

# Gov. Jared Polis's 2024 State of the State

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## Introduction

Governor Jared Polis gave his annual State of the State address today marking the beginning of the 2024 Colorado General Assembly session. In it, the Governor addressed some of the biggest issues facing Colorado, including property taxes, housing, homelessness, crime, energy, cost of living, the Colorado economy, and energy. Common Sense Institute (CSI) has been at the forefront of data analysis regarding each of these issues and has the following response to the policy and economic issues raised in the Governor's address.

## Issue Highlights and CSI Research

### State Budget

Gov. Polis - "Thanks to Colorado's amazing economic success, we are well on our way toward another year of record TABOR surplus, projected to be between \$1.6 and \$1.8 billion...As demonstrated by our healthy surplus in Colorado, taxes are simply too high: income taxes, property taxes, and the state sales tax. We ignore that signal at our own peril and I challenge Democrats and Republicans to work together to improve our economic growth and success by not taking taxes we can't keep from people and instead working on a bold, balanced, progressive package, including cutting the income tax rate."

CSI research:

- "Colorado Budget Then and Now"<sup>i</sup>
  - Government spending has outpaced inflation and population growth in recent years - adjusted for inflation, total state government appropriations per Coloradan increased by 26% over the last 20 years, from \$5,244 to \$6,594, rising 22% in just the last 10 years.
  - Health care has dominated budget growth in recent years while education's share has declined - In the last 20 years, the Department of Health Care Policy and Financing's (HCPF) budget increased by 425% from \$3 billion to \$15.5 billion and its share of the total budget rose from 22% to 37%. HCPF accounts for 68% of the General Fund appropriation increase in FY24 and 45% of the proposed FY25 increase.
  - Conversely, the Department of Education's budget grew by only 129% and its share of the total budget decreased from 24% to 18%. Its share of the General Fund declined from 42% to 31% over the past 20 years. If Education had maintained the same share, its FY24 appropriation would have been \$1.8 billion higher.
  - Over the four years from FY23 through FY26, there is a projected \$9.3B in TABOR surplus revenue available for refunds. Over the same period, revenue subject to TABOR, available to be spent by the state, is projected to grow from \$16.657B to \$19.943B—by 6.6% per year, on average.

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## Housing

Gov. Polis - "This session, I will be supportive of bills that reduce the cost of housing and encourage innovative approaches like new financing strategies, easing parking restrictions, tackling liability costs for multi-family condo construction, reducing the cost of fire insurance - especially in the face of increasing climate-related disasters like the Marshall Fire, which we just observed the second anniversary of - and I will be very skeptical of bills that increase the cost of housing."

CSI research:

- "Home Affordability in Colorado"<sup>ii</sup>
  - According to CSI's Free Enterprise Competitiveness Index, Colorado's overall competitiveness in housing fell to 51<sup>st</sup>, making Colorado dead last in the country. The Colorado Association of Realtors Housing Affordability Index shows the affordability of townhomes and condos declining at a faster rate than single family homes during this time, however they remain 32% more affordable.
- "The Decline of Condominium Construction in Colorado"<sup>iii</sup>
  - Condominium development between 2018 and 2022, across 11 front range counties which collectively house over 80% of Colorado's population, was 76% lower than between 2002 and 2008. This amounted to 14 new apartments for every 1 new condo in recent years, while there was 1 new condo for every 1.25 apartments in the 6 years prior to 2009. This is largely the result of liability costs specific to condominium development.

## Property Taxes

Gov. Polis - "Likewise, we know that property taxes are a part of what's driving up the cost of living in Colorado. So let me take a moment to commend the General Assembly for your hard work during the special session in November to reduce property tax rates."

CSI research

- 25% - The average Colorado homeowner (\$570,000 value at 85.03 mils) will still see their property tax bill increase 25% (+\$590) next year, even after the changes from the November 2023 Special Session. That is down from 36% (+\$847) under prior law, however still significantly higher than seen in the past 3 decades.
- 0\$ – The legislative special session did not reduce commercial tax rates to address rising property taxes for businesses. Previous CSI research indicates that rapidly rising property taxes for businesses will produce a \$177 million drag on the Colorado economy, reducing employment by over 7,500 jobs.
- While the property tax relief only applied to one year, the special session also established a task force to study long-term reforms and recommend a path forward. This committee will convene over the coming months and is required to have its report complete by March 2024.

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## Homelessness

Gov. Polis - "By reducing housing costs we will also decrease homelessness in our communities."

CSI research:

- Denver Metro Area Stands Out for Growth in Homelessness<sup>iv</sup>
  - Of 50 regions, Metro Denver experienced a greater percentage increase in the number of people experiencing homelessness (46%) than just 4 other regions including Albuquerque, Fort Worth, Chicago, and Louisville. Metro Denver's annual growth rate was nearly 4 times the U.S. average of 12%.
  - Total homeless population – Between 2022-2023 10,054 individuals experiencing homelessness
  - Fifth-highest percentage increase among major city Continuum of Care areas (46%)
  - Third-highest increase in total number among major cities, eclipsed only by New York City and Los Angeles
  - Fifth highest total number of people experiencing homelessness, 10,054
  - Unsheltered population – Between 2020 and 2023, the Denver metro area saw an increase of 1,202 unsheltered people experiencing homelessness
  - Sixth-highest among all 388 areas HUD tracks
  - Chronically homeless population – 2,567 in 2023, the eighth-highest among the 388 areas HUD tracks.

