



# STAR

## State Taxpayer Accountability Report

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### Fiscal Year 2005–06



It is our privilege to present the State Taxpayer Accountability Report. It summarizes the operation of the State of Colorado for the fiscal year that ended June 30, 2006. This report has been designed to present information about the current fiscal condition of Colorado state government in a clear, understandable and accessible manner. It is the first time the Governor, the State Treasurer, and the State Controller have jointly published such a financial report, and we are hopeful that it will help advance our goals of greater transparency and accountability in state finances.

The sources of the information included in this report are the State's Comprehensive Annual Financial Report (CAFR), the State Treasurer's Office, the Governor's Office, and other State departments. For more detailed information you may access the sources online at:

CAFR: <http://www.colorado.gov/dpa/dfp/sco/CAFR/cafr.htm>

Treasurer's Office: <http://www.colorado.gov/treasury/>

Governor's Office: <http://www.colorado.gov/governor/>

We hope you find this report both informative and beneficial, and we welcome your questions and comments.

Bill Ritter, Jr.  
Governor

Cary Kennedy  
State Treasurer

Leslie M. Shenefelt  
State Controller





# State Taxpayer Accountability Report (STAR)

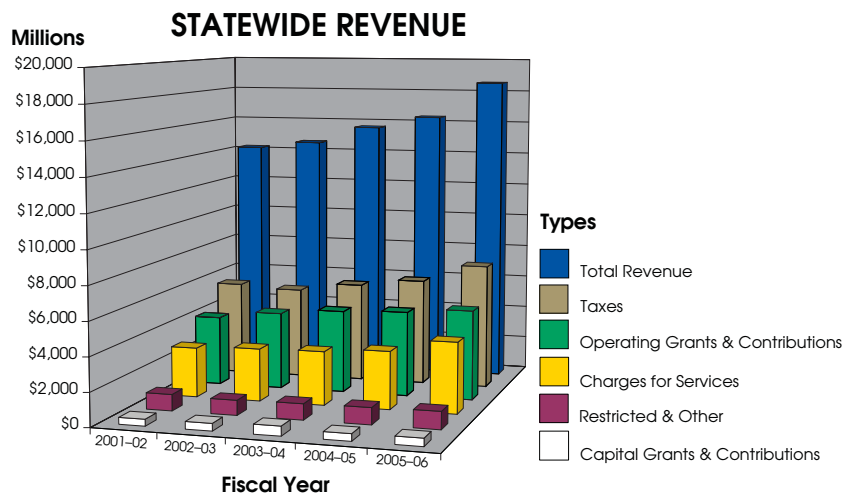
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## Fiscal Year 2005–06



## WHERE THE MONEY COMES FROM (REVENUE)

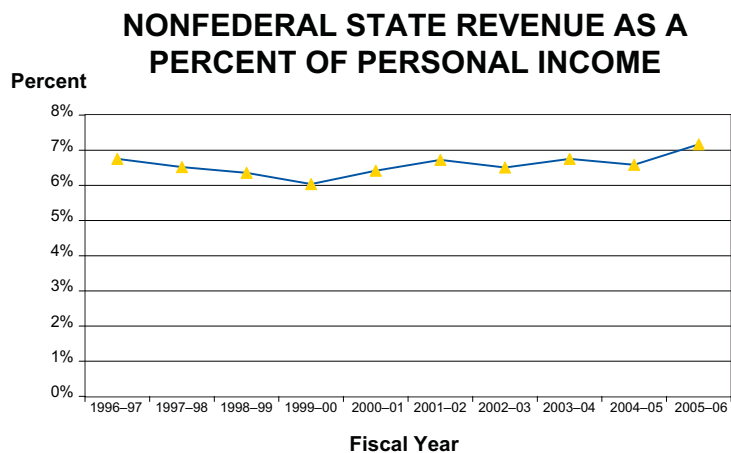
The state's major sources of revenue are Taxes, Operating Grants and Contributions, and Charges for Services. All three sources have increased steadily over five years. As a result, the state's total revenues have increased from \$14.2 billion to \$18.6 billion (23.7 percent). The amounts shown as Taxes generally are collected without any requirements as to how they will be spent. They are the primary source of money for the Legislature and Governor when they decide where state money will be spent. Operating Grants and Contributions are monies that usually must be spent on the purpose for which the money was received. Most of this money comes from the federal government. Restricted revenues include certain taxes dedicated to education and highways. Capital Grants and Contributions include money that is required to be spent on capital assets such as buildings or equipment. Most of this money comes from the federal government. The graph above shows total statewide revenue in actual dollars without adjustment for inflation.



The state's revenue generally follows the growth in income of the state's citizens, including wages, business income, and investment income. Personal income in the state is estimated to increase by 21.5 percent from 2002 to 2006. Economic growth increases jobs, wages, and in most instances, the stock market. This results in increases in state revenue from taxes on wages and investments.

The graph above shows the general upward trend in state revenue. However, growth in state government also should be viewed in relation to its impact on taxpayers' personal income. The graph to the right shows that total revenue as a percent of personal income has remained relatively constant.

The following pie charts show the relative size of the sources of general-purpose taxes, dedicated taxes and all other revenues of the state. Sales, transfers, and grants moving within the state, as well as additions to trust funds, have been excluded.

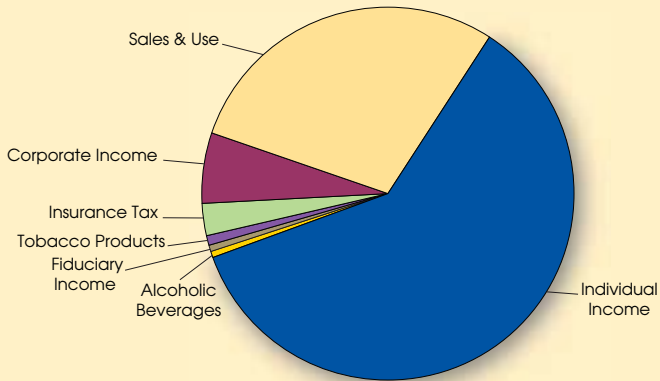


Fiscal Year 2005-06 has been adjusted to remove Higher Education revenue that was excluded from prior years.

