently, Coloradans’ purchasing power is declining.

Colorado’s job growth remained strong throughout the year and the state unemployment rate is 3.4%, which is below the national rate of 3.7%. Total employment is up 2.3% above the pre-pandemic level, ranking Colorado 11th in terms of its post-pandemic employment recovery. The labor force participation rate in Colorado is still high—0.8 of a percentage point above January 2020’s rate of 68.6%. New business filings increased 14.5% since October 2021, although business closures and delinquencies rose as well.

Performance Rating 1 2 3 4 5 **4 out of 5**



## OUTLOOK

Rising inflation and the possibility of a recession sour Colorado's economic outlook. If a recession occurs, the economy will slow, output will fall, and the unemployment rate will increase.

In the coming year, recently passed rulemaking will impact employers of all sizes throughout the state; employers will soon be charged with navigating regulatory overhauls and new workforce programs. On January 1, 2023, for example, employers must begin remitting premiums for Colorado's new billion-dollar state-run Paid Family and Medical Leave Insurance (FAMLI) program, even though benefits under the program do not begin until January 1, 2024. The impacts of this new program will compound with those of recent federal regulations regarding paid family, medical, and sick leave.

Additionally, minimum wage thresholds for the state and city of Denver will increase on January 1, 2023, and increase labor costs for some Colorado businesses. These wage increases will likely be offset by continued high inflation and could ultimately have little impact on consumption.

Colorado will also need to ensure that the workforce has access to high quality child care options. Colorado has the country's 8th-most expensive child care—on average, a Colorado family spends about 18% of its annual household income on child care. The shortage of accessible and affordable child care is a major problem for Colorado families and the state's workforce.

## RECENT POLICY – JOBS & OUR ECONOMY

- » SB22-045: Modifications to Colorado Public Benefit Corporation Act
  - › "The Act modifies certain provisions of the Public Benefit Corporate Act, including requirements for conversion to or from a public benefit corporate and clarifications of director duties."
- » SB22-230: Collective Bargaining for Counties
  - › "The bill grants county employees the right to organize and engage in the collective bargaining process, as well as the right to refrain from these activities."
- » SB22-234: Unemployment Compensation
  - › "Allocates \$600 million of American Rescue Plan Act towards repayment of the federal loan needed for Colorado's unemployment insurance trust fund which became insolvent due to unemployment spikes in 2020. The transfer lowers the unemployment insurance payroll tax rates and suspends the solvency surcharge through 2023."
- » HB22-1149: Advanced Industry Investment Tax Credit
  - › "The Act extends the AITC for an additional four years, increases the aggregate maximum amount of credits from \$750,000 to \$4 million, increases the credit from 30% to 35% of the amount of a qualified investment in rural or economically distressed areas, and increases the total amount of the credit for each qualified investment from \$50,000 to \$100,000."
- » Proposition 118 (2020): Paid Family and Medical Leave
  - › "Proposition 118 creates a state-run paid family and medical leave (PFML) insurance program in Colorado that allows employees to take up to 12 weeks of leave and keep their job."

## ISSUES TO WATCH – JOBS & OUR ECONOMY

- » Measures taken by the Federal Reserve to reduce inflation will most likely raise unemployment, dampen economic activity, and result in a recession. Will reduced gross state output reduce tax and fee revenues, negatively impacting state and local services?
- » Will high inflation continue to pose a threat to Colorado’s economy?
- » How will regulatory changes, such as Paid Family and Medical Leave Insurance (FAMLI) program and the Equal Pay for Equal Work Act, impact Colorado employers?
- » Will Colorado’s higher minimum wage slow job growth or will the labor market remain healthy enough to absorb increased wages?

## Jobs & Our Economy • CSI Research

For further information about **Jobs & Our Economy**, please review the following CSI reports:

- » Colorado Jobs and Labor Force Updates: January 2022–December 2022
- » Inflation in Colorado Updates: January 2022–December 2022
- » 2022 Colorado State Ballot Proposition #121: “State Income Tax Rate Reduction”
- » Growth in Colorado Enterprise Revenue
- » The Rising Cost of Living: Inflation, Housing, Health Care, Affordability, and Crime
- » Bill Spotlight: SB22-234 Unemployment Compensation
- » Impacts of Lowering Colorado Businesses’ \$4.4 Billion Tax Bill
- » The Growing Strain on the Child Care Business Model
- » Proposition 118: A Statewide Paid Family and Medical Leave Program for Colorado but at What Cost?
- » Proposition 118: How Will It Affect Your Bottom Line?





# Education

## OVERVIEW

Colorado's education system has faced problems with funding and performance for years, and the onset of the COVID-19 pandemic only added to these woes. Most notably, the pandemic-related school closures contributed to learning loss, mental health issues, and impaired social-emotional development among the state's schoolchildren. Since the pandemic began, Colorado's public education system has received billions of dollars in relief funding from the federal government.

### FAST FACTS

- » **48,100 private education jobs**
- » **55,551 public school teachers**
- » **886,517 public school students**
- » **40 4-year universities**

Colorado's continued economic vibrancy will depend on its ability to recruit and retain top talent across all economic sectors. Currently, the overall cost of living in the state remains a problem for many Colorado families. As Colorado grapples with a severe housing shortage, particularly of low- to moderate-income and workforce housing, parents returning to work are struggling to find affordable childcare options and some teachers are becoming unable to afford to live in the communities where they teach.



# PERFORMANCE RATING

Education spending in Colorado has continued to rise, but an increasing share of funds is being spent on administrative functions rather than classroom instruction. The statewide average share of total spending allocated to instruction, which covers teacher salaries and classroom materials, has fallen between 2011 and 2021 from 45.4% to 39.1%. Over that same period, the number of administrative staff in Colorado public schools has grown at a rate 267% faster than the number of teachers.

The recent growth in education spending has not translated into improved education outcomes for students. After nearly three years of remote instruction and disrupted classes, most Colorado students are not meeting grade-level expectations on standardized tests. Standardized testing results from spring 2022 showed that Colorado students performed worse than they did in 2019 at nearly every grade level and subject. Low-income students and English-language learners were disproportionately impacted.

Obtaining postsecondary credentials continues to be expensive and limits economic opportunity, as tuition and fee increases have far outpaced inflation. According to state data, approximately 400,000 adults in Colorado are in the labor force with some postsecondary education but no credentials.



Economic Vitality	Total number of teachers: <b>55,511 (-311)</b>	<b>3.59%</b> of state population enrolled in public colleges: <b>(1-year change: +.3)</b>
	<b>2nd</b> -highest share of population over 25 with a <b>bachelor's degree</b> or higher	Total number of principals and assistant principals: <b>3,662 (+51)</b>
	<b>14th</b> -highest share of population over 25 with a <b>high school degree</b> or higher	Share of 3rd graders proficient in English: <b>40.7%</b> , in math: <b>39.4%</b>
Individual Opportunity	<b>59%</b> of 3- and 4-year-olds are enrolled in preschool	Per-pupil public school spending: <b>\$17,088 (+907)</b>
	<b>264</b> charter schools in Colorado	Average 4-year tuition and fees: <b>\$11,439 (+274)</b>
	<b>14th</b> -lowest average debt at graduation	Total Colorado student enrollment: <b>855,482 (-1,174)</b>

## OUTLOOK

K–12 education has received a large influx of federal and state money, including a \$705 million increase in the latest state budget request, but state policymakers have still not addressed the underlying structural flaws within the state’s K–12 funding formula—the current formula continues to favor district characteristics such as district sizes and local costs of living over student needs. Simply increasing revenues without first modernizing the School Finance Act formula is unlikely to improve student outcomes.

Alongside funding dynamics, the state (particularly large urban school districts along the Front Range) will have to strategically address declining enrollment which could lead to decreased funding and school closures. The state may need to consider structural changes like school consolidations and funding students, rather than school systems, in order to ensure that learners are prioritized and can achieve their academic potential.

Most importantly, Colorado’s school districts have to address learning loss caused by pandemic restrictions. Parents and teachers, likewise, will have to address the pandemic’s academic, social, and mental health impacts while seeking to understand its long-term effects on student learning.

The governor’s budget recommends an \$86 million spending increase on higher education, and still tuition is expected to increase at public institutions by about 4%.

Opportunities to align postsecondary credential attainment with workforce demands will be critically important to the economic competitiveness of the state, which is facing workforce shortages across many industries. Efforts to ensure stronger industry alignment and support for multiple postsecondary pathways aligned with in-demand jobs and industries is needed to help ensure stronger employment outcomes, higher credential completion, increased return on investment and lower student debt burdens.

Though state law allows children to attend public schools for free within and across district lines, barriers to school choice still exist. Enhanced transportation options to make school choice a true reality for all families, including those with transportation challenges, will help ensure that the power of competition among Colorado schools will benefit students across the state.

## RECENT POLICY - EDUCATION

- » SB22-070: Kindergarten through Twelfth Grade Licensed Personnel Performance Evaluations
  - › “The bill makes changes to performance evaluations for K-12 licensed personnel, including requiring that student academic performance make up 30% of a teacher’s or principal’s evaluation. The bill increases state and school district expenditures on an ongoing basis.”

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## RECENT POLICY - EDUCATION (CONT'D)

- » SB22-238: 2023 and 2024 Property Tax
  - › “The bill reduces property tax assessment rates and taxable valuations for the 2023 and 2024 tax years, and requires that the state government reimburse local governments for a portion of the resulting property tax revenue reductions. It decreases local government revenue and increases state expenditures through FY 2024-25, and makes a transfer for FY 2022-23.”
- » HB22-1146: Adjustments to School Funding Fiscal Year 2021-22
  - › “This bill makes mid-year adjustments to the 2021 School Finance Act in order to maintain total program after application of the budget stabilization factor at the level anticipated in the original appropriation. The bill also appropriates money outside the school finance formula to mitigate the impacts of the pandemic on at-risk pupil counts. The bill results in a one-time net reduction in state expenditures.”
- » HB22-1295: Department Early Childhood and Universal Preschool Program
  - › “The bill establishes the duties for the Department of Early Childhood, moves existing programs to the new department, and establishes the new universal preschool program. The bill shifts state expenditures to the new department, increases net state expenditures, and makes several state transfers.”

## ISSUES TO WATCH - EDUCATION

- » How will the state and large urban school districts address declining K-12 student enrollment?
- » Will students’ academic performance recover to pre-pandemic levels, or will learning losses persist throughout the rest of their academic careers?
- » Will the pandemic’s impact on learning prompt administrators to rethink educational standards, like “seat time,” that hold students back from experiential and career-connected learning opportunities?
- » How will the state address school labor shortages, such as that of bus drivers? Will Colorado’s increased minimum wage make it more difficult to resolve these shortages?
- » How many students are taking advantage of open enrollment laws, which promote school choice, or attending charter schools? What barriers exist?
- » Will Colorado hold school districts and schools accountable for poor test scores?
- » Colorado received \$2.9 billion of COVID-19 relief funds through the Education Stabilization Fund but has only spent \$1.5 billion of it. Will school officials use the remaining money wisely to the lasting benefit of their students?

