

# Crash Course on Taxes and Colorado's Budget

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# Tax Terms:

**Marginal Rate:** rate paid on last addition dollar of income

**Effective Rate:** rate of taxation after varying rates applied as well deductions, exemptions, credits

Graduated Tax Example:

\$0-\$10 is taxed at 2%

\$10-\$20 is taxed at 3%

\$20-\$30 is taxed at 4%

\$40+ is taxed at 5%

What are taxes if Person A earns \$25?

$$=\$10(.02) + \$10(.03) + \$5(.04)$$

$$=\$0.70 \text{ in taxes}$$

**EFFECTIVE RATE 2.8%**

Marginal Rate on last dollar: 4%

Effective Rate:

$$\$0.70/\$25 = 2.8\%$$

# AGI vs Taxable Income

AGI \$\$\$\$

— Personal  
Exemptions

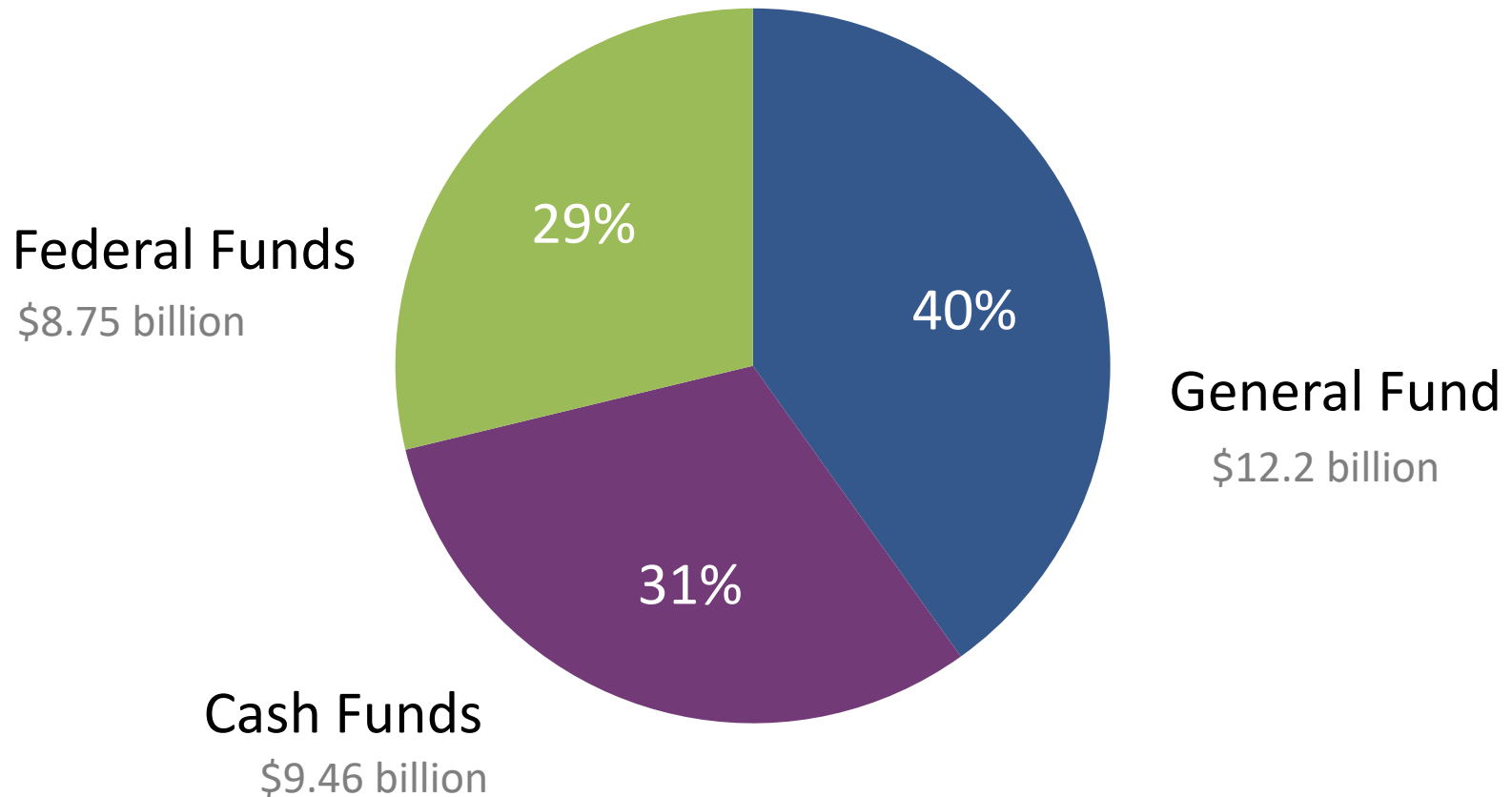
— Standard  
or Itemized Deductions

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Taxable Income

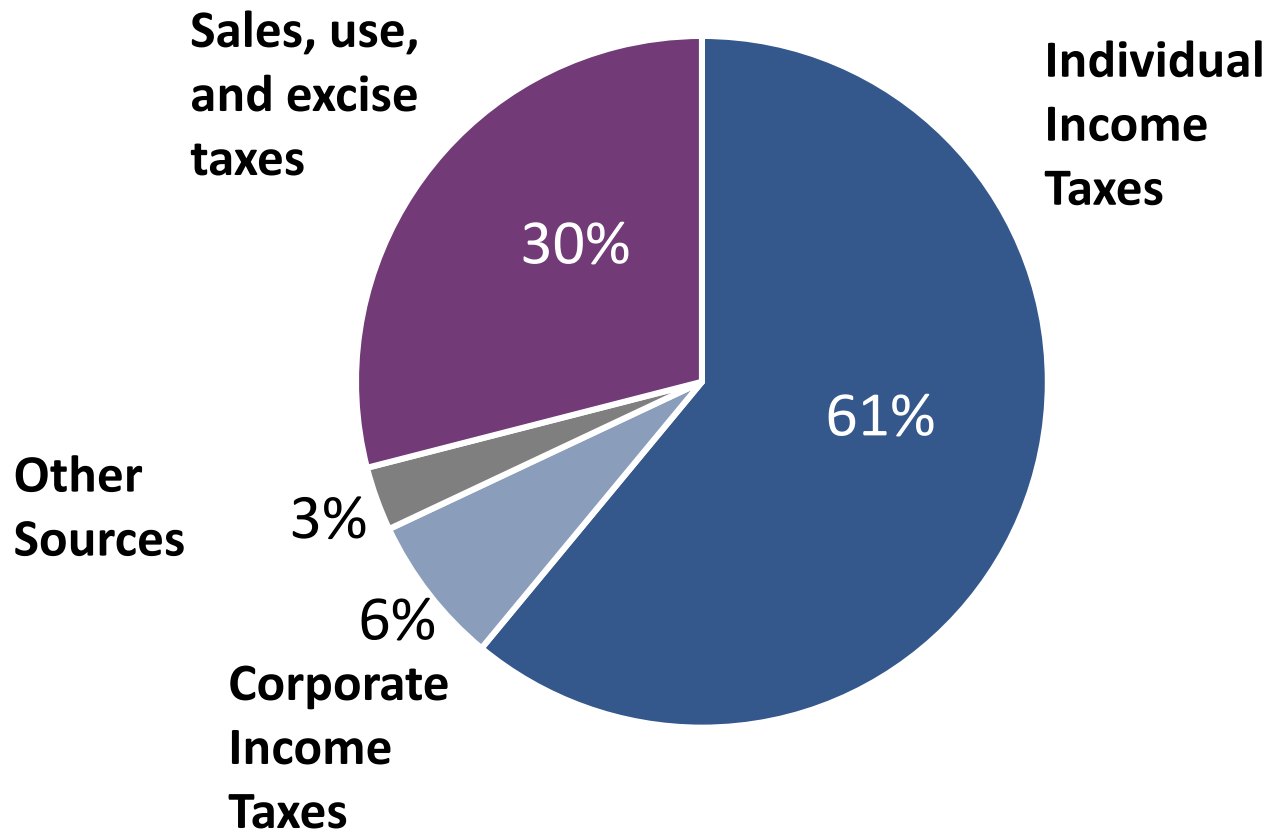
# Three basic pots of money in the State budget

\$32.5 billion total budget in FY2019-20



*Total budget includes \$2.1 billion "reappropriated funds"*

# General Fund Revenue Sources



FY2019-20 \$12.6 billion "other" is insurance premium taxes and a few others

# What do you think?

## EXERCISE 1:

How do you think Colorado spends your tax dollar?

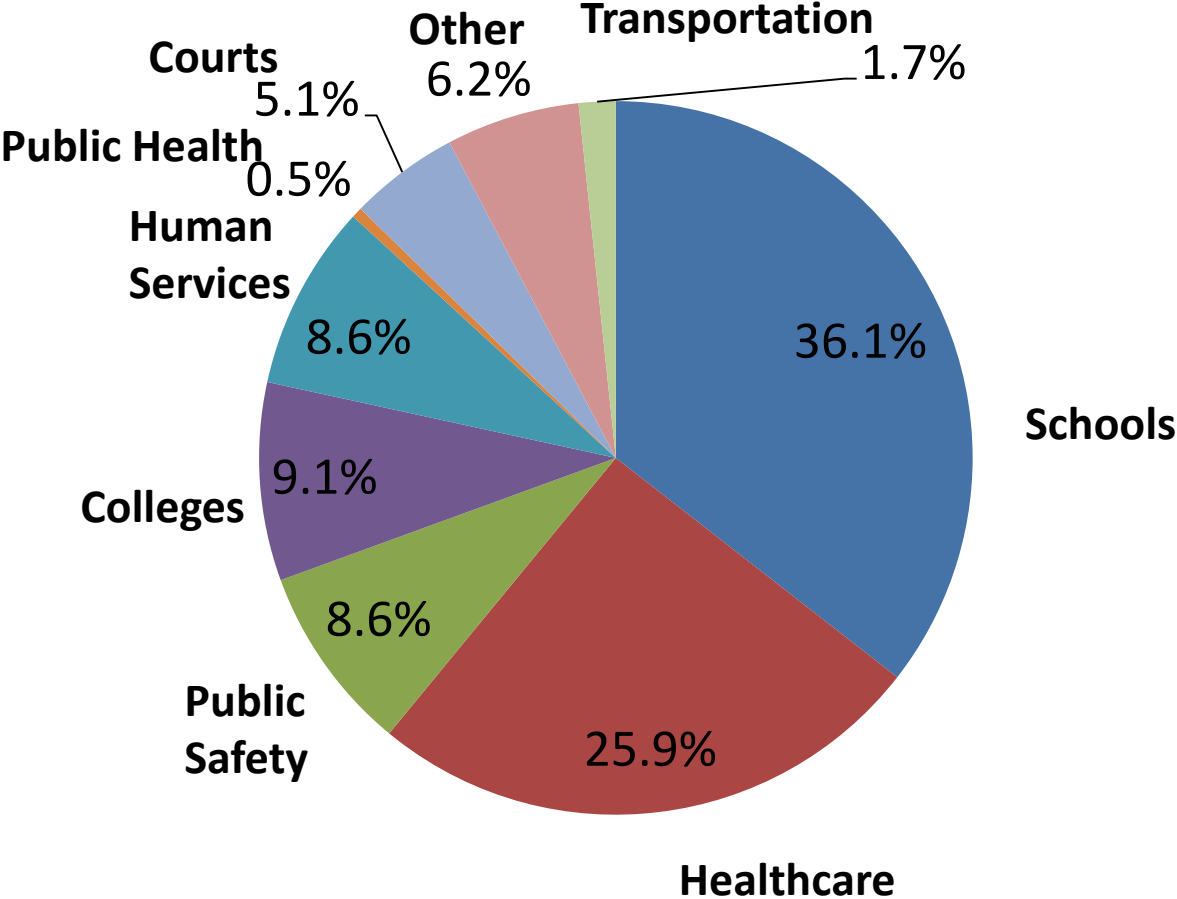
Using the 9 categories on your handout, how many cents do you think we spend on each category?