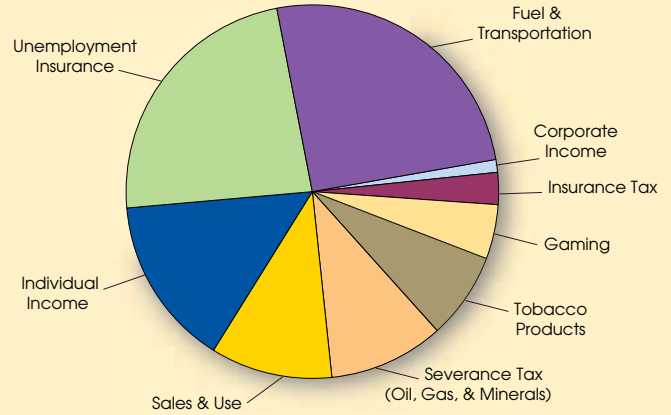


# FISCAL YEAR 2005-06

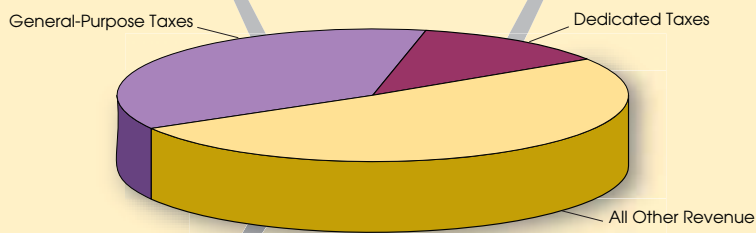
## GENERAL-PURPOSE TAXES \$6.65 BILLION



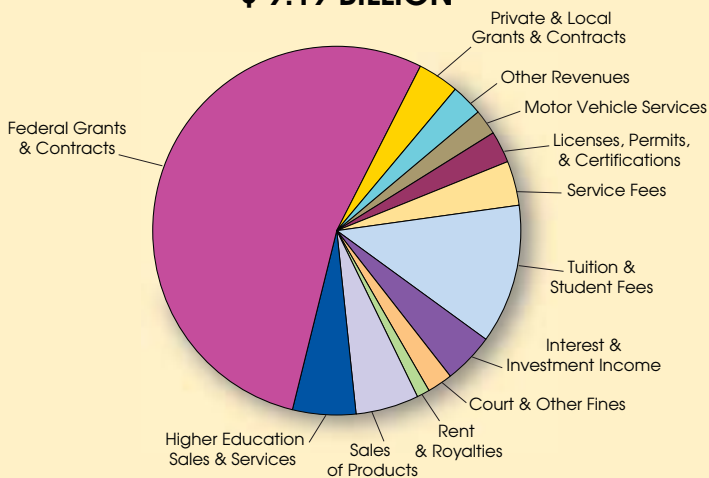
## DEDICATED TAXES \$2.25 BILLION



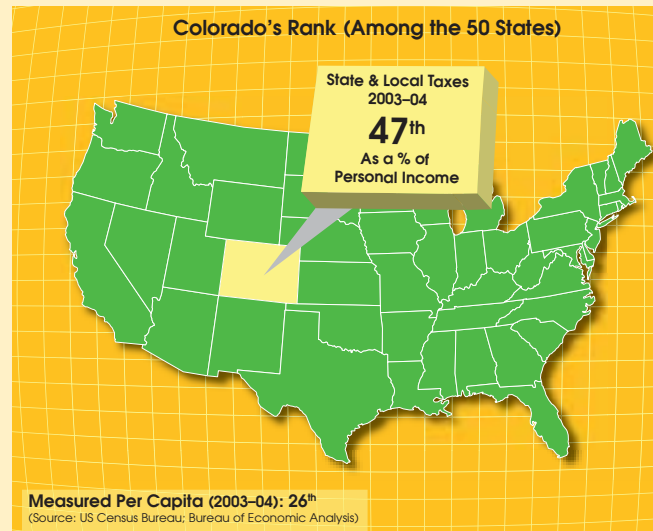
## TOTAL REVENUES \$18.09 BILLION



## ALL OTHER REVENUES \$ 9.19 BILLION



## Colorado's Rank (Among the 50 States)

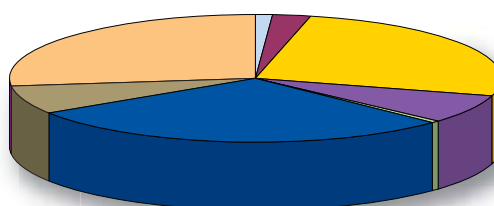


# WHAT COLORADO CITIZENS BUY (EXPENDITURES)<sup>1</sup>

The state uses the revenue it collects to provide various services to the state's citizens. Buying those services through vendors, paying state employees, or transferring money to local governments and schools results in expenditures. The state tracks these expenditures in the broad categories shown in the pie chart.<sup>2</sup> Additional information on these categories is presented later in this report.

The table below shows expenditures by department in the budget format with a column removing transfers. Some items (such as depreciation and certain higher education activities) are not budgeted, and therefore, total expenditures shown in the pie chart are greater than the amount shown in the table.

## TOTAL STATEWIDE EXPENDITURES \$17.02 BILLION



## EXPENDITURES BY DEPARTMENT ON THE BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2006 (DOLLARS IN THOUSANDS)

	GENERAL	CASH	FEDERAL	TRANSFERS	TOTAL
<b>Budgeted Expenditures and Transfers</b>					
<b>Departmental</b>					
Agriculture	\$ 4,053	\$ 22,287	\$ 7,173	\$ (1,496)	\$ 32,017
Corrections	534,965	49,385	6,902	(445)	590,807
Education	2,718,659	2,947,300	465,370	(2,554,446)	3,576,883
Governor	15,932	16,758	51,305	(7,297)	76,698
Health Care Policy and Financing	1,360,216	306,350	1,554,071	(91,777)	3,128,860
Higher Education	651,732	2,299,203	136,108	(1,159,025)	1,928,018
Human Services	505,851	308,151	951,645	(16,469)	1,749,178
Judicial Branch	236,350	79,992	3,814	(20,679)	299,477
Labor and Employment	—	397,771	110,510	(33,445)	474,836
Law	6,980	28,888	802	(3,100)	33,570
Legislative Branch	27,494	1,614	2	(555)	28,555
Local Affairs	8,519	170,247	115,490	(5,805)	288,451
Military & Veterans Affairs	4,344	1,614	9,510	(321)	15,147
Natural Resources	22,800	317,803	28,589	(112,112)	257,080
Personnel & Administration	13,846	387,633	2,205	(13,303)	390,381
Public Health & Environment	17,060	129,002	212,411	(27,214)	331,259
Public Safety	58,763	105,906	34,292	(7,804)	191,157
Regulatory Agencies	1,383	58,972	1,188	(9,889)	51,654
Revenue	168,987	644,868	2,310	(251,524)	564,641
State	—	19,087	109	(116)	19,080
Transportation	—	924,308	462,686	(183,023)	1,203,971
Treasury	110,865	1,649,644	148,949	(1,539,666)	369,792
Transfers Not Appropriated by Department	170,262	—	—	(170,262)	—
<b>Total</b>	<b>\$ 6,639,061</b>	<b>\$ 10,866,783</b>	<b>\$ 4,305,441</b>	<b>\$ (6,209,775)</b>	<b>\$ 15,601,510</b>

<sup>1</sup> The term expenditures is used throughout this document to avoid confusion. Outflows of business-type activities (Enterprise and Internal Service Funds) and trust funds are technically referred to as expenses.

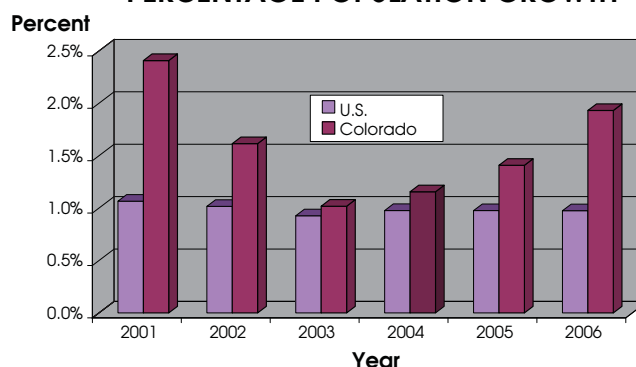
<sup>2</sup> Transfers, which are payments that move within and between funds, and most purchases between state agencies have been excluded from the chart.

## COLORADO DEMOGRAPHIC INFORMATION

The state's economic condition and outlook are greatly affected by the number of people living in or moving into the state. The graph to the right shows that even at the low point of the period covered by the graph (2003), Colorado's population has grown faster than the United States population. During the economic downturn in 2002 and 2003, fewer people moved into the state because of the lack of job opportunities.