For further information about **Education**, please review the following CSI reports:

- » 2022 Colorado State Ballot Proposition FF: “Healthy School Meals for All Public School Students”
- » Dollars and Data: A Look at PK-12 Funding and Performance in Colorado
- » \$2.5 Billion in COVID-19 Federal Relief Funding to Colorado’s K-12 Education System
- » Trying to Fix a Broken Education Finance System
- » The Price of Higher Education in Colorado
- » Digging Into the Data on Colorado Charter Schools



### **Jason Gaulden • 2022 Education Fellow**

Jason Gaulden has spent his professional career working at the intersection of the business and nonprofit sectors. He is a partner at Oak Rose Group, a strategy consulting firm specializing in education, workforce development, and economic mobility. He draws upon 25 years of professional experience in varying roles: executive leadership, philanthropy, communications, grassroots advocacy, research and writing, fund development, and nonprofit board development.

## OVERVIEW

Colorado is one of the top energy-producing states in the nation, ranking fifth in crude oil production and seventh in natural gas production. The energy industry contributes to the state's economy by directly and indirectly employing over 80,000 people and Colorado's rigorous oil & gas regulatory framework and environmental rules are seen as some of the most stringent in the world. Innovation in the energy sector has resulted in the oil and gas molecules produced in Colorado ranking among the cleanest on earth.

The state has also enacted rigorous greenhouse gas reduction targets and electrification targets. Although the state is behind in meeting these targets, 35% of the state's electricity generation comes from renewable sources, which is triple the rate of renewable energy generation from 2010.

### FAST FACTS

- » **81,306 energy jobs**
- » **Oil and gas GDP: \$10.5 billion**
- » **111.364 MMT CO<sub>2</sub> emissions (2022 projection)**
- » **Largest end-use consumption sector: transportation**

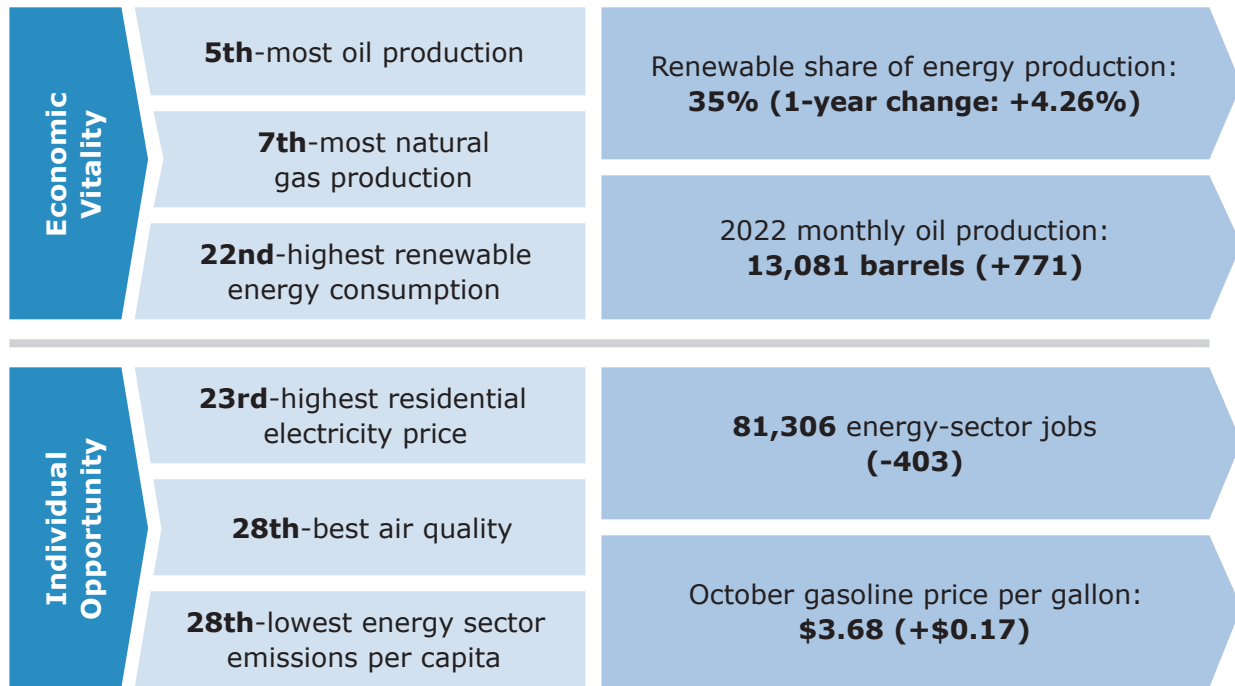


# PERFORMANCE RATING

The number of drilling rigs operating in Colorado returned to its pre-pandemic level but remains 40% below what it was in 2018–19. Additional regulations and new rules have slowed permitting in the state, which has constrained growth in energy production despite increased demand and elevated prices. In reaction to decreased production, a large amount of oil & gas extraction labor has exited the industry and the state. As a result, future efforts to increase production will be impeded by shortages of labor and capital.

Largely due to state policy, Colorado’s net generation of renewable electricity has more than tripled since 2010 and accounted for 35% of the state’s total generation in 2021, up from 30.7% in 2020. This has contributed to a 10.5% increase in consumer utility rates over the past 12 months.

HB22-1362 is intended to reduce reliance on natural gas in new residential and commercial buildings by requiring localities to adopt stringent energy codes for new buildings and renovations. These requirements will increase the cost of building new homes in Colorado and, thus, further stress housing affordability in the future.



## OUTLOOK

With the prices of oil rebounding to their highest point since mid-2008, and averaging \$97/barrel in 2022, analysts predict that absent a global recession and a subsequent decline in energy demand, energy prices are expected to continue to rise going into 2023. This could ultimately spur a rise in energy production in Colorado, even behind the existing regulatory barriers.

An increase in energy production would result in increased employment in Colorado's energy sector and bring added tax revenue to school districts, public safety agencies, and other essential local services. High energy prices have resulted in elevated severance tax collections from oil and gas producers despite minor increases in energy production.

Because the state is not on track to meet its emissions-reduction targets, lawmakers are likely to pursue new regulation of the energy industry. These regulatory actions, some of which are already in development, are likely to negatively impact the production of fossil fuel energy in Colorado. Meeting these targets will require increased investment in renewable energy infrastructure at a time of elevated utility prices and concern about the reliability of renewable energy.

The EPA's upcoming reclassification of the Front Range as a severe air quality non-attainment area will force local distributors to sell reformulated gas, which is more expensive than current fuel blends.

## RECENT POLICY – ENERGY & OUR ENVIRONMENT

- » HB22-1244: Public Protections From Toxic Air Contaminants
  - › "The act creates a new program to regulate a subset of air pollutants called 'toxic air contaminants,' which are defined as hazardous air pollutants, covered air toxics, and all other air pollutants that the air quality control commission designates as a toxic air contaminant. In implementing the program, the commission has the authority to adopt rules that are more stringent than the corresponding requirements of the federal 'Clean Air Act.'"
- » HB22-1355: Producer Responsibility Program For Recycling
  - › "The executive director of [CDPHE] must designate a nonprofit organization to implement and manage a statewide program that provides recycling services to covered entities in the state, which are defined as residences, public places, small businesses, schools, hospitality locations, and state and local government buildings."
- » HB19-1261: Climate Action Plan To Reduce Pollution
  - › "This act sets statewide greenhouse gas pollution reduction goals relative to 2005 statewide greenhouse gas emissions and authorizes the Air Quality Control Commission to adopt rules and regulations for greenhouse gas reduction consistent with the goals."



## ISSUES TO WATCH – ENERGY & OUR ENVIRONMENT

- » Will increased regulatory burdens reduce the oil and gas industry’s presence in the state, having a deleterious effect on revenue for local governments and reducing employment in a relatively high wage industry, or will the industry continue to increase energy production due to high commodity prices?
- » How well will Colorado progress towards the state’s CO2 emission reduction targets? Will efforts to reduce emissions continue to produce negative effects?
- » Will the state require existing buildings to switch to electric power? Will consumer utility prices increase as a result?
- » If the state continues to fall short of the EPA’s air quality standards, what will be the cost to the state?
- » How aggressively will the state transition away from fossil fuels towards renewable resources for electricity generation?
- » Will actions taken by the Public Utilities Commission to address greenhouse gas emissions reduce the use of natural gas in residential and commercial buildings?

## Energy & Our Environment • CSI Research

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For further information about **Energy & Our Environment**, please review the following CSI reports:

- » The Uncertain Future Cost of Colorado’s Energy Infrastructure and Housing Affordability
- » Colorado Faces Economic, Technological, and Even Geopolitical Barriers to Meeting Its Aggressive Greenhouse Gas Emission Reduction Goals
- » Understanding the Costs and Impacts of Energy Performance Mandates for Buildings

## OVERVIEW

Colorado's active culture attracts and cultivates health-conscious individuals, and its high-quality hospitals ensure that Coloradans have strong health outcomes. Though Colorado has relatively few hospital beds per capita statewide, the healthcare system weathered the intense pressures of the pandemic with the help of financial assistance from the federal government and good public health. Critical workforce shortages loom in the sector's future, particularly in rural parts of the state where hospitals are large economic drivers but struggle to attract and retain skilled medical providers.

As it is elsewhere in the country, health care is rapidly becoming less affordable in Colorado. Due to the state's reinsurance program, Colorado has some of the lowest insurance premiums in the country, but the state's prices are growing faster than the national average and outpacing inflation. As a result, health care affordability remains a major objective for policymakers; the policies they have promulgated, though, have unilaterally favored the expansion of government's role within the sector at the expense of the free enterprise system. The state is already facing the consequences of new market controls which do not address the underlying costs of delivering care—the Colorado Option, which takes effect in January 2023, has forced some insurance carriers out of Colorado's markets without producing substantial savings for insured Coloradans.