## Crime

Gov. Polis - "We all deserve to be safe, which is why our goal is to make Colorado one of the ten safest states in the nation by 2027 and I will be supporting legislation to further that goal and will be very skeptical of any legislation that would make us less safe... Early data shows a downward trend in violent crime, which is why this year we want to continue these investments to create safer communities for everyone."

CSI research:

- "November Crime Snapshot"<sup>v</sup>
  - Colorado ranked 4th highest nationally for combined property and violent crime rates according to Federal Bureau of Investigation data.
  - This is a dramatic decrease from the 2012 ranking of 31st.
  - Both property and violent crime rates have risen steadily since the early 2010s, speeding up in the early 2020s.
  - The state ranked 3rd in the nation for property crime rates and 8th in the nation for violent crime rates.
  - The governor's reference to "early data" alludes to the fact that crime statistics for any given year are typically not available until roughly the following spring.

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## Education

The governor praised universal pre-K, statewide free lunch, and after hours tutoring, and the elimination of the budget stabilization factor.

CSI research:

- “Dollars and Data: Colorado Education Data and Trends”<sup>vi</sup>
  - As we reported last year, local, state, and federal dollars continue to flow to the Colorado public education system in ever-larger amounts, continuing a longstanding pre-pandemic trend. While some argue Colorado’s public schools are underfunded, the school system continues to receive larger contributions from local, state, and federal sources year after year. Since 2020 total public education revenue from all sources has climbed 9.6% from \$14.6 billion to \$16 billion.
  - At the same time, student enrollment steadily declined for many districts and is forecasted to keep sliding downward for the foreseeable future. In 2022-23, statewide public-school enrollment was almost 30,000 students below its 2020 peak – a drop of 3.1%.
  - Student achievement, as reflected in the Colorado Measures of Academic Success (CMAS) results, has yet to recover from massive declines in the immediate aftermath of the pandemic. While math scores improved modestly in 2022-23, English Language Arts scores dropped after recovering somewhat the previous year.
- “Colorado’s Workforce Woes Should Spell Opportunity for Economic Mobility”<sup>vii</sup>
  - Colorado’s labor force is the tightest on record, with 2.7 jobs for every unemployed person. The labor shortage and skills mismatch in Colorado is costing \$46 billion in additional state Gross Domestic Product (GDP) this year. Therefore, if workforce needs were met this would result in a 10 % increase in state GDP. The problem will not be resolved by in-migration or natural population growth under current projections.
  - Many of the unemployed experience barriers to employment or are marginally attached to the labor force. Employers, education and training providers, and the state’s workforce system must innovate to help remove barriers to employment and to better align skills acquisition with the jobs of the future.

## Healthcare

Gov. Polis - “We are also continuing to save people money on healthcare - which is, after housing, often the largest cost that Coloradans face. Since day one of my Administration, starting with the creation of the Office of Saving People Money on Healthcare, we have been bold in taking on the entrenched special interests and tackling the true cost drivers in healthcare... This has led to historic successes including Reinsurance and the Colorado Option, both of which have been cost-saving game-changers for people

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accessing healthcare in our state. Since its creation, reinsurance has saved thousands of dollars for families all across our state."

CSI research:

- "Diagnosis of Colorado's Healthcare Industry"<sup>viii</sup>
  - Colorado's healthcare system generates **\$148 billion** of economic output and supports over **744,000 Colorado jobs**—nearly 1 in 5 statewide. CSI's Free Enterprise Healthcare Competitiveness Index ranks Colorado **13<sup>th</sup> in the country** for its healthcare system's performance.<sup>ix</sup>
- "Do Colorado Option Plans Deliver on the Promise of Consumer Savings?"<sup>x</sup>
  - The Colorado Option Plan is in its second year and will impose further premium reduction requirements next year. In a 2021 report, CSI analyzed the impacts of implementing top-down government price caps without lowering service delivery costs. CSI's economic modeling estimated that payments to doctors, nurses, hospitals, and other healthcare providers would have been cut an estimated \$830 million to \$1 billion by 2024 without reducing costs. The impact on access and affordability could cut between 4,300 and 5,400 jobs across all sectors. It will be important to monitor the Colorado Option Plan's impact on providers before pursuing strict enforcement as hitting rate targets grows more difficult. Already four carriers have left the individual market, the small-group market, or both.

[To learn more about CSI's research on all of these topics, please check out our reports here at www.commonseinstituteco.org](http://www.commonseinstituteco.org)

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<sup>i</sup> <https://commonsenseinstituteco.org/2023-co-budget-then-and-now/>

<sup>ii</sup> <https://commonsenseinstituteco.org/sept-2023-homebuyer-misery-index/>

<sup>iii</sup> <https://commonsenseinstituteco.org/condominium-construction/>

<sup>iv</sup> <https://commonsenseinstituteco.org/denver-metro-area-stands-out-for-growth-in-homelessness/>

<sup>v</sup> <https://commonsenseinstituteco.org/november-crime-rates-in-colorado/>

<sup>vi</sup> <https://commonsenseinstituteco.org/co-education-data-and-trends/>

<sup>vii</sup> <https://commonsenseinstituteco.org/workforce-woes/>

<sup>viii</sup> <https://commonsenseinstituteco.org/diagnosis-of-colorados-healthcare-industry/>

<sup>ix</sup> <https://commonsenseinstituteco.org/diagnosis-of-colorados-healthcare-industry/>

<sup>x</sup> <https://commonsenseinstituteco.org/do-final-colorado-option-rates-deliver-on-the-promise-of-consumer-savings/>