Even though population growth slowed in 2002 and 2003, the following table shows that the state's population has steadily increased over the last ten years, and it is now a larger portion of the total United States population. The table also shows large increases in the average amount of personal income (per capita income), and the number of people employed. The average individual personal income of Colorado citizens has been above the national average throughout the past ten years.

**COLORADO & U.S. ANNUAL PERCENTAGE POPULATION GROWTH**



**COLORADO DEMOGRAPHIC DATA  
1997 TO 2006**

Year	Population (In Thousands)	Percentage Share of U.S. Population	Per Capita Personal Income	% of U.S. Per Capita Income	Employment (In Thousands)	Unemployment %
2006 est	4,792	1.60%	\$39,917	109.0%	2,468	4.9%
2005 est	4,720	1.59	\$37,947	117.0	2,415	5.1
2004	4,653	1.57	\$36,109	114.6	2,383	5.5
2003	4,587	1.58	\$34,542	109.8	2,325	6.2
2002	4,522	1.57	\$34,032	110.5	2,300	5.9
2001	4,447	1.56	\$34,491	112.8	2,301	3.9
2000	4,340	1.54	\$33,370	111.8	2,297	2.6
1999	4,220	1.51	\$30,492	109.2	2,270	3.0
1998	4,106	1.49	\$28,784	107.1	2,226	3.5
1997	3,999	1.47	\$26,846	106.0	2,154	3.4

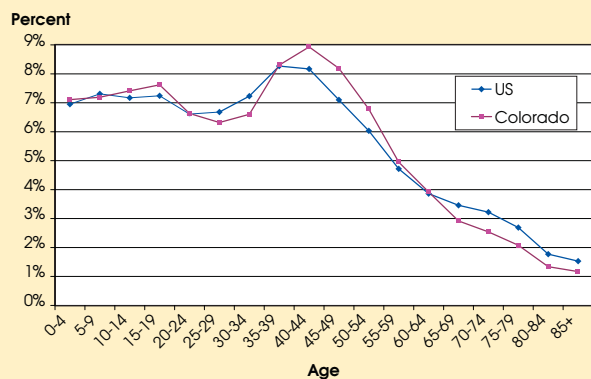
Source: U.S. Department of Commerce, Bureau of Economic Analysis, & Colorado Business Economic Outlook Committee.

Other demographic factors also affect economic performance. For example, younger persons are normally not employed or are employed in jobs paying lower wages. Older citizens are likely to be retired, and therefore, generate less economic activity. The two graphs on the following page show the percentage of the total population that each age group represented in 1999 and 2005 for the state and the nation as a whole. The graphs show that the stage of life of the state's citizens has changed significantly over the six years between the graphs.

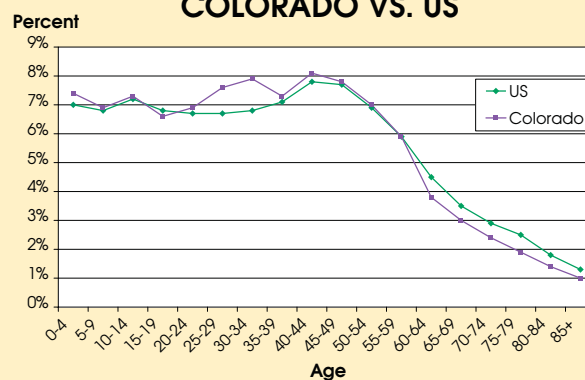


In 1999, as compared to the nation as a whole, the state enjoyed a larger proportion of persons in their prime earning and spending years (37–57) than was the case in 2005 (the most recent data available). Today, Colorado has lost the advantage of the 37–57 age group and instead has a very high percentage of 25–35 year-olds. These individuals are in their early career years or may be enrolled in postsecondary education; as a result, they are likely to require more government services and produce less economic activity than the group they replaced.

**PERCENT OF 1999 POPULATION BY AGE  
COLORADO VS. US**



**PERCENT OF 2005 POPULATION BY AGE  
COLORADO VS. US**

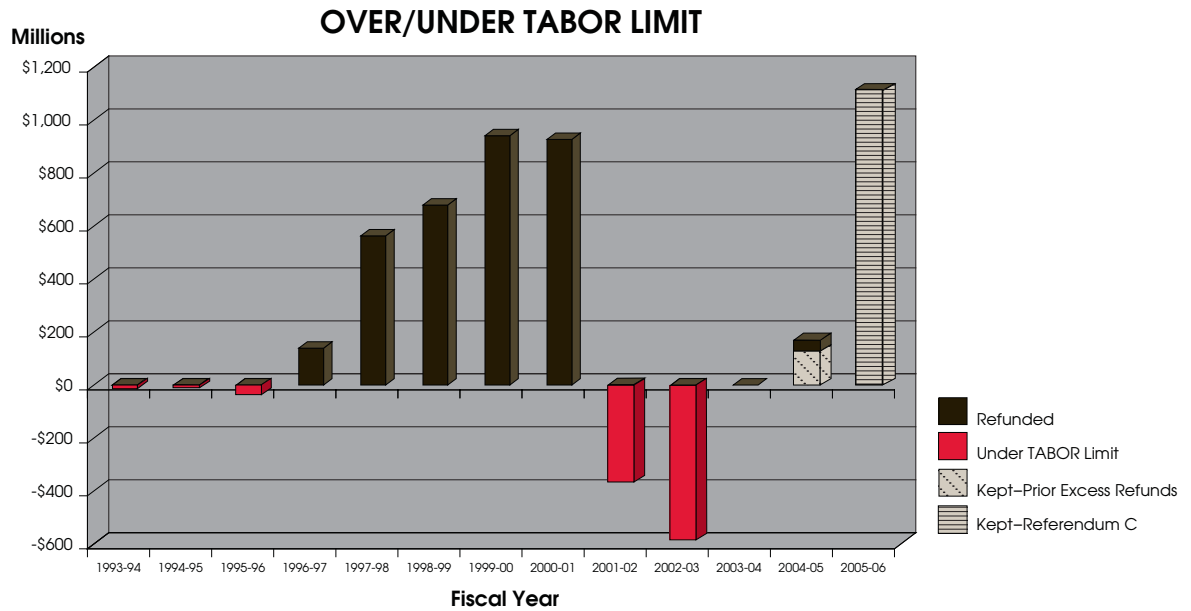


## TABOR (TAXPAYERS' BILL OF RIGHTS)

Next to the relative strength of the economy, TABOR is probably the most important factor affecting the state's finances and the government's ability to provide services to the citizens. TABOR was added to the State Constitution by the voters in 1992 and became effective in Fiscal Year 1993–94. It limits the rate of spending increases and requires the state to pay back to the taxpayers any revenue that the state collects over a limit. The limit is reset each year to reflect increases in population and inflation. TABOR requires a vote of the people to allow the state to keep and use money it collects that is over the limit. In November 2005 the voters passed Referendum C, which allowed the state to retain and spend revenues in excess of the TABOR limit from July 1, 2005, until June 30, 2010.

In Fiscal Year 2005–06, revenues were \$1,116.1 million over the TABOR limit. The following graph shows revenue that exceeded the TABOR limit from Fiscal Year 1993–94 through 2005–06 and whether the revenue over the limit was required to be refunded. Fiscal Year 1996–97 was the first year that the state collected revenues greater than the TABOR limit. The state's revenues were under the TABOR limit in 2001–02 and 2002–03, which permanently reduced the base upon which future limits would be set. In 2004–05 the state retained about \$127.8 million that would otherwise have been refunded because the state had refunded more than was required in the late 1990's.