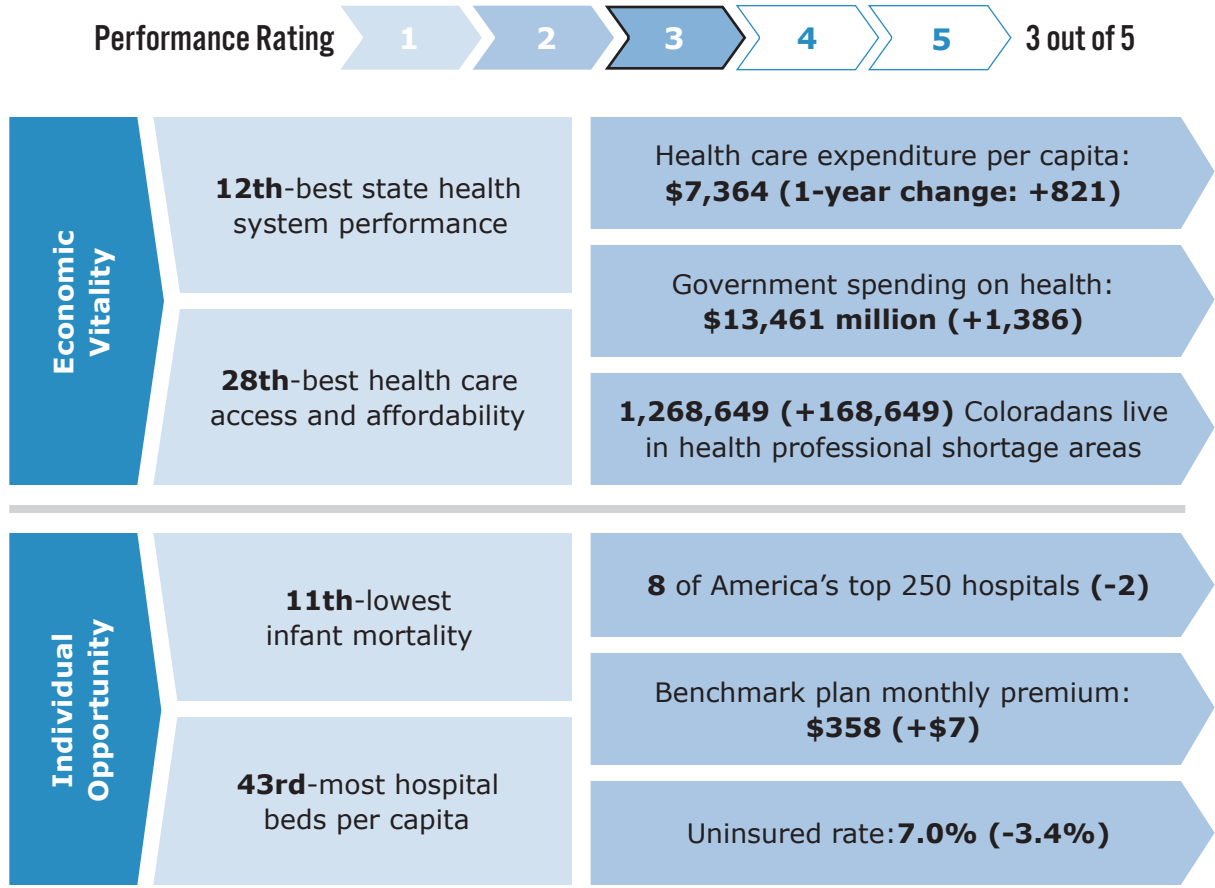
### FAST FACTS

- » **91 hospitals in Colorado (64 private, 27 public)**
- » **11,069 hospital beds (21.1% public, 57.9% non-profit, 21.1% for-profit)**
- » **35.3% of Coloradans covered by public insurance, 57.7% covered by private insurance, 7% uninsured**



# PERFORMANCE RATING

Coloradans are relatively healthy and Colorado’s healthcare system continues to outperform most other states’. Affordability and access, however, are major impediments for many Coloradans which are growing in severity each year as ongoing policy trends threaten to erode the role that free enterprise plays within the sector. Per-capita spending on health care has increased rapidly since 2020 and over 20% of the state’s population now live in health professional shortage areas. Government spending on health care, likewise, has skyrocketed in the last decade and dominates the state’s budget.



**Outlook:**  **Negative**

## OUTLOOK

The Colorado Option, signed into law in 2021, will go into effect at the start of 2023. Over the next three years, it will require insurance carriers to reduce the prices of their individual and small-group plans by 15% below a 2021 baseline. Because of these price controls and because medical costs are increasing at much higher rates than inflation, health care providers will face increasing pressure to either cut costs by reducing access and quality of care or pass costs to the remaining private insurance market through higher prices. Some carriers are already leaving Colorado’s markets before even the first year of the law, and it will become even harder for remaining insurers to comply in the future. Additionally, other market controls imposed by the state, like the Colorado Prescription Drug Affordability Review Board, continue to expand the government’s role in health care. It remains to be seen whether these policies will decrease prices, as intended, or cause greater disruptions within the healthcare industry.

## RECENT POLICY – HEALTH CARE

- » HB22-1008: Implementation of Fertility Coverage
  - › “With respect to mandatory coverage for fertility diagnosis and treatment and fertility preservation services under health benefit plans, the act requires large employer health benefit plans issued or renewed in this state on or after January 1, 2023, to cover fertility services and requires the division of insurance to implement the coverage requirement.
- » HB22-1284: Health Insurance Surprise Billing Protections
  - › “The act changes current state law to align with the federal ‘No Surprises Act’”
- » HB22-1285: Prohibit Collection Hospital Not Disclosing Prices
  - › “The act prohibits a hospital or other person or entity collecting on behalf of the hospital from initiating or pursuing collection actions against a patient or patient guarantor for debt incurred by the patient on the date or dates of service when the hospital was not in material compliance with federal hospital price transparency laws.”
- » SB21-175: Prescription Drug Affordability Review Board
  - › “The act creates the Colorado prescription drug affordability review board in the division of insurance in the department of regulatory agencies as an independent unit of state government, requires the board to perform affordability reviews of prescription drugs, and authorizes the board to establish upper payment limits for prescription drugs the board determines are unaffordable for Colorado consumers.”
- » HB21-1232: Standardized Health Benefit Plan Colorado Option
  - › “The bill directs the Commissioner of Insurance to develop a standardized health insurance plan that private health insurance carriers are required to offer. It sets targets for premium rate reductions under the plan and creates a process by which health care providers and hospitals may be required to accept the plan and rates established by state regulators.”
- » Proposition 118 (2020): Paid Family and Medical Leave
  - › “Proposition 118 creates a state-run paid family and medical leave insurance program in Colorado that allows employees to take up to 12 weeks of leave and keep their job.”

## ISSUES TO WATCH – HEALTH CARE

- » Medical costs are increasing at a much higher rate than inflation. How will this impact businesses, consumers, and the Colorado Option? Will providers be forced to cut services or pass costs to other payers?
- » How will the Colorado Option’s insurance price requirements and provider participation mandates impact staffing levels and the quality of care across the state’s health sector?
- » How will the health care industry address short and long-term workforce issues, with particular attention to nurses, certified medical assistants, and others?
- » Because the small-group market still does not have a reinsurance program, will insurance carriers be able to reach the Colorado Option’s rate-reduction requirements?

*Continued on page 27*

## ISSUES TO WATCH – HEALTH CARE (CONT'D)

- » Will the combination of recent federal and state policy improve hospital price transparency, and will that impact the market?
- » What will happen following the expiration of the federal COVID-19 emergency public order when the state's Medicaid program begins to unenroll individuals who no longer qualify?
- » Will price mandates for prescription drugs impact the availability of some medicines in Colorado?

## Health Care • CSI Research

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For further information about **Health Care**, please review the following CSI reports:

- » Do Final Colorado Option Rates Deliver on the Promise of Consumer Savings?
- » Inflation and the Colorado Option Plan
- » The Revamped Public Option Bill
- » Following the Facts in Colorado's Health care Debate: Recent Trends Have Resulted in Lower Costs and More Choice
- » Third Time Is No Charm
- » Recent Trends in Health Insurance Costs: Early Results of Public Option in Washington State Compared to Colorado
- » Five Things Lawmakers Should Consider Before the Next Round of the Public Option Debate
- » The Colorado Option Plan: Modeling the Impacts of Government Price Controls in Health Care
- » What's at Stake with the Colorado Public Option?

# Housing & Our Community

## OVERVIEW

Persistently high crime rates, increased homelessness, and rising housing costs negatively impact the economic health of the state and overall well-being and productivity.

The lack of affordable housing has contributed to the growth of homelessness—Colorado currently faces a shortage of available housing in nearly every county. CSI estimates that approximately 116,910 housing units are needed to close the state’s housing deficit. Whereas the rate of homebuilding permitting was on pace to close the deficit in the first half of 2022, rising interest rates, workforce shortages, and regulatory barriers have since lowered homebuilder confidence and reduced permitting and new construction.

Though crime rates have increased in many parts of the country, Colorado has endured the second fastest growth rate of property crimes over the last decade and now has the highest rates of motor vehicle theft and bank robbery. Public funding devoted to addressing homelessness has been increasing annually, but the population experiencing homelessness continues to grow.

### FAST FACTS

- » **2,543,322 housing units**
- » **42,074 new housing units in 2021**
- » **55,113 new housing permits in 2022 (est.)**
- » **10,414 sheltered and unsheltered homeless people**



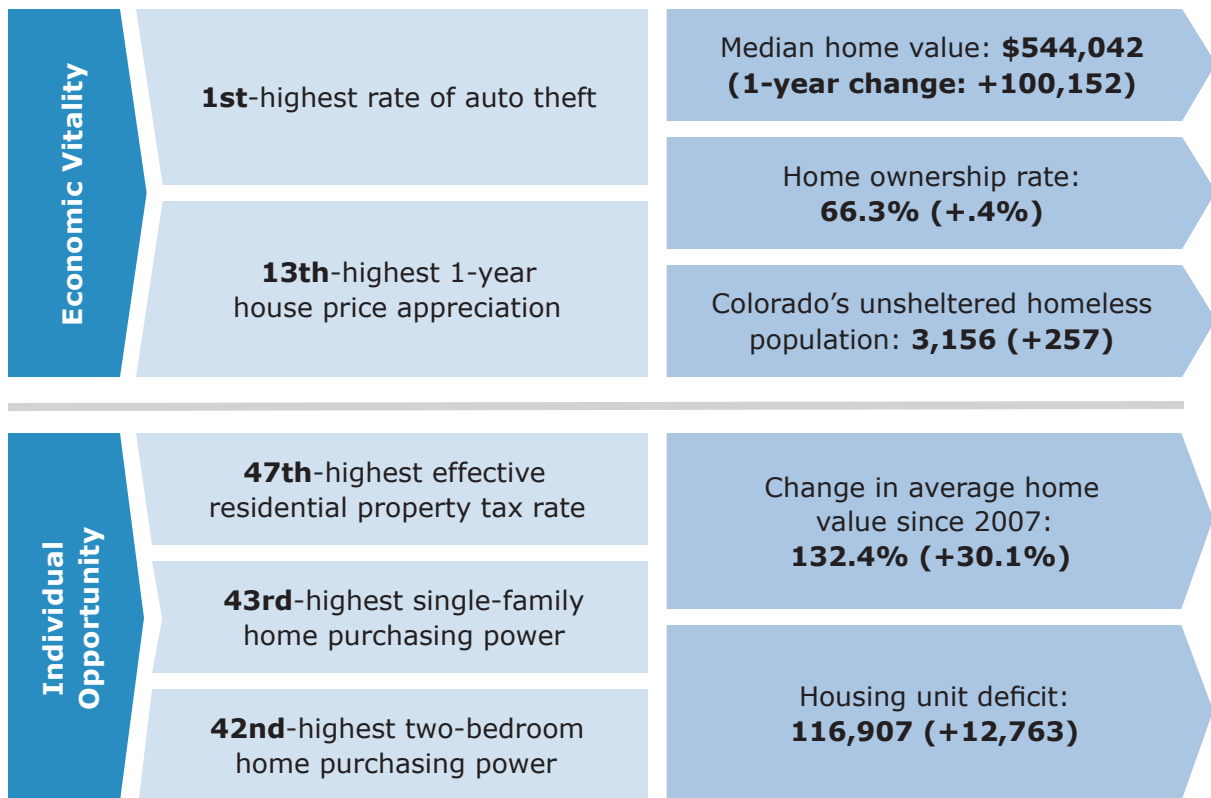
# PERFORMANCE RATING

Colorado continues to face a shortage of affordable housing, rising homelessness, and high crime rates, all of which affect business owners’ decisions about whether to enter or expand within the state.