# What are our current priorities?

<b>Corrections and Public Safety</b>	Funds prisons and prison guards, fire fighters, state patrol, school safety resource centers, and other programs.
<b>K- 12 Education</b>	Funds schools, salaries for teachers and administrators, resources for students, and special education in the K-12 system.
<b>Health Care</b>	Funds hospitals, nurses and doctors to provide care for low-income and vulnerable people.
<b>Higher Ed</b>	Funds departments for higher education programs, universities and financial aid for students. Also includes funding for libraries and History Colorado.
<b>Human Services</b>	Funds safety net programs, early childhood programs and mental health institutes. Provides services and programs for people with disabilities and veterans.
<b>Public Health and Environment</b>	Funds environmental protection like Water Control, Pollution Control, Waste Management, and Disease Control. Also in charge of birth, death, and marriage certificates.
<b>Judicial</b>	Funds county and district courts, the Colorado Supreme Court, the Colorado Court of Appeals, and probation programs.
<b>Transportation</b>	Funds construction and maintenance of roads, bridges, tunnels. Responsible for transit, buses and light rail system.
<b>Other</b>	This category is a everything else that does not fall under the last 8 categories, some examples are: Parks and Wildlife, medical and recreational marijuana, administering elections, and the state lottery. Also included are veteran's services and states militia forces.