The following tables show the TABOR revenue base, the TABOR limit, and amounts refunded or retained and used by the state since the first year that TABOR was in effect.

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
TABOR Revenue Base	\$8,314,374	\$8,331,991	\$7,712,512	\$7,752,211	\$7,948,550	\$7,563,710	\$7,243,385
Inflation	0.1%	1.1%	1.9%	4.7%	4.0%	2.9%	2.4%
Population Change	1.2%	1.1%	1.7%	2.2%	0.0%	2.2%	2.0%
Percentage Allowable Growth	1.3%	2.2%	3.6%	6.9%	4.0%	5.1%	4.4%
TABOR Adjusted Revenue Limit	\$8,045,257	\$8,314,374	\$8,331,991	\$8,296,787	\$8,126,189	\$7,948,550	\$7,563,710
TABOR Non-Exempt Revenues	\$9,161,391	\$8,482,963	\$8,331,991	\$7,712,512	\$7,752,211	\$8,877,105	\$8,502,952
Correction of Prior Years' Refunds		\$284			\$8,284	(\$1,354)	\$1,887
(Over) Under TABOR Limitation	(\$1,116,134)	(\$168,873)	\$0	\$584,275	\$365,694	(\$927,201)	(\$941,129)
Retained	\$1,116,134	\$127,810					
Refunded	\$0	(\$41,063)	\$0	\$0	\$0	(\$927,201)	(\$941,129)

	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
TABOR Revenue Base	\$6,872,039	\$6,508,592	\$6,124,314	\$5,757,317	\$5,385,087	\$5,067,752
Inflation	3.3%	3.5%	4.3%	4.4%	4.2%	3.7%
Population Change	2.0%	2.0%	2.3%	2.6%	2.9%	2.8%
Percentage Allowable Growth	5.3%	5.5%	6.6%	7.0%	7.1%	6.5%
TABOR Adjusted Revenue Limit	\$7,243,385	\$6,872,039	\$6,508,592	\$6,160,329	\$5,767,428	\$5,399,258
TABOR Non-Exempt Revenues	\$7,923,019	\$7,435,202	\$6,647,618	\$6,124,314	\$5,757,317	\$5,385,087
Correction of Prior Years' Refunds						
(Over) Under TABOR Limitation	(\$679,634)	(\$563,163)	(\$139,026)	\$36,015	\$10,111	\$14,171
Retained						
Refunded	(\$679,634)	(\$563,163)	(\$139,026)	\$0	\$0	\$0

## Referendum C Spending

The passage of Referendum C allowed the state to keep and spend revenues in excess of the TABOR limit beginning in Fiscal Year 2005–06.

Legislative economists estimated that \$815.2 million would be available as a result of Referendum C. In Fiscal Year 2005–06, the Legislature authorized spending of that amount as follows: K–12 education (\$261.4 million), health care (\$261.3 million), higher education (\$253.4 million), fire and police pension (\$29.1 million), and capital construction (\$10.0 million). However, since revenue from the passage of Referendum C helped the legislature offset General Fund cuts, most of this spending did not represent increases in state spending in these areas over the previous Fiscal Year.

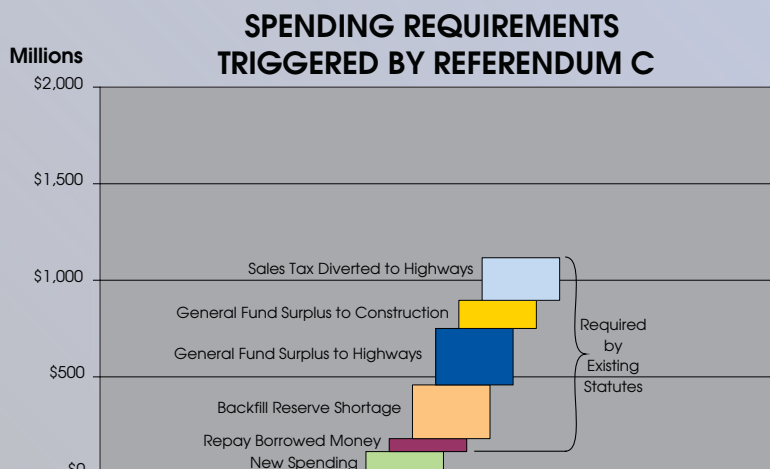
Keeping the excess revenues also provided adequate resources to trigger the following requirements, representing expenditures that would not otherwise have been made:

- Repay a portion of the money borrowed from cash funds to support the General Fund during the 2001–2003 recession (\$67.1 million),
- Ensure that the General Fund has a positive fund balance and a reserve equal to four percent of spending. Because of the additional revenue, the state did not have to make about \$280 million in spending cuts or reduce the reserve.
- Transfer the General Fund Surplus (the amount above the four percent reserve) to;
  - The Highway Fund (two-thirds = \$291.8 million),
  - The Capital Construction Fund (one-third = \$145.9 million),

General Fund spending growth is limited to six percent annually, thus amounts over this are included in the surplus.

- Divert about ten percent of sales tax revenue to the Highway Fund (\$220.4 million).

Finally, the passage of Referendum C allowed General Fund spending for programs to increase by six percent over the prior year rather than about four percent (a difference of \$113 million).

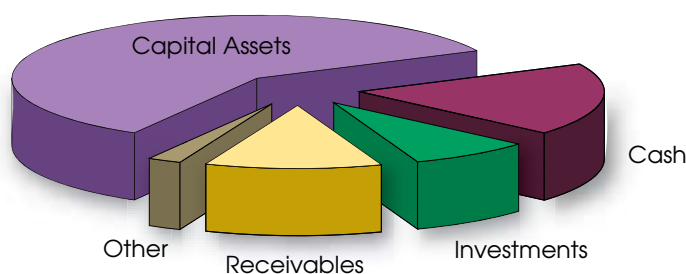


# WHAT COLORADO CITIZENS OWN (ASSETS)

The state has five major types of assets:

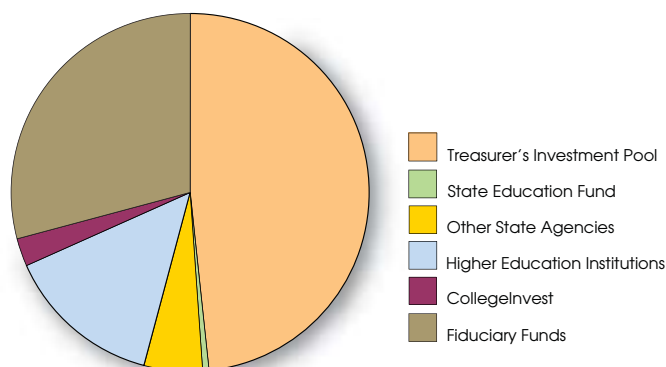
- Cash;
- Receivables (cash that the state is owed but has not yet collected);
- Investments, which mostly consists of cash lent to the federal government (U.S. Treasury notes and bonds), to corporations (bonds and commercial paper), and to individuals through mutual funds for mortgages;
- Capital Assets, which includes land, buildings, equipment, and infrastructure (roads, bridges, dams, etc.); and
- Other Assets, which includes loans to local governments, taxes that will not be collected for at least one year, amounts paid for goods or services not yet received, and various supplies (inventory).