Housing affordability reached its lowest level in more than 33 years in June 2022. Though the rapid ascent of home prices has moderated slightly in the last few months, rising interest rates continue to make the cost of purchasing a home significantly more expensive.

Between 2021 and 2023, an estimated additional \$1.7 billion will be spent or budgeted to address homelessness. Although the veteran homeless population is down 31% from 2020, the total homeless population in metro Denver grew by 13% between 2020 and 2022. Even as spending on homelessness resolution has grown, the unsheltered and chronically homeless populations have continued to increase.

Progressive criminal justice reform measures have reduced the punishments for certain crimes and caused Colorado’s prison population to decline. Crime rates in Colorado currently top pre-pandemic levels, and 12 of the state’s cities rank among the top ten in the country for having high rates of crime in categories such as violent crime, rape, robbery, and arson. Colorado is also the number one state for motor vehicle theft and the second-ranked state for crimes against property.



## OUTLOOK

Despite indications that both home price growth and inflation are slowing, there are few signs that affordability will improve in the near future. Increased costs of living, particularly high home prices, impact communities' abilities to attract and retain teachers, police officers, firefighters, and other public servants. Following national trends, municipal police recruitment in Colorado continues to struggle despite offers of better pay and benefits.

The passage of Proposition 123 will create Colorado's first statewide voter-initiated affordable housing fund. The state will need to closely monitor its effectiveness to determine whether it substantially increases Colorado's housing supply and makes housing more affordable for citizens. If local governments decline to enroll in the program, the new affordable housing fund could grow unnecessarily large over time.

The policy debate about criminal justice reform is also playing out across the country as citizens begin to associate decriminalization and reduced incarceration with increasing crime rates. Some local governments have already begun taking steps to address rising crime. The Aurora City Council, for example, voted to revise theft ordinances to address crime by instituting mandatory minimum sentences and increased penalties. The Governor called for increased penalties for auto theft convictions, indicating that leaders are aware of the problem. Similarly, public awareness of the worsening fentanyl crisis precipitated the passage of the Fentanyl Accountability and Prevention Act, the effects of which will become evident in the coming years.

## RECENT POLICY – HOUSING & OUR COMMUNITY

- » SB22-001: Crime Prevention through Safer Streets
  - › “The bill creates the Crime Prevention Through Safer Streets Grant Program in the Department of Public Safety (DPS). The grant program is intended to assist the DPS and local governments to evaluate and design safer streets and neighborhood models that discourage crime.”
- » SB22-009: Recertification and Theft of Catalytic Converters
  - › “The bill permits an individual to temporarily drive a car without a catalytic converter if it has been stolen, the theft has been reported to law enforcement, and the vehicle's owner has ordered a replacement.... The bill clarifies that a catalytic converter is [a] major component motor vehicle part for the purposes of establishing the crime of operating a chop shop. The penalty for selling, transferring, or transporting an illicit part under this provision is a class 5 felony.”
- » SB22-232: Creation of Colorado Workforce Housing Trust Authority
  - › “The bill creates the Middle Income Housing Authority as an independent special purpose authority for promoting affordable rental housing projects for middle-income workforce housing. The bill creates a new statutory public entity, increases state expenditures, and may reduce state and local government revenue and increase local government expenditures.”

*Continued on page 31*



## RECENT POLICY – HOUSING & OUR COMMUNITY (CONT'D)

- » HB22-1099: Online Marketplaces and Third-party Sellers
  - › “The bill outlines mandatory disclosures by third-party sellers utilizing online marketplaces, specifies enforcement authority, and states that failure to disclose the required information is a deceptive trade practice.”
- » HB22-1282: The Innovative Housing Incentive Program
  - › “This bill creates a program within the Office of Economic Development and International Trade to provide grants or loans to new or existing businesses that develop new types of innovative housing. It requires a one-time fund transfer and will increase state expenditures until funds transferred to support the program are used.”
- » HB22-1287: For Mobile Home Park Residents
  - › “The bill updates the Mobile Home Park Act and the Mobile Home Park Act Dispute Resolution and Enforcement Program.”
- » HB22-1326: Fentanyl Accountability and Prevention
  - › “The bill modifies fentanyl-related criminal offenses, updates practices around dispensing opiate antagonists, creates an education campaign, broadens the scope of the Harm Reduction Grant Program, and makes requirements for continuity of care for individuals in the criminal justice system with substance use disorder.”
- » HB22-1362: Building Greenhouse Gas Emissions
  - › “The bill requires the Colorado Energy Office and the Department of Local Affairs to convene an Energy Code Board to develop a model electric ready and solar ready code and a model low energy and carbon code for adoption by counties, municipalities, and state agencies. It also creates two grant programs to provide funding for high efficiency electric equipment.”

## ISSUES TO WATCH – HOUSING & OUR COMMUNITY

- » Will the recent slowdown in housing permitting persist, and lead to a growing housing shortage in future?
- » Will state and local officials address regulatory barriers to new housing construction, or will existing barriers be made worse by the adoption of permitting caps and other anti-growth measures?
- » Will a large number of municipalities choose to opt in, and apply for funds from the new Affordable Housing Fund?
- » Will local crime-reduction policies, such as those implemented in Aurora, successfully reduce motor vehicle theft and other criminal behavior?
- » Will there be substantive policy reforms, in the areas of sentencing and pre-trial bonds, to increase accountability and reduce the number of more prolific offenders?
- » Will there be statewide policy action that directly addresses supply issues within the housing market?
- » How will potential regulations or future tax policies impact the short-term rental market?
- » Will recent increases in public expenditures related to homelessness help lead to long-term improvements?

For further information about **Housing & Our Community**, please review the following CSI reports:

- » Housing Affordability Update (March, August, & October 2022)
- » Homelessness in Metro Denver—An Opportunity to Transform Resources & the Existing System
- » Crime in Colorado in 2022: The Data on Colorado’s Increasing Crime Problem
- » 2022 Colorado State Ballot Proposition FF: “Healthy School Meals for All Public School Students”
- » Fall 2022 City & County of Denver Ordinance 305: “No Eviction Without Representation”
- » 2022 Colorado State Ballot Proposition #123: “Dedicated State Income Tax Revenue for Affordable Housing”
- » On the Road to \$1 Billion in Vehicles Stolen: The Data Trends Behind Colorado’s Motor Vehicle Theft Crisis
- » Colorado Housing Affordability Update: (August 2022) The Uncertain Future Cost of Colorado’s Energy Infrastructure and Housing Affordability
- » Common Sense Institute Policy Brief: Rent Control at Mobile Home Parks
- » Fentanyl’s Increasing Toll on the Colorado Economy
- » Update: The Colorado Crime Wave Did Not Recede In 2021 An Economic Analysis of Crime



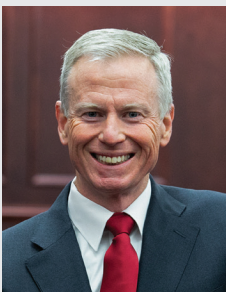
### **Peter LiFari • 2022 Housing Fellow**

Peter F. LiFari is the Executive Director of Maiker Housing Partners, a socially conscious public housing authority based in Adams County, Colorado. In his role as Executive Director, Peter leads a passionate team committed to ending the cycle of generational poverty by providing individuals and families with access to affordable housing, support programs and by engaging in community development.



### **Mitch Morrissey • 2022 Criminal Justice Fellow**

Mitch Morrissey was the elected District Attorney for the 2nd Judicial District, from 2005 to 2017. Prior to 2005, Mitch was a trial lawyer in the Denver District Attorney’s office beginning in 1983. Mitch is internationally recognized for his expertise in DNA technology, applying that technology in criminal prosecutions, and working to ensure that DNA science is admissible in court. He has trained law enforcement officers and prosecutors throughout the United States, in the Middle East, in Central America, and Canada.



### **George Brauchler • 2022 Criminal Justice Fellow**

George Brauchler served as the elected District Attorney for the 18th Judicial District, Colorado’s most populous district, which includes Arapahoe, Douglas, Elbert, and Lincoln counties, from 2013-2021. Over his career, George has served as a Deputy District Attorney, Special Assistant U.S. Attorney, military prosecutor, criminal defense attorney, military defense attorney, and just prior to his election, the Chief of Military Justice—the chief prosecutor—for Fort Carson, the 4th Infantry Division, and the U.S. Division North in Tikrit, Iraq.

## OVERVIEW

Public investment in the state’s physical infrastructure serves to support the movement of people, goods, water, and information. For years, Colorado’s infrastructure has been struggling to support increasing utilization, especially as population growth increases wear and tear on the state’s bridges, roads, water treatment facilities, and energy grid. This growth and a lack of significant new spending on roadway capacity has led to higher congestion, deteriorating roads and bridges, and numerous other problems for the state’s transportation system.

Like our transportation system, Colorado’s water infrastructure is under strain due to the state’s growth. Water is a necessary foundation of virtually all of Colorado’s economic drivers: outdoor recreation, agriculture, high-tech industries, and thriving cities. As a headwater state, all of Colorado’s major rivers flow beyond our borders to neighboring states. Accordingly, Colorado must share water that originates here in the Rockies with neighboring states and Mexico. Unfortunately, climate change and population-driven impacts upon river flows risk overburdening the state’s water supply and place the existing water sharing agreements at risk.