# What does the money buy?

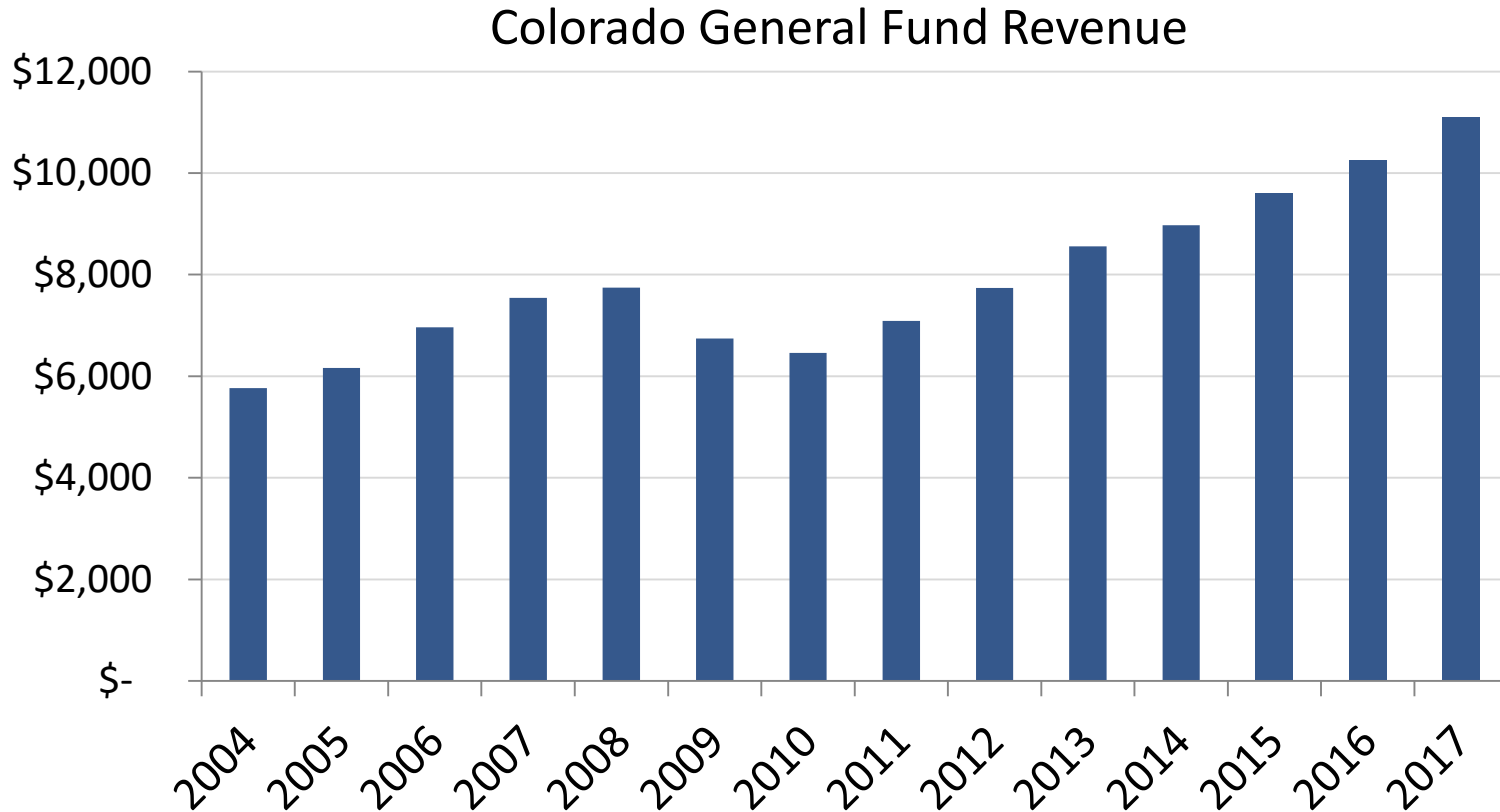


FY2019-20  
Colorado General Fund \$12.2 billion



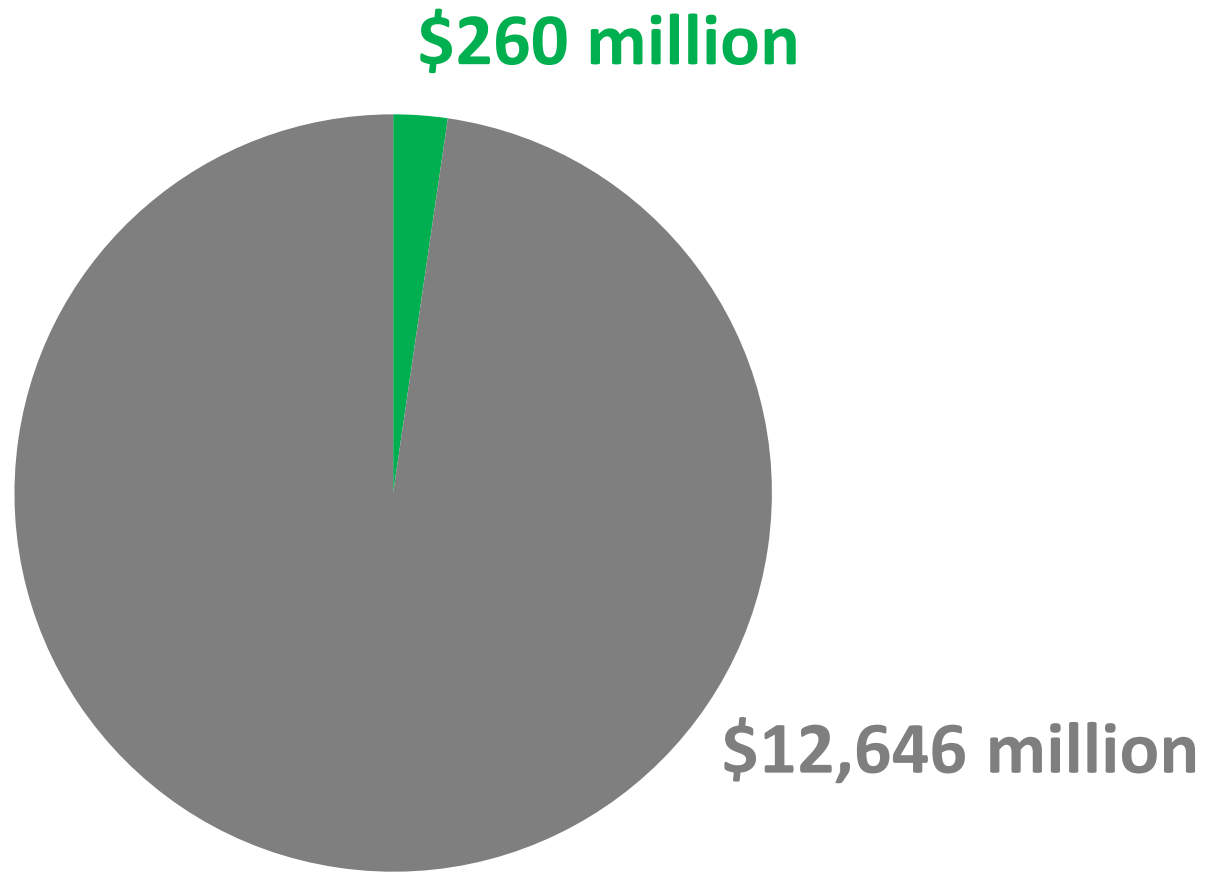