**FISCAL YEAR 2005–06 TOTAL ASSETS**

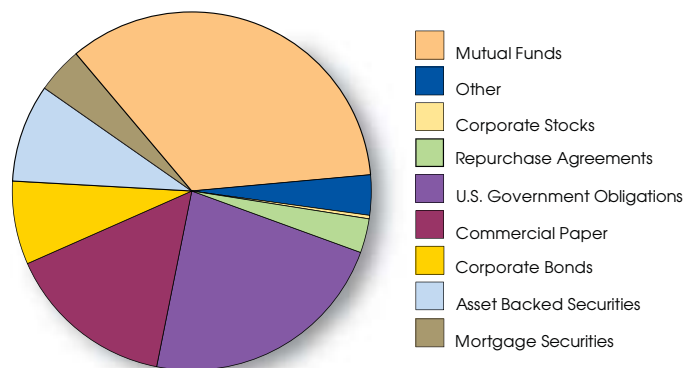


The state had \$5.06 billion of cash at June 30, 2006. The state also had \$5.03 billion of investments, including those held for others in Fiduciary Funds. The following charts show where the state's investments are held and the types of securities that have been purchased.

**WHERE THE INVESTMENTS ARE HELD  
\$9.76 BILLION**

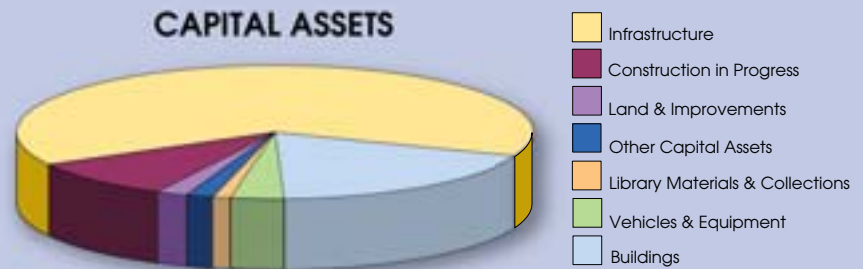


**INVESTMENT TYPES  
\$9.76 BILLION**





The State Treasurer is responsible for investing most of the state's cash and managing the related investments. For efficiency, and in order to increase investment yield, monies from the General Fund, state agencies and political subdivisions of the state on deposit with the Treasury are pooled for investment purposes. The Treasury Department invests the monies in accordance with statutorily prescribed objectives and standards. The Treasurer's Investment Pool totaled \$4.7 billion at the end of Fiscal Year 2005–06. The average yield on the Pool's investments was four percent and the total interest income for the fiscal year was \$182.4 million.

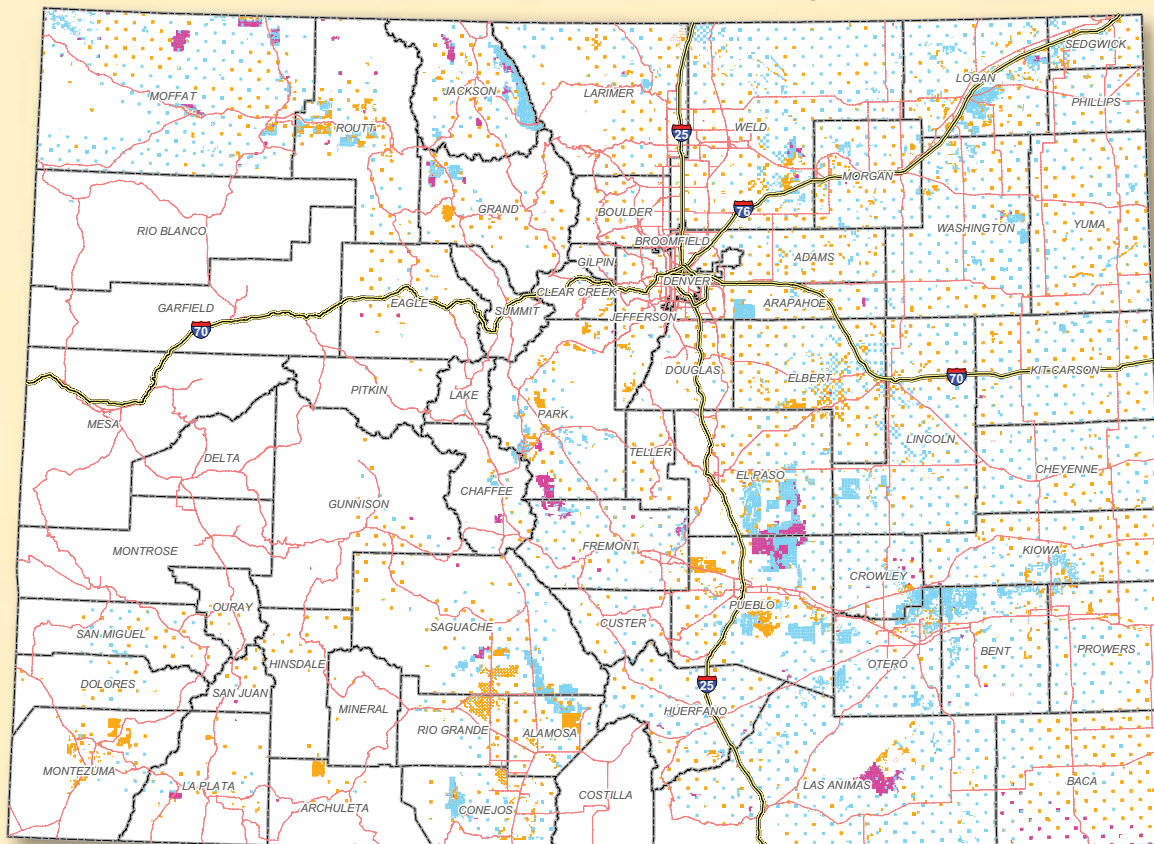


The citizens own \$16.3 billion of capital assets of various types as shown in the following chart. The amounts shown for these assets are based on the amount that the state originally paid for the asset less any depreciation that has been recorded.

The following table shows the amounts the state reported for working capital and net assets over the last five years. The table also shows that the state has a strong and improving current ratio, which is current assets divided by current liabilities. The table is in actual dollars and has not been adjusted for inflation.

<b>GOVERNMENT-WIDE WORKING CAPITAL &amp; NET ASSETS AT JUNE 30 LAST FIVE FISCAL YEARS (DOLLARS IN THOUSANDS)</b>					
	<b>2005–06</b>	<b>2004–05</b>	<b>2003–04</b>	<b>2002–03</b>	<b>2001–02</b>
Current Assets	\$ 5,647,092	\$ 5,190,016	\$ 3,885,959	\$ 3,308,011	\$ 4,286,814
Less Current Liabilities	(2,791,901)	(2,923,815)	(2,555,692)	(2,129,082)	(1,930,848)
Working Capital	\$ 2,855,191	\$ 2,266,201	\$ 1,330,267	\$ 1,178,929	\$ 2,355,966
Working Capital Per Capita	\$ 596	\$ 473	\$ 278	\$ 246	\$ 492
Current Ratio	2.02	1.78	1.52	1.55	2.22
Working Capital	\$ 2,855,191	\$ 2,266,201	\$ 1,330,267	\$ 1,178,929	\$ 2,355,966
Investments	935,475	249,491	581,674	1,165,586	1,806,230
Capital Assets	16,252,397	16,084,881	15,786,758	15,004,566	14,516,576
Other Long-Term Assets	4,466,989	4,081,516	3,795,114	3,078,496	1,766,882
Less Long-Term Liabilities	(4,969,387)	(4,578,623)	(4,069,907)	(3,786,996)	(3,213,282)
Net Assets	\$ 19,540,665	\$ 18,103,466	\$ 17,423,906	\$ 16,640,581	\$ 17,232,372
Net Assets Per Capita	\$ 4,078	\$ 3,835	\$ 3,745	\$ 3,628	\$ 3,875

## Colorado State Land Board Surface Ownership & Mineral Estate



The state owns about three million acres of state trust lands, which were given to Colorado by the federal government in 1876 for specific purposes, such as the support of "common schools." Some of the lands are leased for ranching, farming, mineral and oil and gas production, and other uses.