### FAST FACTS

- » **185,827 total lane miles**
- » **8,869 bridges (469 in poor condition)**
- » **91% 100 Mbps broadband coverage**
- » **1,974 dams**

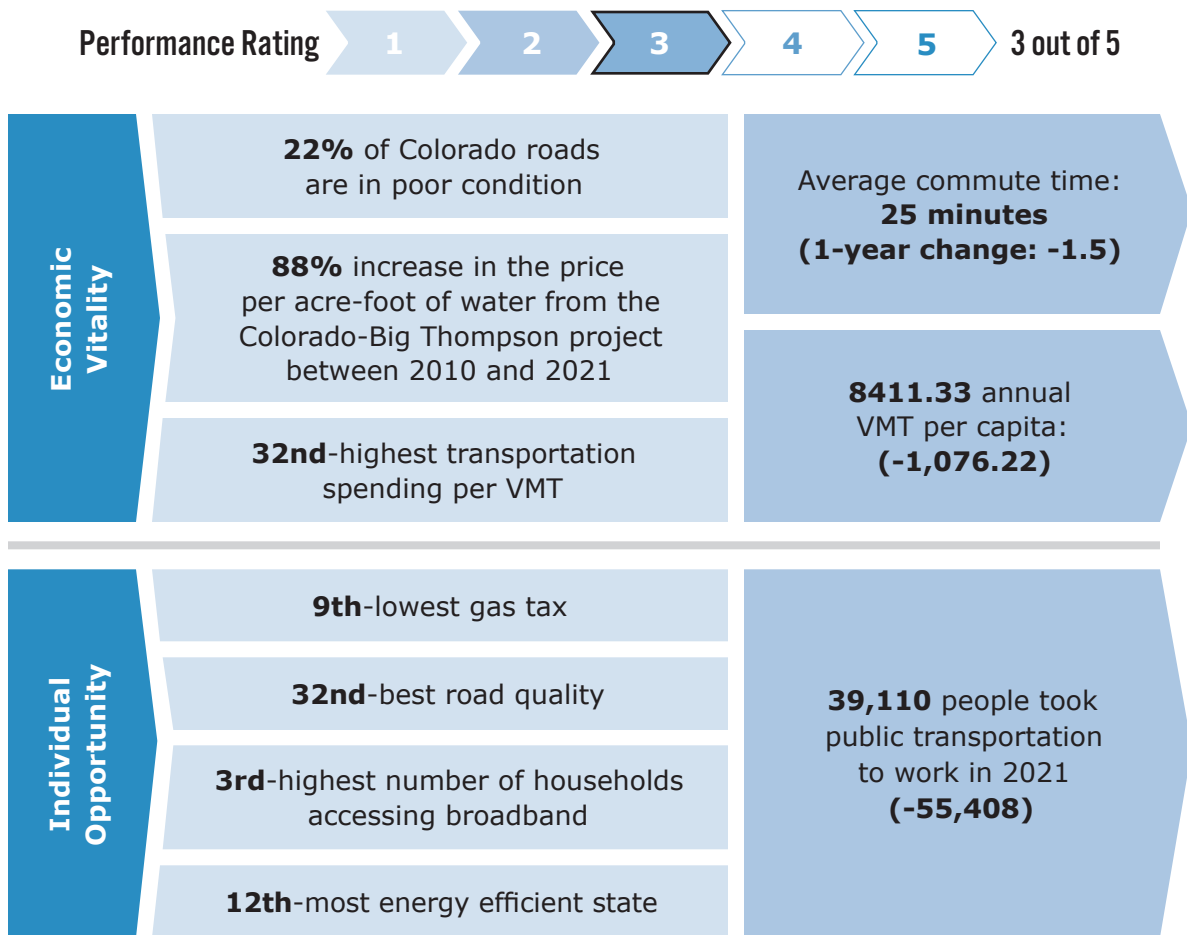


# PERFORMANCE RATING

Rapid population growth, aging, and years of underinvestment have put significant strain on Colorado’s infrastructure, particularly in the transportation, energy, and water sectors. The Colorado River, for example, which serves over 40 million people in the western United States and irrigates about 5 million acres of land in seven U.S. states and Mexico, is in crisis. The future of Colorado’s water supply, on both sides of the continental divide, is under ever increasing stress. Adding to the problem is the fact that existing decrees, some signed decades ago, hamper potential cooperative projects within the state and impel communities to operate their water systems independently. This increases the competition for water which adds to the cost of homebuilding through higher tap fees.

In 2021, SB21-260, a major transportation infrastructure funding plan, was signed into law. The bill addressed traditional infrastructure, roads, bridges, and, to some extent, transit, while also seeking to align itself with the state’s climate goals by addressing greenhouse gas emissions. The revenue models at the time of the bill’s passage expected the legislation to generate approximately \$3.5 billion in funding between 2022 and 2032 through new fees and by capturing federal stimulus dollars. The latest forecasts, however, estimate that the legislation will raise significantly less than the initial predicted amount.

Along with the state’s surface transportation system, Denver International Airport, another key transportation hub within Colorado, is also under stress. Its passenger volume recovered from the pandemic faster than almost any other airport’s and it’s now the world’s third-busiest airport—the highest ranking it has ever achieved. This growth has necessitated that its facilities undergo many significant improvements. Major gate expansions in the concourses and construction of a new great hall, which began in 2018, are ongoing.



## OUTLOOK

Colorado has several pressing infrastructure needs. The additional planning requirements added by SB21-260 for transportation capacity projects, on top of what was already an onerous planning process, leave the futures of numerous roadway projects uncertain. Additional federal funding from the recent national infrastructure bill will make funding critical infrastructure projects across the state possible, but federal funds may go to other states if Colorado's projects cannot get approval.

Additionally, Colorado's goal of a rapid transition to clean energy also creates challenges for the state's energy grid, which will need to be upgraded to accommodate large quantities of renewable energy. Existing transmission and distribution lines are not prepared to accommodate higher renewable energy loads, so costly upgrades will be required to ensure reliable utility service.

Colorado will also have to adapt to an intensifying water shortage in the future. The draft 2023 Colorado Water Plan outlines important projects and adaptations but lacks sufficient funding. The water policy question facing Colorado is not how to change or modify its interstate compacts and decrees, but how to best comply with them in the face of increasing competition. Actions from both state and local leaders, alongside regional cooperation within Colorado and with our neighboring states, will be needed to adapt the state's water systems to create a sustainable water supply.

## RECENT POLICY - INFRASTRUCTURE

- » HB22-1151: Turf Replacement Program
  - › "Directs the Colorado Water Conservation board to provide state matching funds for turf replacement programs to promote water-wise landscaping."
- » HB22-1351: Temporarily Reduce Road User Charges
  - › "The bill delays implementation of certain fees on gasoline and other fuels, and temporarily reduces the amount of vehicle registration road safety surcharges. The bill decreases state revenue in FY 2022-23 and FY 2023-24 and increases expenditures in FY 2022-23 only."
- » Some municipalities are restricting water use, thereby reducing future demand, by updating landscaping-related ordinances.
  - › September 2022 - Aurora City Council approved changes to restrict the use of non-functional turf and seasonal grasses within city limits.
  - › October 2022 - Castle Rock City Ordinance to restrict water-intensive grass outside new homes.
- » SB21-260: Sustainability of the Transportation System
  - › "This bill creates new sources of dedicated funding for the state's transportation system, creates four new state enterprises, modifies an existing state enterprise, and expands authority for transportation planning organizations. The bill increases state and local government revenue and expenditures on an ongoing basis, and raises the state's revenue limit under TABOR."

## ISSUES TO WATCH - INFRASTRUCTURE

- » Will increased federal and state funding improve Colorado's infrastructure system? If not, how can this funding be better utilized to achieve the state's infrastructure goals?
- » What is the future of renewable energy and electric vehicles in Colorado, particularly in light of the state's current grid capacity?
- » Will increased funding for the next phase of the Department of Transportation's initiatives reduce congestion and improve roadway conditions throughout the state?
- » Federal support will pay farmers in lower-basin states to decrease water usage, but it will not provide long-term sustainability. Will water management distribution systems be able to adapt to a 21st-century water supply, and how?
- » The gas tax authorized under SB20-260 and delayed by HB22-1351 will begin in April 2023. Coupled with gas price increases from both inflation and reformulated gas (due to the Front Range's severe ozone non-attainment status), will this speed up the transition to electric vehicle adoption? Will this have a major effect on work commutes and Coloradans' travel?

## Infrastructure • CSI Research

For further information about **Infrastructure**, please review the following CSI reports:

- » Adapting Colorado's Water Systems for a 21st Century Economy and Water Supply
- » The Uncertain Future Cost of Colorado's Energy Infrastructure and Housing Affordability
- » A Path Forward: A Common Sense Strategy for the Continued Viability of Colorado's Transportation Network



### Jennifer Gimbel • 2022 Terry J. Stevinson Fellow

Jennifer Gimbel is a Senior Water Policy Scholar at the Colorado Water Center. Jennifer has experience in law and policy on national, interstate and state water issues. She was the Principal Deputy Assistant Secretary for Water & Science at the Department of the Interior, overseeing the U.S. Geological Survey and Bureau of Reclamation. She was also Deputy Commissioner for the Bureau of Reclamation and Counselor to the Assistant Secretary.



### Eric Kuhn • 2022 Terry J. Stevinson Fellow

Eric Kuhn is the retired General Manager of the Colorado River Water Conservation District and co-author with John Fleck of *Science Be Dammed: How Ignoring Inconvenient Science Drained the Colorado River*, 2019. The Colorado River District is the largest and oldest of Colorado's four conservation districts. It covers most of the Colorado River Basin within Colorado.

# State Budget

## OVERVIEW

In recent years, the state government's annual operating budget has totaled between \$30 billion and \$40 billion. The legislature and the governor determine how these funds, generated primarily by taxes and fees on private economic activity, are spent on an annual basis. Colorado has a balanced budget requirement, which means that total spending cannot exceed total revenue. Historically, health care and education have been the largest spending items and Colorado has issued relatively little debt.

### FAST FACTS

- » **FY22 state operating budget: \$36.8 billion**
- » **2021 state, local and federal government GDP: \$52.2 billion**
- » **FY22 state tax collections: \$18.8 billion**

