

SPENDING GROWTH OF THE COLORADO BUDGET

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Colorado's Explosive Spending Growth and the Role of TABOR

Colorado lawmakers are struggling to find ways to balance a budget in light of a \$1.2 billion projected shortfall. Some lawmakers have proposed cuts while others have suggested the problem is a lack of revenue. Compounding the debate is the Taxpayer Bill of Rights, or TABOR. Approved by voters in 1992, TABOR requires a vote of the people to raise taxes.

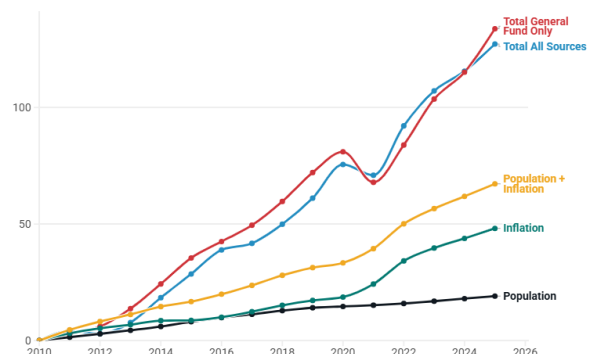
To help inform the ongoing debate, Common Sense Institute (CSI) compiled key findings on elements related to state revenue and spending growth, as well as indicators of future economic movement.

REVENUE PROJECTIONS

The state's current budget gap may grow despite the fact that revenue has grown beyond both population growth and inflation over the last 15 years.

- Using General Fund growth rates of 5.1% and 5.0% for fiscal years (FY) 2026 and 2027, and reported potential appropriations, the state is faced with a projected **\$1.2 billion budget hole**.
- Should the economy grow at rates consistent with the trends in employment growth and the unemployment rate, the budget hole gets larger, **on the order of \$2.8 billion**.
- Some might consider the weak revenue picture as evidence of a revenue problem, but data suggest spending has exploded in recent years.
- From 2010 to 2025, total General Fund spending rose 134%.
- Over the same period, spending from All Sources rose 127%.
- By contrast, population increased 19% and reported consumer inflation as measured by the Consumer Price Index rose 48%.

Growth in State Spending Compared with Population and Inflation



Source: Joint Budget Committee, Bureau of Labor Statistics, U.S. Census Bureau

BUDGET THEN AND NOW

The state's single largest expenditure category is healthcare, which has grown exponentially in the last 20 years. Education funding has shrunk as a share of the state's budget yet total funding for education has more than doubled, according to previous CSI research.ⁱ

- Healthcare spending dominated budget growth in recent years while education's share declined. In the Governor's FY 2026 budget request, growth in the Department of Health Care Policy and Financing (HCPF) funding accounts for 98% of the total net increase in all appropriations. It accounts for 36% of GF growth.
- From FY 2005 to FY 2025, the HCPF budget increased by 429% from \$3 billion to \$15.9 billion and its share of the total budget rose from 22% to 37%. HCPF accounted for 43% of all new spending between FY 2024 and FY 2025.
- Over this same time, education funding from all funds increased 128%, but its share of the budget fell from 25% to 18%.

FTE GROWTH

Government job growth has accelerated rapidly. According to the 2025 Free Enterprise Report, Colorado's state budget competitiveness rank declined to 43rd in 2023. The decline is due in part to outsized proportion of state and local government employment as a share of the population, according to previous CSI research.ⁱⁱ

- Nearly half of Colorado's job growth between 2023 and 2025 was from government jobs.
- In just the two years between January 2023 and January 2025, the state has added 39,400 jobs, far outpacing any other category of job growth.ⁱⁱⁱ
- 49% of all nonfarm payroll jobs that the state gained during this period were government jobs.