Proceeds are used to support eight trusts, the largest of which benefits kindergarten through 12<sup>th</sup> grade education in the state.

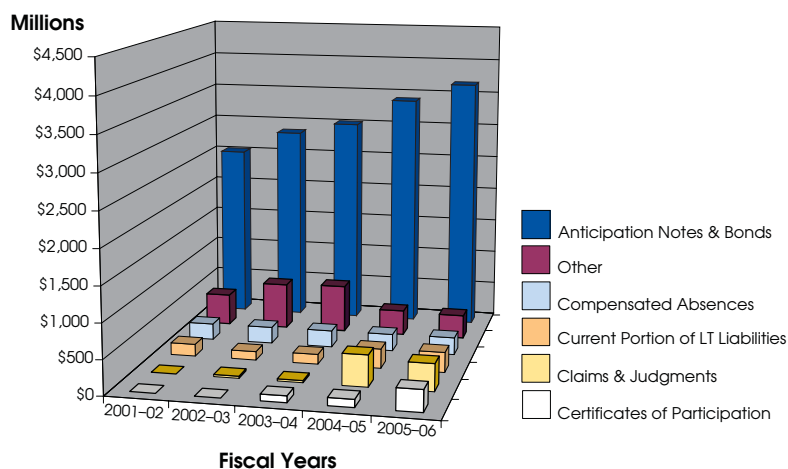
Surface & Sub-Surface Ownership      Surface Ownership Only      Sub-Surface Ownership Only

(Source: Colorado State Land Board)

## WHAT COLORADO CITIZENS OWE (LIABILITIES)

The state is prohibited by its Constitution from borrowing money based on its ability to collect taxes; such borrowing is commonly referred to as general obligation debt. Although the state is prohibited from issuing general obligation debt, it borrows money under several other financing mechanisms, such as revenue bonds, anticipation notes, and certificates of participation. These borrowings are recorded as long-term liabilities along with other types of state obligations. Long-term liabilities amounted to \$5.26 billion at the end of Fiscal Year 2005-06.

### COMPONENTS OF TOTAL LONG-TERM LIABILITIES





The state reports several categories of long-term liabilities, the largest of which is anticipation notes and revenue bonds. Anticipation notes and revenue bonds are most often sold to investors to provide the state with cash to buy or build capital assets or make loans to students. The state is required to pay the borrowed money back to the investors and pay them interest on the use of the money. The state is required to dedicate a source of revenue to make these payments because of the prohibition against general obligation debt. Some of the revenue bonds shown were issued after a vote of the citizens approved borrowing to improve the state's highways. The total amount of outstanding borrowing and the percentage increase is shown in the following table.

<b>OUTSTANDING BORROWING FOR REVENUE BONDS, COPS, CAPITAL LEASES, NOTES, &amp; MORTGAGES AT JUNE 30, 2006 (DOLLARS IN THOUSANDS)</b>					
	2005-06	2004-05	2003-04	2002-03	2001-02
Outstanding Borrowing	\$ 4,680,136	\$ 4,357,276	\$ 3,721,291	\$ 3,031,751	\$ 2,695,232
Percent Change Over Previous Year	7.4%	17.1%	22.7%	12.5%	20.7%

At June 30, 2006, the following amounts in the form of anticipation notes, revenue bonds, and certificates of participation were outstanding.

<b>NOTES, BONDS, &amp; CERTIFICATES OF PARTICIPATION AT JUNE 30, 2006 (DOLLARS IN THOUSANDS)</b>		
Borrowed Cash Used for	Anticipation Notes & Revenue Bonds	Certificates of Participation
Fleet Vehicles		\$ 44,367
Capital Parking Structure		8,396
State Buildings		1,740
State Fair Buildings & Facilities	\$ 1,271	
Prisons		130,336
Fitzsimons Medical Buildings		196,353
Higher Education Auxiliary Facilities	1,107,298	55,828
Highway Projects (Anticipation Notes)	1,418,445	
Highway Department Buildings		20,032
Student Loans	1,195,916	
Total	\$ 3,722,930	\$ 457,052



## PENSION FUNDING

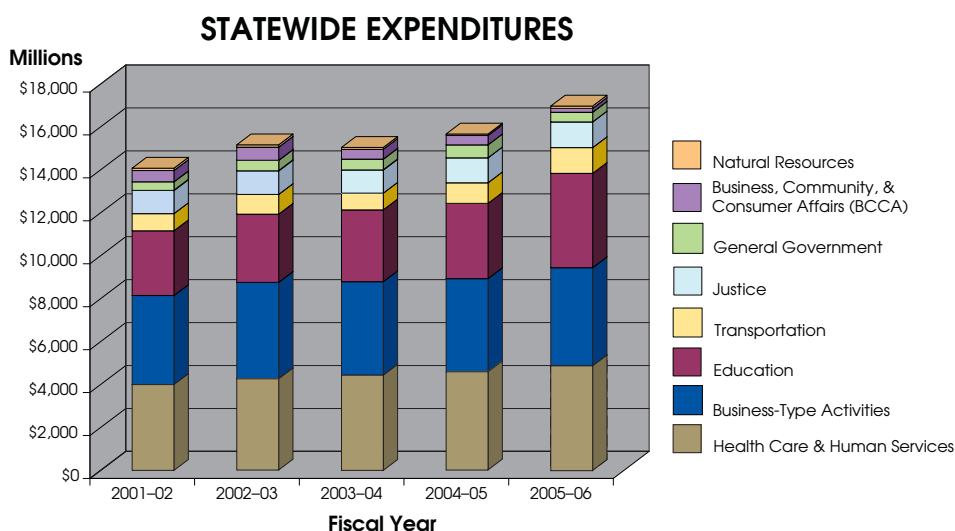
The Public Employees' Retirement Association (PERA) provides retirement and other benefits to the employees of more than 400 government agencies and public entities in the state of Colorado. PERA is a substitute for Social Security for most of these public employees. Benefits are pre-funded, which means while a member is working, he or she is required to contribute a fixed percentage of their salary to the pension fund. The employer also contributes a percentage of pay to the pension fund. The fund is then invested by PERA under the direction of a board of trustees.

Because of retiree benefits increases, reduced contributions, and investment losses in the early 2000's, the pension assets have become smaller in relation to the pension liabilities. As of December 31, 2005, PERA reported the pension assets were 71.5 percent of pension liabilities, and at the then current contribution rates, the pension assets would never be large enough to pay the benefits promised. To address this problem, in Fiscal Year 2005-06 the state statutes increased the amount the state pays into the pension fund—part of which will be taken from wage increases that employees would otherwise have received. The statute requires these payments to increase each year until 2013.