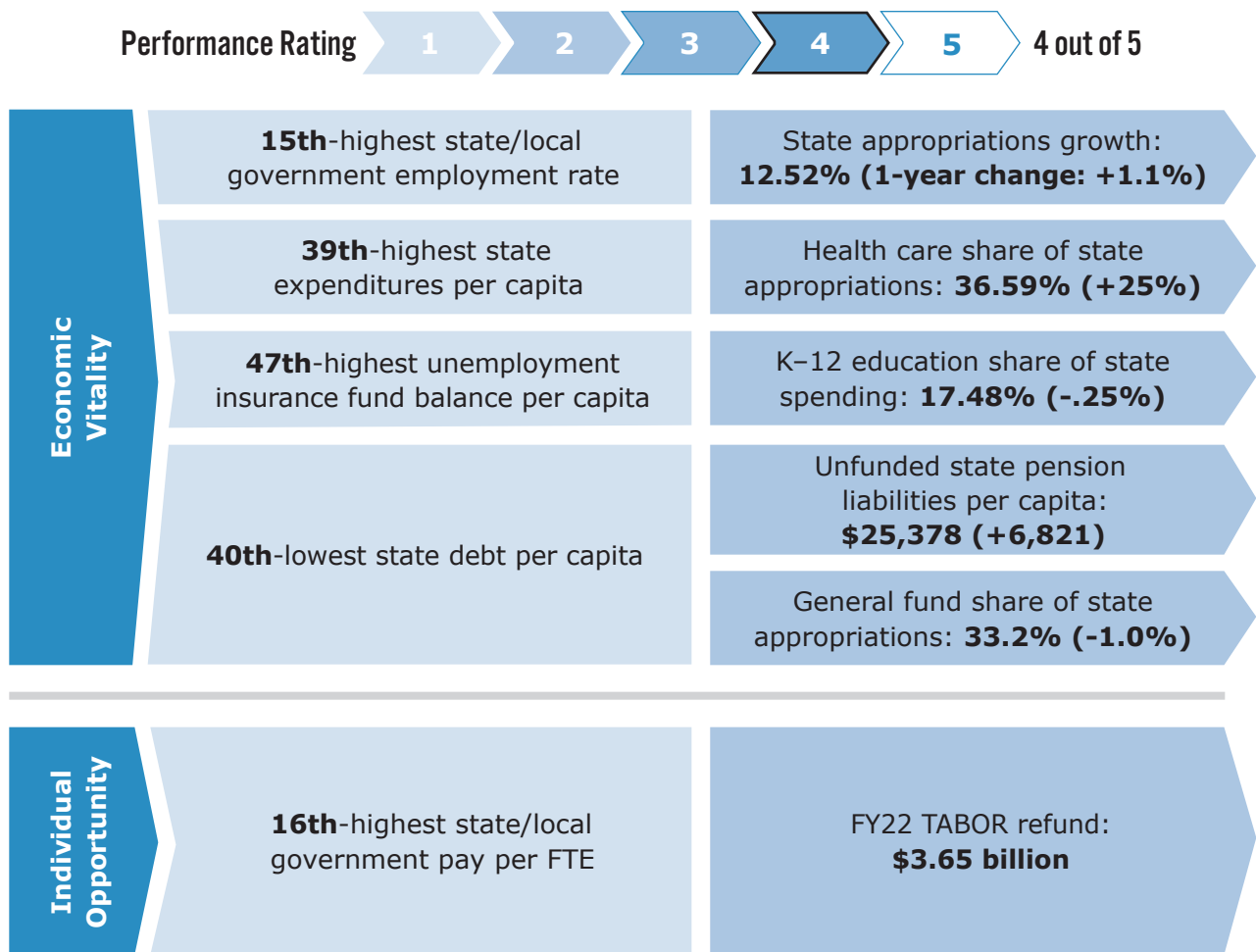


# PERFORMANCE RATING

At \$39.3 billion, the FY23 budget was the largest budget in Colorado history. Buoyed by a strong economic recovery, the budget totals \$2 billion more than the prior year's and includes \$2.6 billion in federal stimulus money. In FY22, state revenue subject to TABOR exceeded the Referendum C cap, which prompted the state legislature to authorize a tax refund of \$750 to every individual Colorado taxpayer and \$1,500 to joint taxpayers.

Likewise, the public workforce continues to grow—the FY23 budget includes a 1.9% increase in the state's full-time equivalent employment (FTE). Eight agencies' FTE grew by over 6% in FY23. Over the last ten budgets, the cumulative growth rate of spending dedicated to state government employment was 21.6%.

During the 2022 legislative session, the state took steps to resolve two major funding obligations: a missed 2020 Public Employee Retirement Association (PERA) payment and a negative Unemployment Insurance Trust Fund balance of over \$1 billion.





## OUTLOOK

The Governor's FY24 budget proposal appropriates \$40.5 billion (a 3.15% increase over FY23) and will become the largest in the state's history if approved by the legislature. It includes a record-high general fund reserve of 15% (\$2.2 billion)—a substantial reserve will put the state budget in a good position to navigate a potential recession in the near term.

The Legislative Council staff projects Colorado taxpayers to receive TABOR refunds from the FY23, FY24, and FY25 budgets due to projections that state revenues will continue to exceed the TABOR limit. Additional revenue collected below the limit, and thus available to be budgeted, will likely have to be spent on existing obligations rather than new discretionary priorities.

Aided by a strong recovery and billions in federal relief funds, most Coloradans who lost their jobs during the pandemic have returned to work—this means a steep decline in unemployment benefit payments. Colorado has fully repaid the loan of over \$1 billion it received from the federal government to fund its unemployment insurance program during the pandemic; even though the Unemployment Insurance Trust Fund is no longer in debt, employers will continue to pay high premiums until the fund balance is restored to its pre-pandemic level. Though the funding status of PERA has also improved recently, volatile financial markets and a potential recession could trigger another contribution rate increase and impel further legislative action.

## RECENT POLICY – STATE BUDGET

- » SB22-039: Funding for Educational Opportunities
  - › “The bill requires the state treasurer to transfer \$723 million from the general fund to the state education fund for the 2022-23 budget year.”
- » SB22-233: TABOR Refund Mechanism for FY 2021-22 Only
  - › “The act establishes a temporary fourth TABOR refund mechanism for excess state revenues from all sources for state fiscal year 2021-22. Under this mechanism, if the amount of excess state revenues exceeds the projected total amount of TABOR refunds issued as reimbursement to counties for the senior homestead exemption and, if applicable, through the temporary income tax rate reduction, then on or before September 30, 2022, the department of revenue is required to issue refund checks to every qualified individual in an identical amount.”
- » HB22-1029: Compensatory Direct Distribution to Public Employees' Retirement Association
  - › “The bill makes a direct distribution of \$380 million to the Public Employees' Retirement Association in FY 2022-23 in order to restore a suspended direct distribution payment of \$225 million to that was not made on July 1, 2020, due to pandemic-related budget cuts and to reduce future direct distribution to PERA in FY 2023-24 and FY 2024-25. It impacts state expenditures to a statutory public entity through FY 2024-25.”
- » HB22-1329: FY 2022-23 Budget Package and Long Bill Narrative
  - › “For the fiscal year beginning July 1, 2022, provides for the payment of expenses of the executive, legislative, and judicial departments of the state of Colorado, and of its agencies and institutions. The grand total for the operating budget is set at \$37,736,904,638.”

## ISSUES TO WATCH – STATE BUDGET

- » If a recession occurs, will reserves be sufficient to prevent budget cuts?
- » Will the influx of federal dollars, particularly those related to COVID-19 relief, put added pressure on future budgets to sustain similar levels of spending?
- » How will inflation impact the TABOR cap?
- » How will ballot measures passed by voters in November impact TABOR and future state budgets?
- » To replenish the Unemployment Insurance Trust Fund, Colorado employers stand to pay \$4.2 billion more in state and federal unemployment insurance taxes between 2023 and 2026 than they would at a pre-pandemic baseline.

## State Budget • CSI Research

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For further information about the **State Budget**, please review the following CSI reports:

- » Colorado's 2022 Legislative Session and Free Enterprise
- » Bill Spotlight: HB22-1029 Compensatory Direct Distribution to Public Employees' Retirement Association
- » CSI Budget Watch: The FY23 Budget Is Near Final, but Major Priorities Are Not Fully Addressed
- » Colorado's State Government Workforce: A Snapshot of Growth from FY2013 through FY2023
- » Colorado Budget: Then and Now
- » Spend Now, Save Later
- » The State of Colorado's Unemployment Insurance Trust Fund

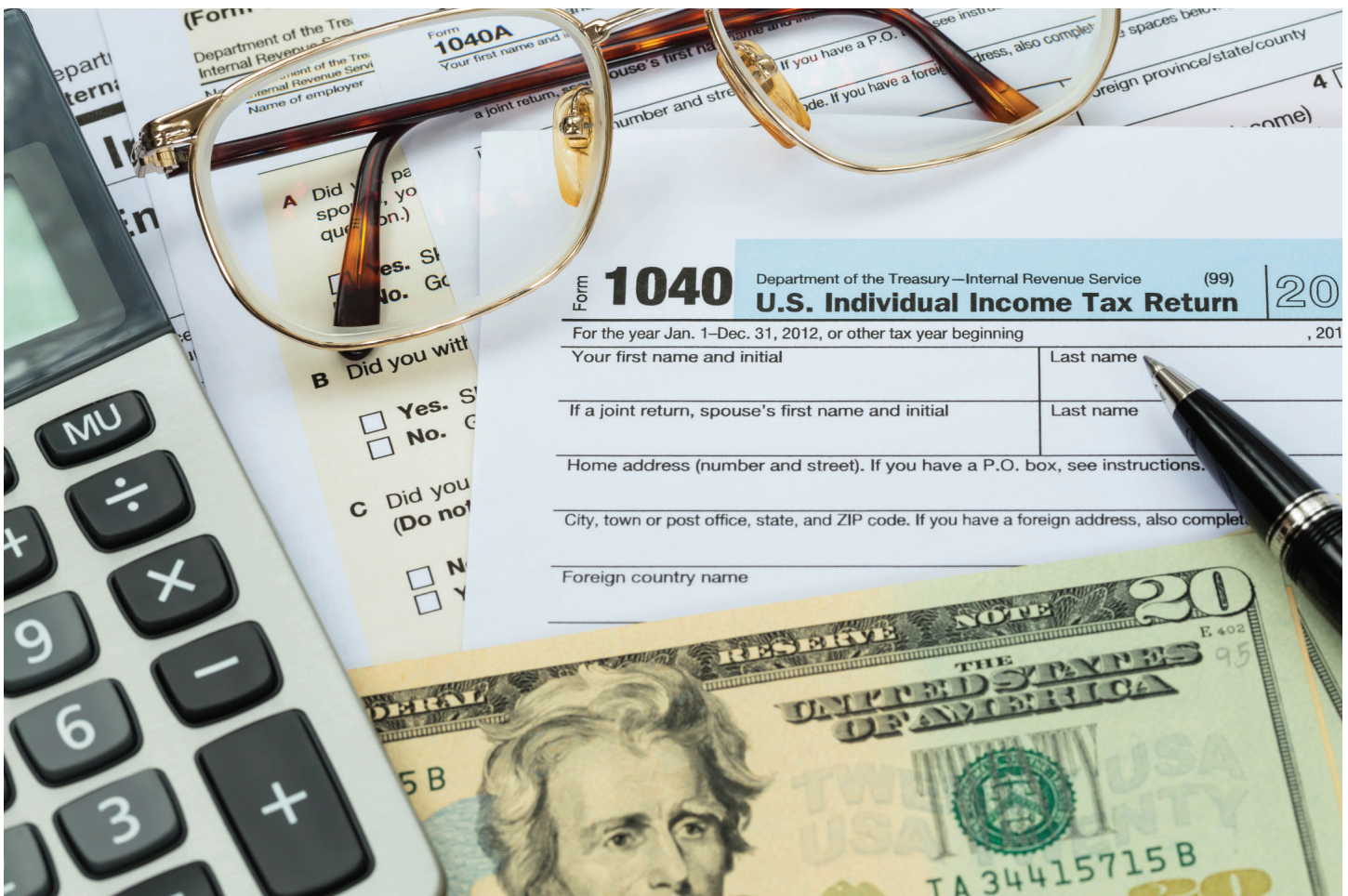
## OVERVIEW

State and local governments in Colorado have the authority to raise revenues through taxation and fees on various economic activities and types of property. At the state level, the largest sources of revenues are personal income taxes, sales and use taxes, corporate income taxes, and motor fuels taxes. At the local level, a mix of property taxes and sales taxes generate most revenues, which are used to support city, county, public-school, and other special district budgets.