# Money for budget goes up and down with economy



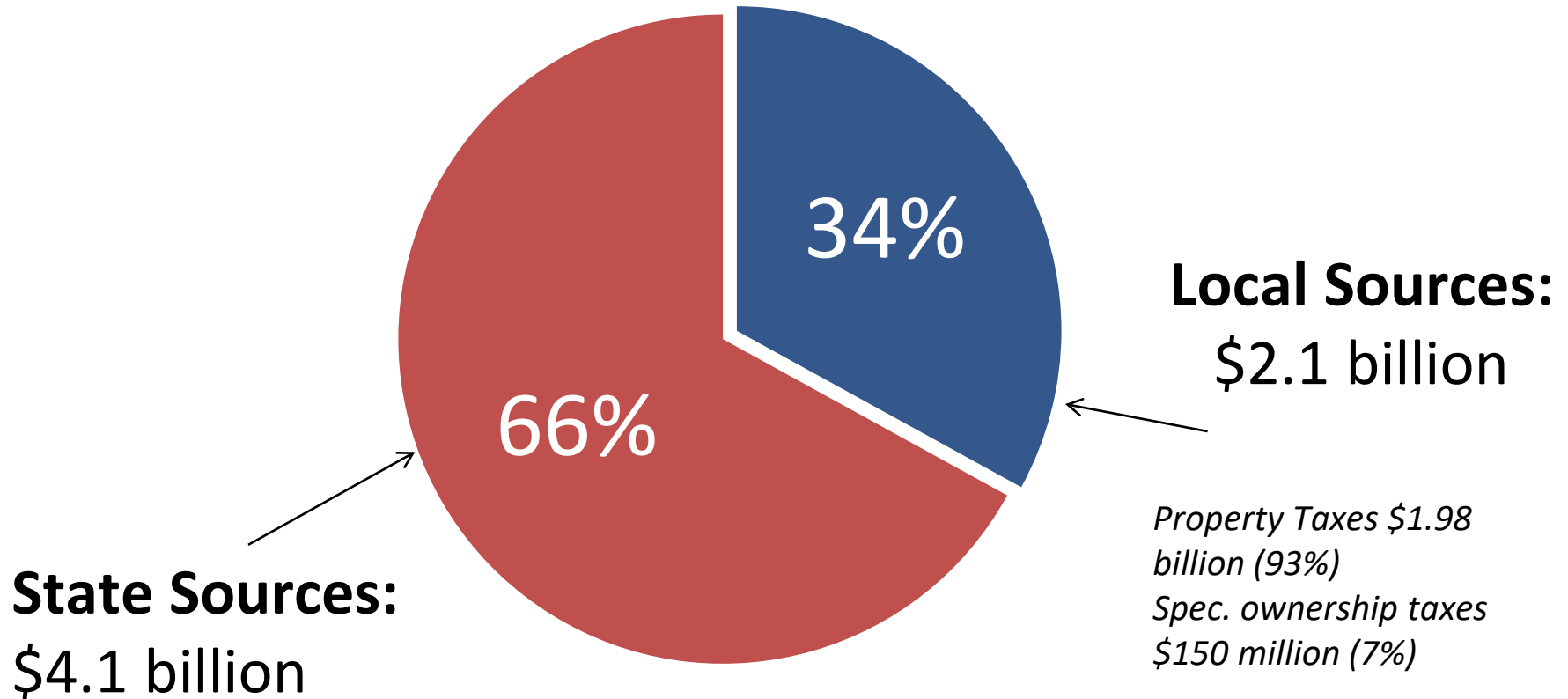
Caseloads increase whether or not money is available