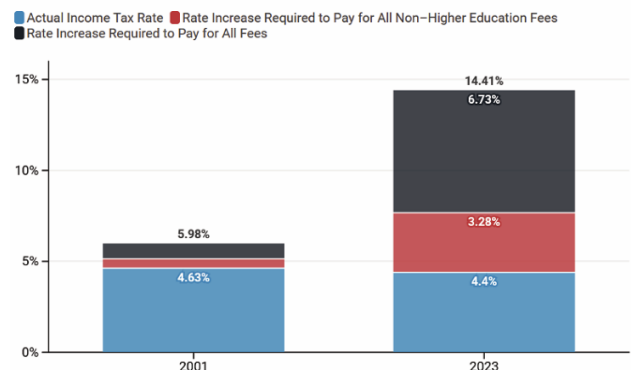
FEES

The number of enterprises from which the state draws revenue continues to grow, according to previous CSI research.^{iv}

- In the first year following the passage of TABOR, fee-based enterprises generated \$742 million. By 2023, their revenue had increased by more than 3,000%, far beyond population growth of 62%, to \$23.3 billion.
- In 1996, only 46% of total state spending was TABOR-exempt — \$5,027 per Coloradan in 2023 dollars. In 2023, 71% of state spending was exempt, amounting to \$8,442 per Coloradan.
- If all Colorado's fee enterprises, minus higher education, were instead funded by the state income tax, the state income tax would need to increase to 7.68%, a 75% increase from the current rate of 4.4%.
- Since 2018, voters have approved two income tax cuts worth a combined reduction of 0.23. At the same time, fee-based revenue to enterprises has increased by an amount equivalent to a 0.51 increase in the state income tax.

Trading Fees for a Tax Increase

How high would Colorado's income tax rate be if fee enterprises were funded by income taxes?



POPULATION GROWTH

While state spending and revenues have risen, Colorado's population growth has slowed.

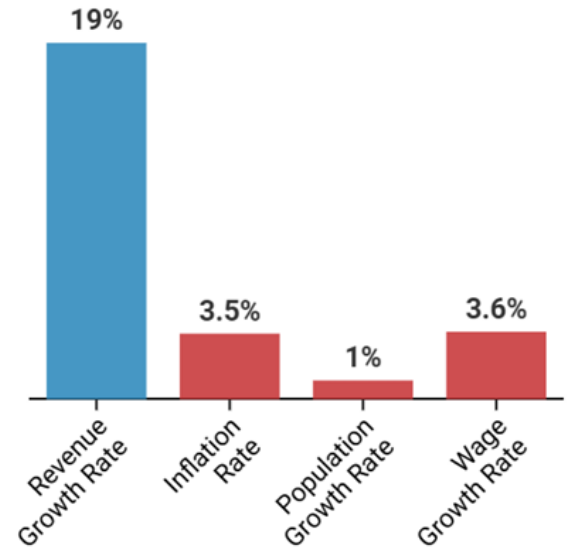
- Colorado's prime working age population forecast will diminish between now and 2030. The majority of the population growth would be attributed to the 65-plus population.
- Colorado's domestic migration has slowed significantly in recent years to an average of 6,500 since 2020. This figure compares to an average of 38,000 per year during the 2010s, or a reduction of 82% relative to the last decade.
- Due largely to international migration, between now and 2030, net migration is projected to experience strong and consistent increases. After 2030, net migration is expected to steadily decline out through 2050.

PROPERTY TAXES

Local governments are currently reaping more revenue from property taxes than ever before, according to previous CSI research.^v

- Property tax revenue increased by 19% to \$2.4 billion in 2024. That annual increase was the largest since 1975. Since 2019, property tax revenue has risen by \$5.4 billion, or 55%, and has more than doubled in the last nine years, increasing from \$7.18 billion in 2015 to nearly \$15.3 billion in 2024.
- After adjusting for inflation, property tax revenue per Coloradan increased by \$304 from \$2,262 to \$2,566 in 2024.
 - » The statewide increase in property tax revenue was four times higher than the average increase in population and inflation (19% vs 4.5%) and five times higher than the increase in the average weekly wage (19% vs 3.6%).

How Does 2024 Property Tax Revenue Growth Compare?



END NOTES

- <https://www.commonsestituteus.org/colorado/research/state-budget/colorado-budget-then-and-now-2024>
- <https://www.commonsestituteus.org/colorado/research/free-enterprise-report/free-enterprise-report-2025-edition>
- Office of Labor Market Information (LMI), Colorado Department of Labor and Employment (CDLE), 2025
- <https://www.commonsestituteus.org/colorado/research/taxes-and-fees/snapshot-of-fees-in-colorado-2024-update>
- <https://www.commonsestituteus.org/colorado/research/taxes-and-fees/growth-in-property-tax-revenue>

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