## MORE ABOUT WHAT COLORADO CITIZENS BUY

The graph shows the total statewide expenditures in actual dollars without adjustment for inflation broken out by major program. Total expenditures went down from Fiscal Year 2002-03 to 2003-04 as a result of the decline in the state's economy, but increased in total over the five-year period from \$14.1 billion to \$17.0 billion. The state's major expenditures occur in health care and human services, business-type activities, education, transportation, and justice. Business-type activities include Higher Education, Lottery, Unemployment Insurance, student lending, and several smaller programs. Little growth has occurred over the past five years in business-type activities mostly because of cut backs in Higher Education—the largest program in the group.



As shown above, most of the state's expenditures are on the functions that include education (kindergarten through 12th grade and higher education), health and medical care (primarily Medicaid), transportation, and justice (primarily prisons). Some of these expenditures are made up mainly of payments to vendors (Medicaid) or local governments (kindergarten through 12th grade education), and others are driven by the cost of employing state workers.

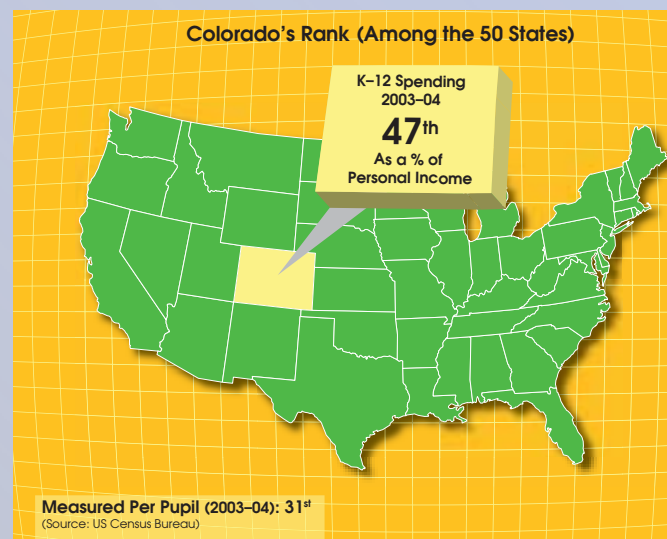
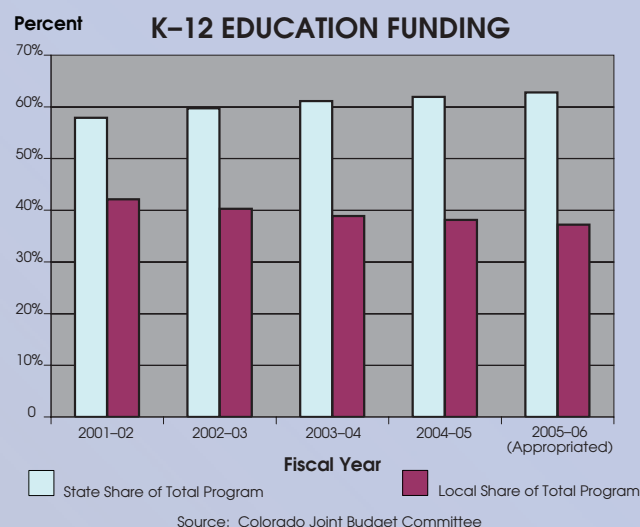
## Education

In the State of Colorado, primary and secondary education (kindergarten through 12th grade) is controlled mostly by local school districts. The Colorado Department of Education sets standards and monitors the quality of education provided by the local school districts. The money to support these schools comes from the local school district (mostly property taxes) and the state. Two constitutional amendments passed by the voters (Gallagher and TABOR) limit the amount of revenue that school districts collect from property taxes. Furthermore, the 1994 School Finance Act has had the effect of creating deeper reductions in school district property taxes. As a result, local funding has declined as a percentage of the support for local schools. To address this problem, the state makes increasingly large payments to the local school districts. In 2007, the legislature and governor enacted legislation to stabilize local funding for K–12 education.

Voters approved Amendment 23 in the 2000 general election. The amendment directed a portion of the state income tax into a new State Education Fund, and required the state to increase the amount spent on each pupil by at least the rate of inflation plus one percent through 2011. It also excluded this stream of money from the requirements of TABOR. The intent of the amendment was to restore K–12 spending to inflation-adjusted levels, and to make sure that spending could be maintained using the money and related investment earnings in the State Education Fund.

However, shortly after the passage of Amendment 23, the state economy suffered a recession, and some of the principal of the State Education Fund was used to meet the required increase in school payments. Because of this use of the Fund, the remaining balance is well below anticipated levels and is not adequate to support the Amendment 23 requirements.

In 2006, student enrollment was approximately 794,000, and in Fiscal Year 2005–06 the state distributed \$3.46 billion to the local school districts. The enrollment amount represents a 6.0 percent increase in students attending local primary and secondary schools over five years. During about the same period, state payments to local school districts increased by 28.0 percent. The increase in state payments was partially due to the Amendment 23 requirement to make up for previous shortfalls in K–12 funding. However, it also included increases in state funding required because the local districts were unable to maintain their support for the school districts through property taxes.





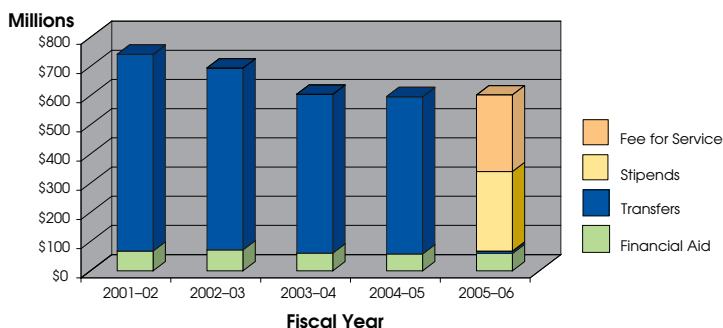
## Higher Education

In Fiscal Year 2000–01, the state spent 13.0 percent of its total expenditures on Higher Education. In Fiscal Year 2005–06 that percentage fell to 9.6 percent, a decline of 26 percent. At the same time total state spending on Higher Education decreased, in-state enrollment increased from 123,256 to 141,387. The percentage of total state spending represented by spending on Higher Education dropped for several reasons including required TABOR refunds, the economic downturn in Fiscal Years 2001–02 and 2002–03, unavoidable growth in other areas of the budget, and the permanent income and sales tax rate reductions passed by the Legislature in the late 1990s.

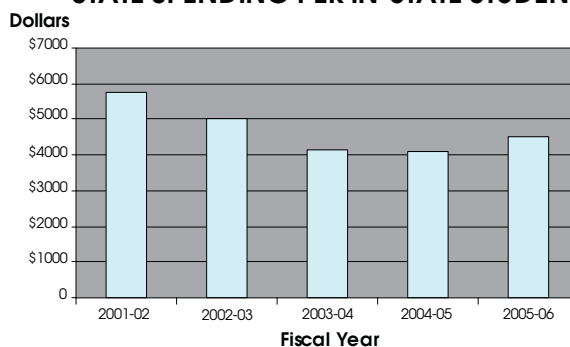
Higher Education has other sources of revenue beside transfers from the state. Higher Education receives revenue from federal grants, tuition, and fees, among other sources. The federal grants are mostly related to research programs at the four major universities; and therefore, grants are not as important a source of revenue for the state's colleges or community college system. As a result, much of the burden of covering the reduced state spending fell on increasing tuition and fees.

In Fiscal Year 2005–06, the state began making stipend payments to higher education students through the College Opportunity Fund, and entering contracts to purchase higher education services from the higher education institutions instead of providing direct General Fund support. In the graph on the top right, the Fiscal Year 2005–06 column shows this change from General Fund transfers paid directly to the institutions to revenues that the institutions must earn by providing education services to the students (stipends) or the state (fee-for-service contracts).