# Marijuana Revenue is about 2% of Gross General Fund



# Schools (K-12)

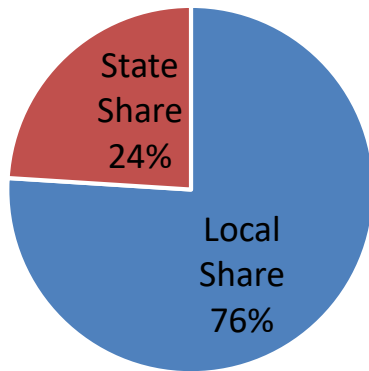
# How We Fund Schools Today in Colorado



*General Fund \$3.4 billion (83%)*  
*SEF \$630 million (15%)*  
*State Public School Fund \$90 million (2%)*

# Local and state share varies across school districts depending typically on property wealth

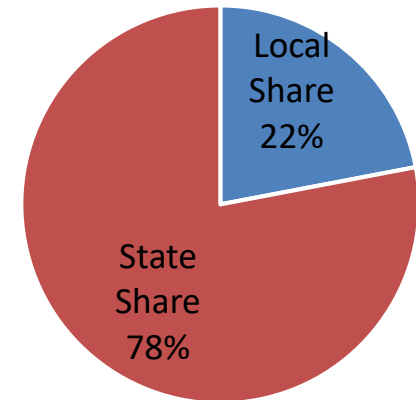
## Aspen



\$9,908 Per Pupil  
4.4 mills

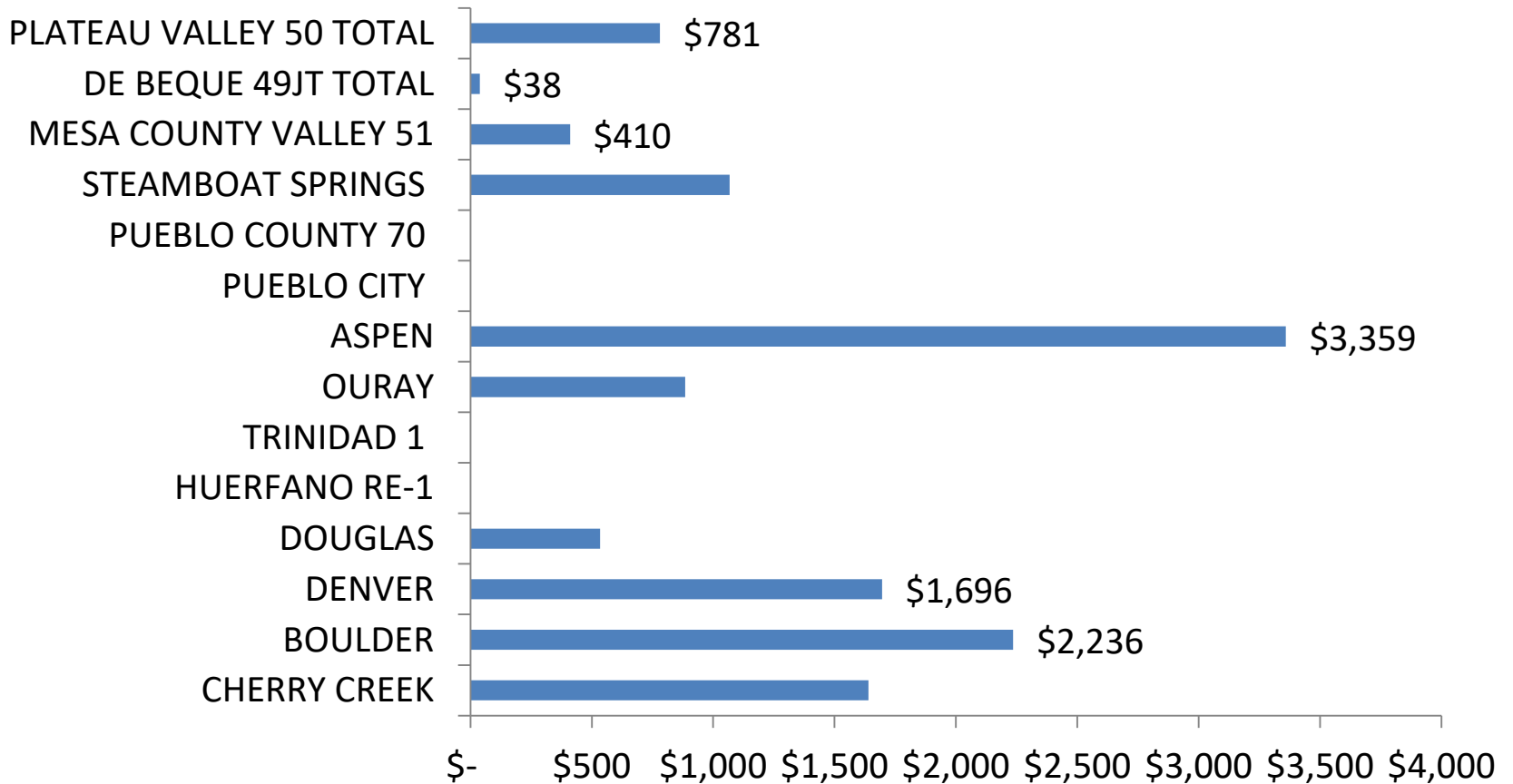


## Pueblo City 60

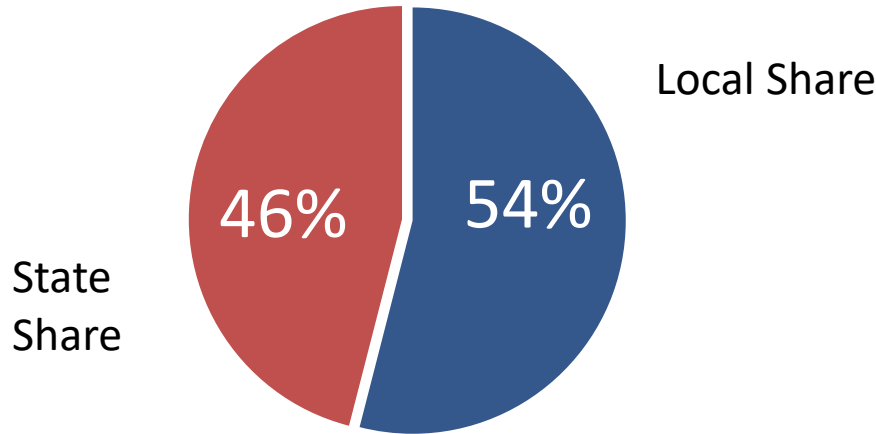


\$7,803 Per Pupil  
27 mills

# Override Dollars Per Student



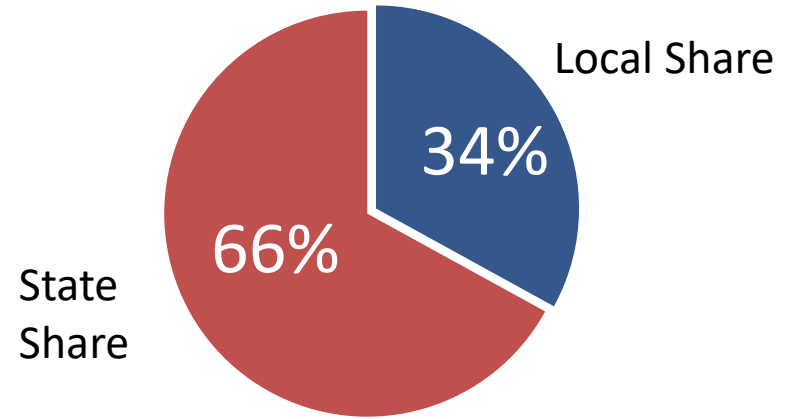
# Early 1980's



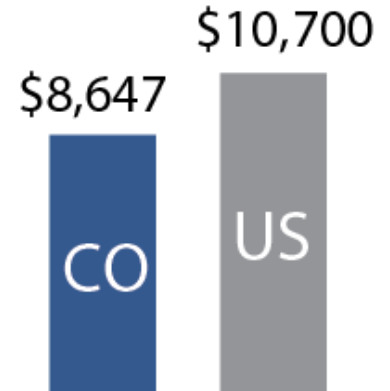
In 1980, Colorado spent **\$481 more** per student than the national average.



# Today



The latest figures show that Colorado spends **\$2,053 less** per student than the national average.