Colorado's taxes have historically been low, largely because of TABOR, a voter-approved state constitutional amendment, which requires that the state and localities obtain voter approval before raising tax rates. TABOR's protections have kept the state's tax burden low, but legislative and public interest in new programs, growing budget pressures, and creeping fee increases threaten Colorado's historically competitive and attractive tax climate.

### FAST FACTS

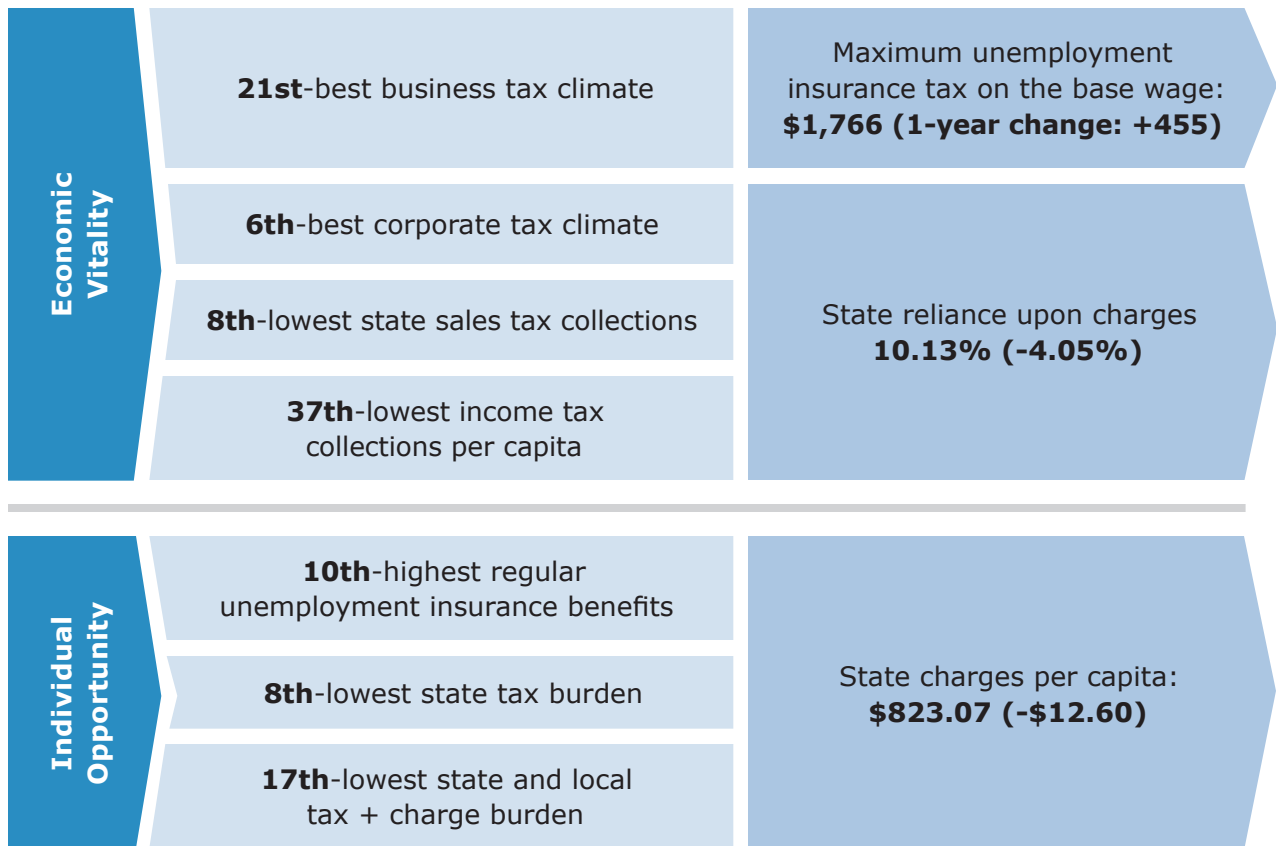
- » **FY21 state income tax rate and collections: 4.55% and \$11.731 billion**
- » **FY21 state sales tax rate and collections: 2.9% and \$5.103 billion**
- » **Number of current and approved state enterprises collecting fee-based revenue (excluding higher education): 22**
- » **FY21 fee collections (excluding higher education): \$15.09 billion (+407% since FY11)**



# PERFORMANCE RATING

Since TABOR went into effect, some lawmakers have looked to generate additional state revenue through fee increases, which have been determined to be exempt from TABOR restrictions. In FY93, only 46% of state revenue was TABOR-exempt; by FY22, this figure had climbed to 71%.

Though the 2021 legislative session brought about a net increase in taxes, the 2022 session was different. Amid rising inflation and large projected TABOR surpluses, the legislature reduced net FY23 and FY24 taxes and fees by \$832 million against the prior baseline; \$404 million of those tax and fee reductions, however, are set to be paid for by projected TABOR refunds, and another \$290 million of the total comes from preventing tax increases that had not gone into effect yet.



## OUTLOOK

The 2022 legislative session reduced taxes and fees, but only temporarily. One of these temporary cuts is a large reduction in the residential property tax assessment rate for the 2023 and 2024 tax years. This is the second such reduction in the last two years following the voter-approved freezing of residential assessment rates and amid rapidly increasing property values. The legislature plans to spend \$400 million from the general fund to offset some of this tax cut's impact on schools and local governments, about half of which would come out of anticipated TABOR refunds. Without additional reforms, residential property tax assessment rates will increase in the future. A 2-cent-per-gallon gas fee imposed by a 2021 bill was also delayed a year, causing a temporary fee reduction.

Despite the short-term cuts, the 2022 legislative session actually effected a small net tax and fee increase in the long run. It also demonstrates that Colorado lawmakers are still favoring fee increases to bypass TABOR's restrictions and pursuing tax law changes which effectively increase tax rates.

In 2022, voters approved two statewide ballot measures that will affect Coloradans' tax burdens. Proposition FF will increase the number of students eligible for free school meals by 615,000 (a 125% increase) by increasing taxes on Coloradans who earn more than \$300,000 per year. Proposition 121 will reduce the state income tax rate from 4.55% to 4.4%. The cost of providing free meals under Proposition FF is uncertain; there is a risk that revenues will either not be enough to support the program after its first year of implementation or exceed the amount necessary to sustain the program. A surplus of revenue collected by the program would be transferred to the general fund and allowed to be used for discretionary spending without voter approval. Proposition 121, conversely, will save taxpayers over \$450 million per year and add over 5,000 jobs in the long run.

Though the two recent income tax cuts approved by voters (Proposition 116 in 2020 and Proposition 121 in 2022) will help to lower costs, Coloradans' net tax and fee burden is still rising. Upcoming fee increases, such as the 0.9% payroll tax to pay for a state paid family leave program, which is projected to collect more than \$1.3 billion in 2023, will more than offset the recent tax cuts.

## RECENT POLICY – TAXES & FEES

### » SB22-234: Unemployment Compensation

- » "The bill requires the state treasurer to transfer \$600 million to a newly created fund. The transfer is from money received by the state through the federal 'American Rescue Plan Act of 2021.' The money in the fund may be used only to repay the outstanding balance of federal advances provided to the state through the unemployment insurance trust fund and interest owed on the advances."

### » SB22-238: 2023 and 2024 Property Tax

- » "The bill reduces property tax assessment rates and taxable valuations for the 2023 and 2024 tax years, and requires that the state government reimburse local governments for a portion of the resulting property tax revenue reductions. It decreases local government revenue and increases state expenditures through FY 2024-25, and makes a transfer for FY 2022-23."

*Continued on page 44*

## RECENT POLICY – TAXES & FEES (CONT'D)

- » HB22-1055: Sales Tax Exemption Essential Hygiene Products
  - › “The act creates a state sales and use tax exemption commencing January 1, 2023, for all sales, storage, use, and consumption of incontinence products and diapers and period products.”
- » HB22-1351: Temporarily Reduce Road User Charges
  - › “The bill delays implementation of certain fees on gasoline and other fuels, and temporarily reduces the amount of vehicle registration road safety surcharges. The bill decreases state revenue in FY 2022-23 and FY 2023-24 and increases expenditures in FY 2022-23 only.”
- » Proposition 121 (2022)
  - › “Reduce[s] the state income tax rate for individuals and corporations from 4.55 percent to 4.40 percent for tax year 2022 and future years.”
- » Proposition FF (2022)
  - › “Creates the Healthy School Meals for All program to provide access to free meals for all public school students in Colorado and pays for the program by increasing the taxes paid by households with incomes of \$300,000 or more and by using additional federal funding for school meals.”

## ISSUES TO WATCH - TAXES & FEES

- » Will efforts to raise revenue through fees in a way that circumvents the requirements of TABOR and Proposition 117 (2020) continue?
- » Will there be renewed efforts to permanently alter the state’s constitution and repeal some or all of TABOR?
- » Will proponents of tax cuts such as Proposition 121 continue to place income tax reductions on Colorado ballots? Will voters continue to approve them?
- » Will there be more comprehensive reforms to Colorado’s property tax structure given the repeal of the Gallagher Amendment and frozen assessment rates?
- » Will efforts to dismantle Colorado’s flat income tax and replace it with a progressive schedule resurface? Would this drive away investment and/or discourage migration of skilled workers?
- » Will policy broaden Colorado’s narrow sales tax base to include services, and will any such broadening be offset by tax decreases elsewhere?

For further information about **Taxes & Fees**, please review the following CSI reports:

- » Colorado's 2022 Legislative Session and Free Enterprise
- » Colorado's Economic Recovery Through the Lens of Taxable Sales
- » Are Denver Taxes Too High? The Fiscal Impacts of Ordinance 304 "Enough Taxes Already"
- » Proposition 120: What Voters See May Not Be What Voters Get
- » The Steep Price Tag of the 2021 Legislative Session
- » Colorado's Competitiveness: The Challenge of Economic Recovery Under More than \$1.8 Billion in New Regulations, Taxes and Fees
- » Property Tax in Colorado Post Gallagher: What Can Be Understood from Other States?
- » Sales Tax Revenue in Colorado Cities Since Start of the Pandemic
- » Amendment B: The Inherent Tradeoffs in Amendment B
- » Proposition 116: Dynamic Economic and Fiscal Impacts of a Cut to Colorado's State Income Tax Rate
- » Proposition 117: Voter Approval of New Fee Based Enterprises
- » 2022 Colorado State Ballot Proposition #121: "State Income Tax Rate Reduction"