## Residential Assessment Rate:

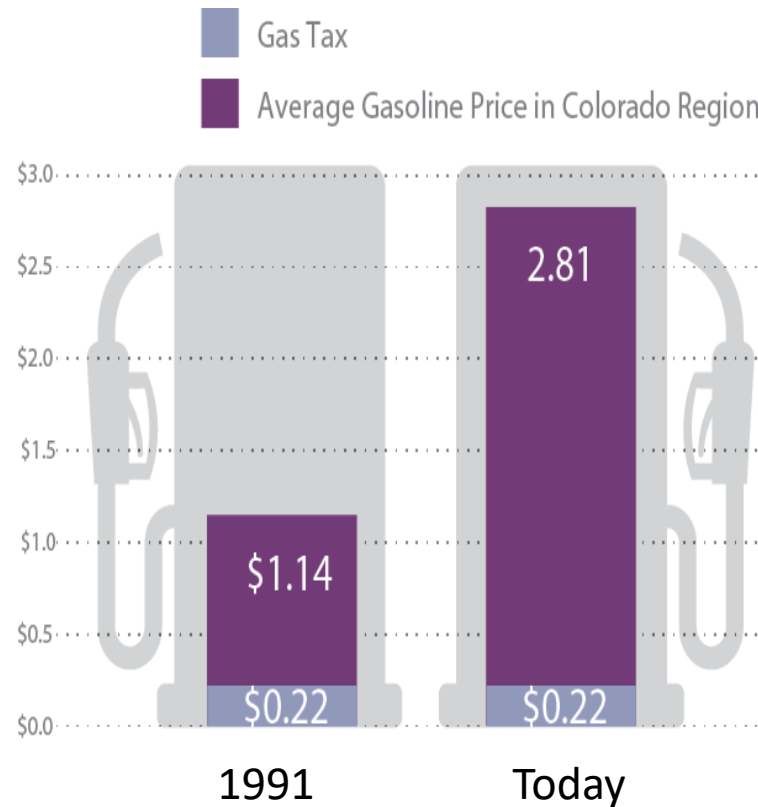
21%

7.15%

Roads

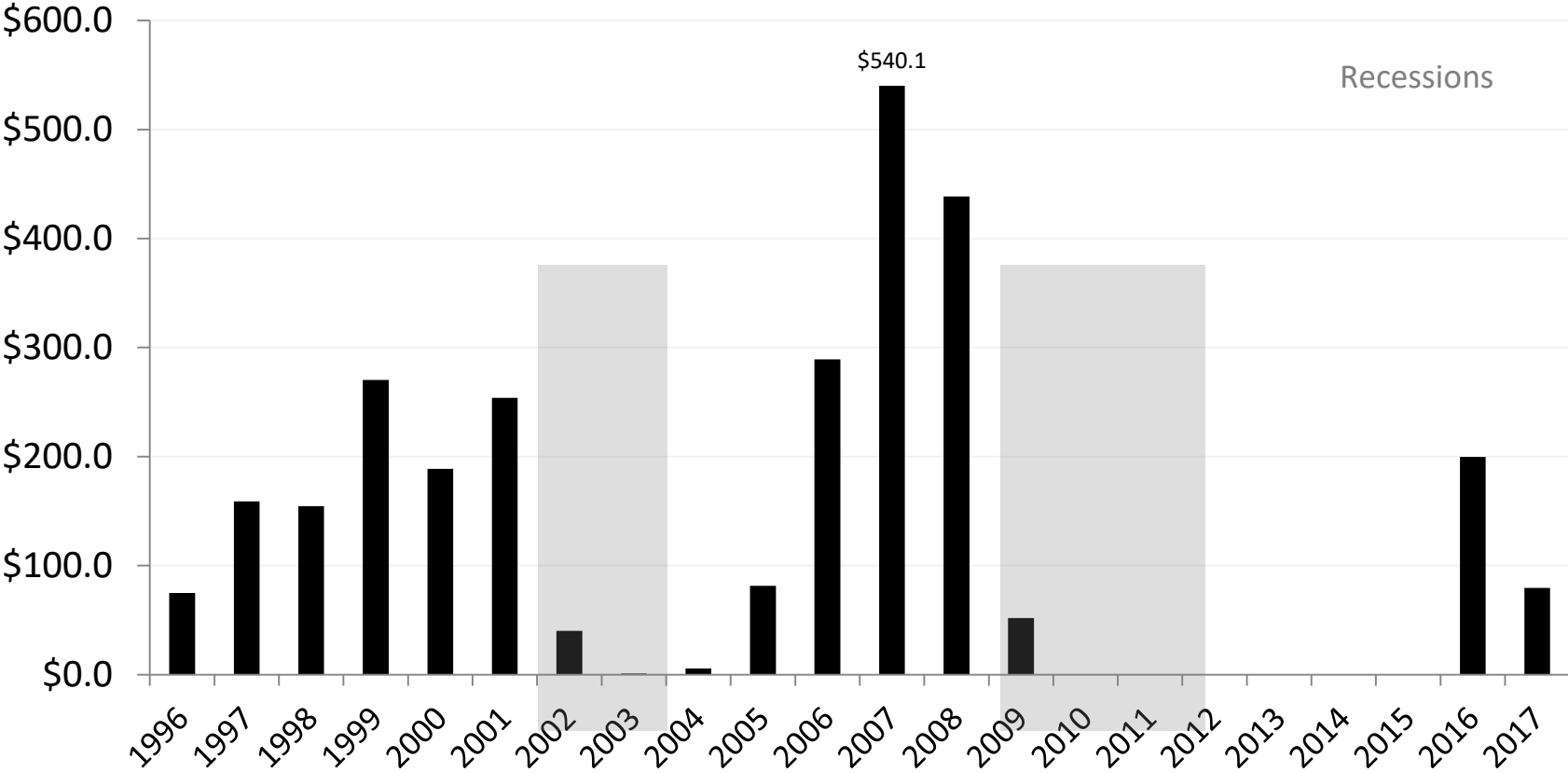


# How Does Colorado Fund its Roads?

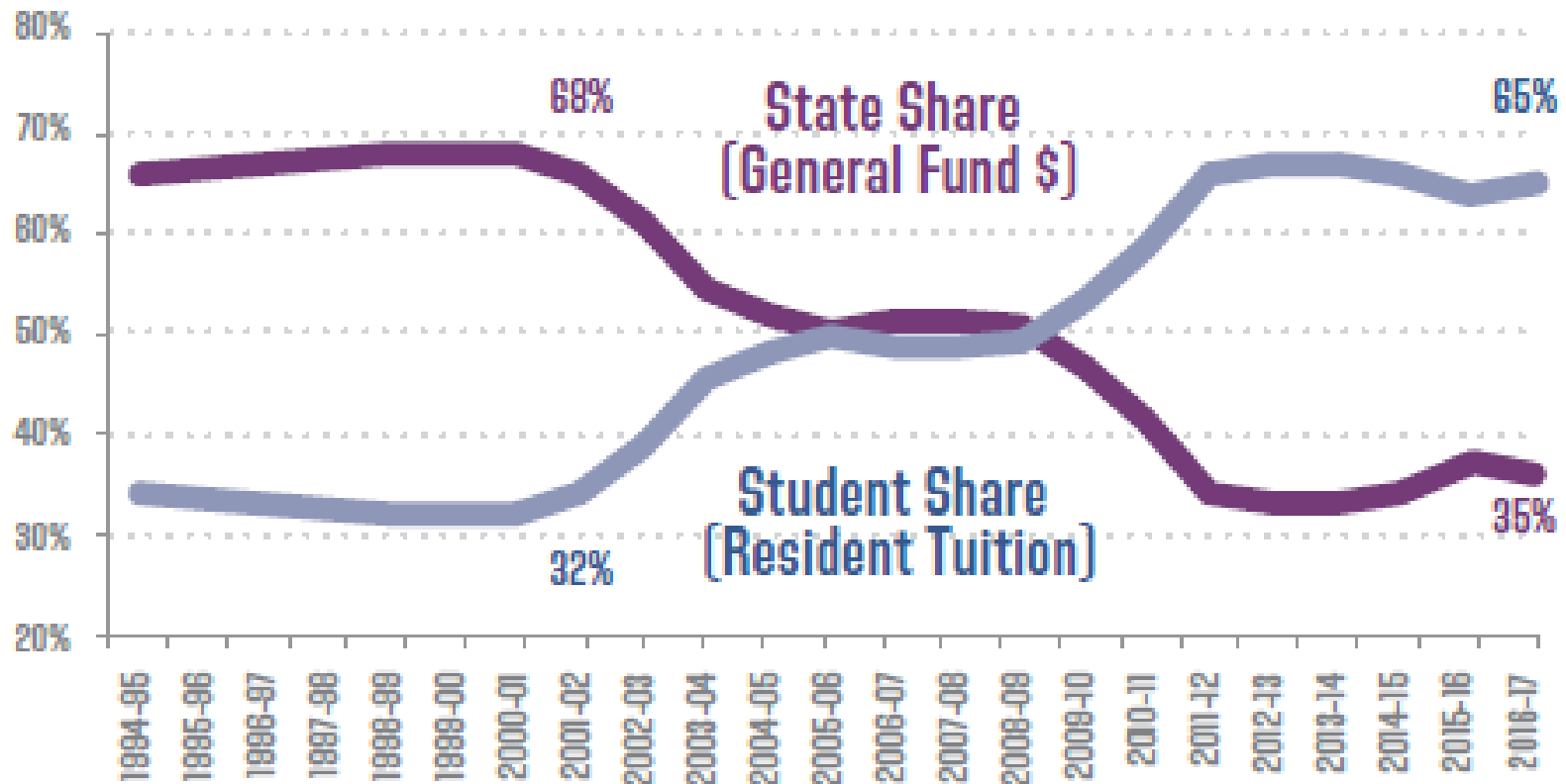


In 1991, Colorado's 22 cents per gallon tax was higher than national average, today Colorado's gas tax ranks 37<sup>th</sup>.

# General Fund Dollars to Transportation in CO



Colleges



Source: Colorado Department of Higher Education

\*Data includes ARRA stimulus dollars as part of state share 2008-2010.

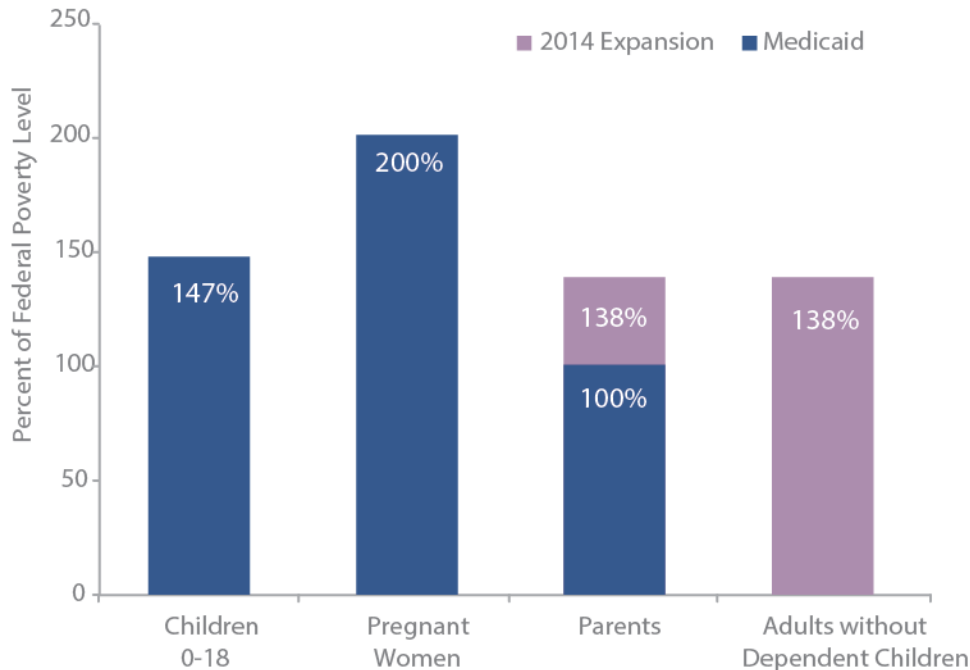
# Medicaid

# Medicare vs. Medicaid

- Medicare: for 65+ populations paid through federal taxes
- Medicaid: health insurance for families who can't afford to purchase it (paid for by state and federal funds)
- Long-term care is covered by Medicaid of which Colorado pays for about 50%.

# Medicaid

- Healthcare for low-income, seniors, and disabled populations is provided through federal and state dollars.



The federal government pays for between 50%-100% of Medicaid recipients

In large part due to the Medicaid expansion—

**Since 2011,**

Colorado's rate of  
uninsured has  
been more than cut  
in half

15.8%



6.5%



# Human Services

# What do Colorado's tax dollars pay for in human services?

- TANF, SNAP benefits are all federal dollars
  - Colorado tax dollars only pay a small bit for administration of the programs
- State Dollars Fund:
  - Child welfare services
  - Rehabilitation programs
  - Mental health services
  - Drug Treatment
  - Meals on Wheels for Disabled/Elderly

# Now you decide!

EXERCISE 2: Get together with your group.

How would your group like your tax dollar spent?

Using the 9 categories on your handout, how many cents would you like to see spent on each category?



# Questions?

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