## Appendix • Sources of Performance Figures

POLICY AREA	FIGURE	YEAR	SOURCE
Jobs & Our Economy	5 <sup>th</sup> -lowest poverty rate (Previous year: 8 <sup>th</sup> )	2020	U.S. Department of Agriculture
Jobs & Our Economy	Inflation growth between Oct 2021 and Sep 2022: 7.7% (Previous year: 7.8%)	2022	Bureau of Labor Statistics
Jobs & Our Economy	9 <sup>th</sup> -highest personal income per capita (Previous year: 9 <sup>th</sup> )	2022	Bureau of Economic Analysis
Jobs & Our Economy	4 <sup>th</sup> -highest labor force participation rate (Previous year: 3 <sup>rd</sup> )	2022	Bureau of Labor Statistics
Jobs & Our Economy	Non-farm employment: 2,848,600 (Previous year: 2,719,600)	2022	Bureau of Labor Statistics
Jobs & Our Economy	Net migration: 32,782 (Previous year: 27,340)	2021	Colorado State Demography Office
Jobs & Our Economy	10 <sup>th</sup> -best state for economic opportunity (Previous year: N/A)	2021	U.S. News
Jobs & Our Economy	50 <sup>th</sup> -lowest per-capita household debt (Previous year: 50 <sup>th</sup> )	2021	Federal Reserve Bank of New York
Jobs & Our Economy	Business formation rate: 1.93% (Previous year: 1.61%)	2021	U.S. Census
Education	Total number of teachers: 55,511 (Previous year: 55,842)	2022	Colorado Department of Education
Education	14 <sup>th</sup> -highest share of population over 25 with a high school degree or higher (Previous year: 12 <sup>th</sup> )	2021	CSI 2023 Ranking Book
Education	Total number of principals and assistant principals: 3,662 (Previous year: 3,611)	2022	Colorado Department of Education
Education	3.59% of the state population enrolled in public colleges (Previous year: 3.29%)	2022	Colorado Department of Higher Education
Education	59% of kids aged 3-4 are enrolled in preschool (Previous year: N/A)	2021	American Community Survey
Education	264 charter schools in Colorado (Previous year: N/A)	2022	Colorado Department of Education
Education	14 <sup>th</sup> -lowest average debt at graduation (Previous year: 15 <sup>th</sup> )	2020	The Institute for College Access and Success
Education	Per-pupil public school funding: \$17,088 (Previous year: \$16,181)	2021	Colorado Department of Education
Education	Average yearly tuition and fees at 4-year public university: \$11,439 (Previous year: \$11,165)	2022	Colorado Department of Higher Education
Education	Total Colorado student enrollment: 855,482 (Previous year: 856,656)	2022	Colorado Department of Education
Education	2 <sup>nd</sup> -highest share of population over 25 with a bachelor's degree or higher (Previous year: 2 <sup>nd</sup> )	2021	CSI 2023 Ranking Book
Education	Share of 3 <sup>rd</sup> -graders proficient in English: 40.7%; proficient in math: 39.4% (Previous year English: 39.1%, math: N/A)	2022	Colorado Department of Education
Energy & Our Environment	5 <sup>th</sup> -most oil production (Previous year: 5 <sup>th</sup> )	2022	Energy Information Administration
Energy & Our Environment	7 <sup>th</sup> -most natural gas production (Previous year: 7 <sup>th</sup> )	2021	Energy Information Administration
Energy & Our Environment	22 <sup>nd</sup> -highest renewable energy consumption (Previous year: 21 <sup>st</sup> )	2020	Energy Information Administration
Energy & Our Environment	Renewable share of energy production: 35% (Previous year: 30.74%)	2021	Energy Information Administration
Energy & Our Environment	2022 average monthly oil production: 13,081 barrels (Previous year: 12,309)	2022	Energy Information Administration
Energy & Our Environment	23 <sup>rd</sup> -highest residential electricity price (Previous year: 26 <sup>th</sup> )	2022	Energy Information Administration



POLICY AREA	FIGURE	YEAR	SOURCE
Energy & Our Environment	28 <sup>th</sup> -best air quality (Previous year: N/A)	2021	U.S. Environmental Protection Agency
Energy & Our Environment	28 <sup>th</sup> -lowest energy sector emissions per capita (Previous year: N/A)	2020	U.S. Environmental Protection Agency
Energy & Our Environment	81,306 energy sector jobs (Previous year: 81,709)	2021	U.S. Energy and Employment Jobs Report
Energy & Our Environment	October gasoline price per gallon: \$3.68 (Previous year: \$3.51)	2022	Energy Information Administration
Health Care	12 <sup>th</sup> -best state health system performance (Previous year: N/A)	2022	The Commonwealth Fund
Health Care	28 <sup>th</sup> -best in access and affordability (Previous year: N/A)	2022	The Commonwealth Fund
Health Care	Health care expenditure per capita \$7,364 (Previous year: \$6,543)	2021	Bureau of Economic Analysis
Health Care	Government spending on health: \$13,461 million (Previous year: \$12,075 million)	2022	Colorado General Assembly
Health Care	1,268,649 Coloradans live in health professional shortage areas (Previous year: 1,100,000)	2022	U.S. Department of Health and Human Services
Health Care	11 <sup>th</sup> -lowest in infant mortality (Previous year: N/A)	2022	The Commonwealth Fund
Health Care	43 <sup>rd</sup> -most hospital beds per capita (Previous year: 45 <sup>th</sup> )	2020	Kaiser Family Foundation
Health Care	8 of America's top 250 hospitals (Previous year: 10)	2022	Healthgrades: America's 250 Best Hospitals
Health Care	Benchmark plan monthly premium: \$358 (Previous year: \$351)	2022	Kaiser Family Foundation
Health Care	Uninsured rate: 7% (Previous year: 10.4%)	2021	Kaiser Family Foundation
Housing & Our Community	1 <sup>st</sup> -highest rate of auto theft	2022	2022 Common Sense Institute Oct. Crime Report
Housing & Our Community	13 <sup>th</sup> -highest 1-year house price appreciation (Previous year: 12 <sup>th</sup> )	2022	CSI 2023 Ranking Book
Housing & Our Community	Median home value: \$544,042 (Previous year: \$443,890)	2022	Zillow Housing Data
Housing & Our Community	Home ownership rate: 66.7% (Previous year: 66.1%)	2022	U.S. Census
Housing & Our Community	Colorado's unsheltered homeless population: 3,156 (Previous year: 2,899)	2022	2022 Point-in-Time Survey
Housing & Our Community	47 <sup>th</sup> -highest effective residential property tax rate (Previous year: 47 <sup>th</sup> )	2022	CSI 2023 Ranking Book
Housing & Our Community	43 <sup>rd</sup> -highest single-family home purchasing power (Previous year: 45 <sup>th</sup> )	2022	Zillow Housing Data
Housing & Our Community	42 <sup>nd</sup> -highest two-bedroom home purchasing power (Previous year: 45 <sup>th</sup> )	2022	Zillow Housing Data
Housing & Our Community	Change in avg. home value since 2007: 132.4% (Previous year: 102.3%)	2022	Federal Housing Finance Agency
Housing & Our Community	Housing unit deficit: 116,907 units (Previous year: 104,144)	2022	2022 Common Sense Institute Aug. Housing Report
Infrastructure	22% of Colorado roads are in poor condition (Previous year: N/A)	2021	American Society of Civil Engineers
Infrastructure	88% increase in the price per acre-foot of water from the Colorado-Big Thompson project from 2010-2021	2022	2022 Common Sense Institute Nov. Water Report
Infrastructure	32 <sup>nd</sup> -highest transportation spending per VMT (Previous year: 35 <sup>th</sup> )	2020	Federal Highway Administration & National Association of State Budget Officers
Infrastructure	Avg. commute time: 25 minutes (Previous year: 26.5)	2022	U.S. Census

POLICY AREA	FIGURE	YEAR	SOURCE
Infrastructure	8411.33 VMT per capita (Previous year: 9487.56)	2020	Federal Highway Administration
Infrastructure	9 <sup>th</sup> -lowest gas tax (Previous year: 9 <sup>th</sup> )	2022	CSI 2023 Ranking Book
Infrastructure	32 <sup>nd</sup> -best road quality (Previous year: 32 <sup>nd</sup> )	2020	Department of Transportation
Infrastructure	3 <sup>rd</sup> -highest number of households accessing broadband (Previous year: N/A)	2021	U.S. Census
Infrastructure	12 <sup>th</sup> -most energy efficient state (Previous year: N/A)	2020	Energy Information Administration
Infrastructure	39,110 people took public transportation to work in 2021 (Previous year: 94,518)	2021	U.S. Department of Transportation
State Budget	16 <sup>th</sup> -highest state/local gov. employment rate (Previous year: 15 <sup>th</sup> )	2021	CSI 2023 Ranking Book
State Budget	39 <sup>th</sup> -highest state expenditures per capita (Previous year: 40 <sup>th</sup> )	2021	National Association of State Budget Officers
State Budget	47 <sup>th</sup> -highest unemployment insurance fund balance per capita (Previous year: 47 <sup>th</sup> )	2022	U.S. Department of Labor
State Budget	40 <sup>th</sup> -lowest state debt per capita (Previous year: 40 <sup>th</sup> )	2020	U.S. Census
State Budget	State appropriations growth: 12.52% (Previous year: 11.42)	2022	Colorado Joint Budget Committee
State Budget	Health care share of state appropriations: 36.59% (Previous year: 36.34%)	2022	Colorado Joint Budget Committee
State Budget	Unfunded state pension liabilities per capita: \$25,378.64 (Previous year: \$18,557.58)	2021	American Legislative Exchange Council
State Budget	General fund share of state appropriations: 33.2% (Previous year: 34.2%)	2022	Colorado Joint Budget Committee
State Budget	K-12 education share of state spending: 17.48% (Previous year: 17.73%)	2022	Colorado Joint Budget Committee
State Budget	16 <sup>th</sup> -highest state/local government pay per FTE (Previous year: 19 <sup>th</sup> )	2021	CSI 2023 Ranking Book
State Budget	FY22 TABOR Refund: \$3.65 billion (Previous year: \$525.25 million)	2022	Colorado Joint Budget Committee
Taxes & Fees	21 <sup>st</sup> -best business tax climate (Previous year: 21 <sup>st</sup> )	2022	Tax Foundation
Taxes & Fees	6 <sup>th</sup> -best corporate tax climate (Previous year: 10 <sup>th</sup> )	2022	Tax Foundation
Taxes & Fees	8 <sup>th</sup> -lowest state sales tax collections per capita (Previous year: 9 <sup>th</sup> )	2021	U.S. Census
Taxes & Fees	37 <sup>th</sup> -lowest income tax collections per capita (Previous year: 34 <sup>th</sup> )	2021	U.S. Census
Taxes & Fees	Maximum unemployment insurance tax on the base wage: \$1,766. (Previous year: \$1,311)	2022	Colorado Department of Labor and Employment
Taxes & Fees	State reliance upon charges: 10.13% (Previous year: 14.18%)	2020	U.S. Census
Taxes & Fees	10 <sup>th</sup> -highest regular unemployment insurance benefits (Previous year: 16 <sup>th</sup> )	2022	CSI 2023 Ranking Book
Taxes & Fees	8 <sup>th</sup> -lowest state tax burden (Previous year: 8 <sup>th</sup> )	2021	U.S. Census & Bureau of Economic Analysis
Taxes & Fees	State charges per capita: \$823.07 (Previous year: \$835.67)	2020	U.S. Census
Taxes & Fees	17 <sup>th</sup> -lowest state & local tax + charge burden (Previous year: 15 <sup>th</sup> )	2020	U.S. Census & Bureau of Economic Analysis

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