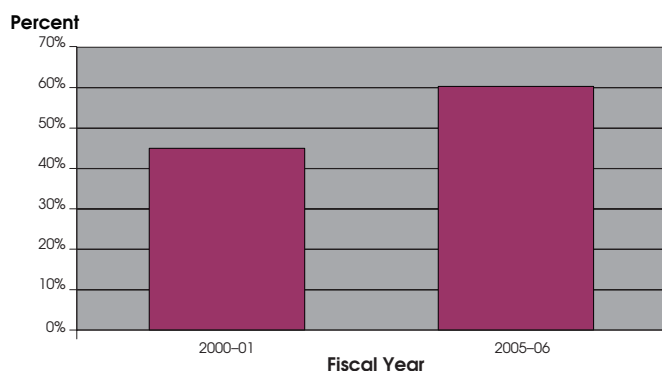
### STATE SPENDING FOR HIGHER EDUCATION SERVICES



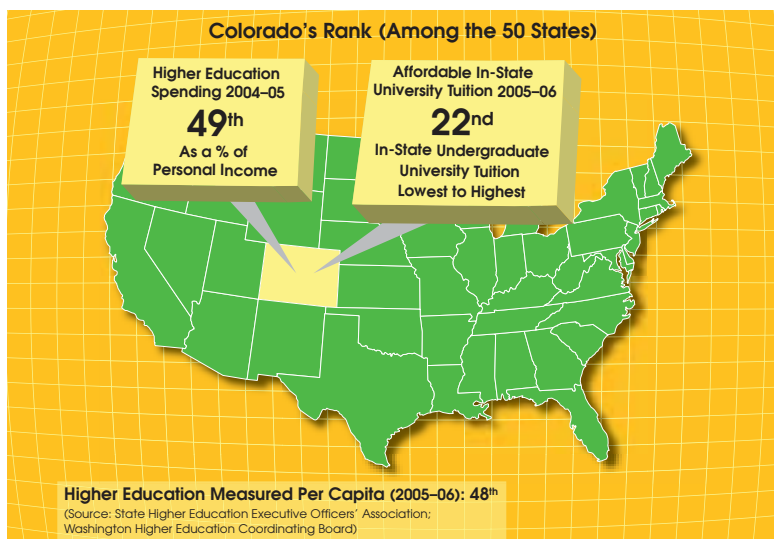
### STATE SPENDING PER IN-STATE STUDENT



### STUDENT SHARE OF TOTAL HIGHER EDUCATION COSTS



Source: State Higher Education Executive Officers Association

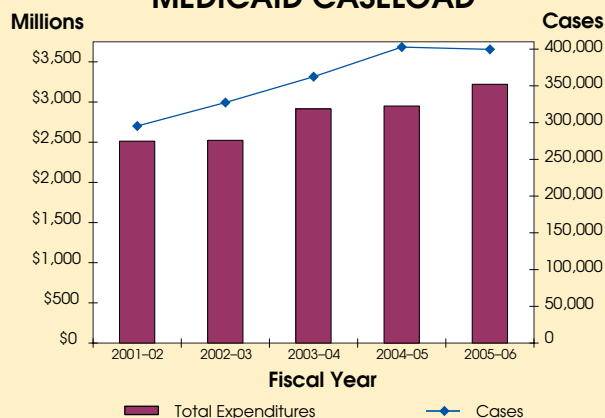




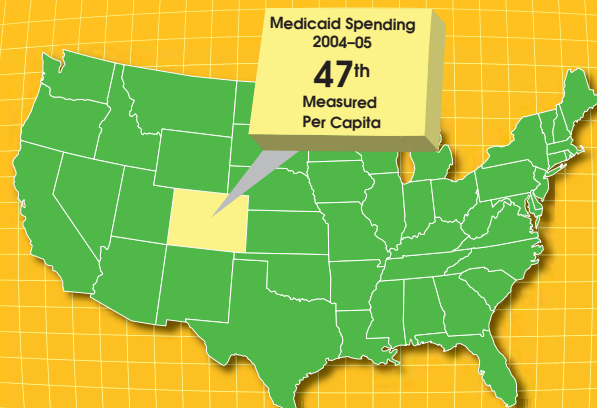
## Medicaid

Colorado's largest government supported health care program is the federal Medicaid program. Medicaid pays health care and long-term care costs for those who qualify under the Medicaid eligibility rules, and eligibility is mostly based on an individual's level of income. About one-half of all Medicaid expenditures is paid using federal dollars. The state also provides health care access to low-income children through the Children's Health Plan Plus (CHP+). CHP+ was created as a federal and state partnership to increase the number of children with access to health care. The state receives a two dollar federal match for every dollar of state funds spent on the program. In Fiscal Year 2005-06, Colorado, through the Department of Health Care Policy and Financing (DHCPF), spent \$3.2 billion from all sources (general, cash, and federal revenues), which was a 28.1 percent increase since Fiscal Year 2001-02. During the same five years, the Department's share of the General Fund budget increased from 18.8 percent to 20.6 percent.

### TOTAL DHCPF EXPENDITURES & MEDICAID CASELOAD



### Colorado's Rank (Among the 50 States)



(Source: US Department of Health & Human Services Centers for Medicare & Medicaid Services)

## Transportation

Transportation expenditures by the state are a combination of spending on new or replacement construction, maintenance of existing roadways, and debt service. As shown by the graph just below the map, the state spent \$1.20 billion on transportation in Fiscal Year 2005–06, which was down from the peak spending amount of \$1.66 billion in Fiscal Year 2002–03. The spending decline was mostly due to unusually high new construction spending in Fiscal Years 2000–01 through 2004–05. The new construction spending was made possible by Transportation Revenue Anticipation Notes (TRANs) issued by the state after voters approved Referendum A in the 1999 general election. The referendum limited the borrowing so that the total amount to be repaid (principal and interest) would not exceed \$2.3 billion. The borrowing was intended to pay for 24 construction projects around the state, the largest of which was the reconstruction and expansion of Interstate 25 through south Denver and suburbs. The state completed the I-25 project, known as T-REX, shortly after the close of Fiscal Year 2005–06.

Colorado pays for transportation costs from cash and federal revenues. The use of federal revenue is limited by Federal Highway Administration requirements and generally excludes maintenance activities. The cash sources include highway users taxes (such as fuel tax and vehicle registrations), transfers from the General Fund, and sales and use taxes diverted from the General Fund.

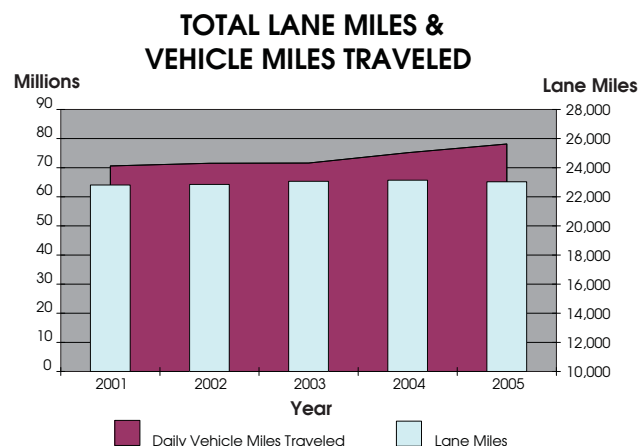
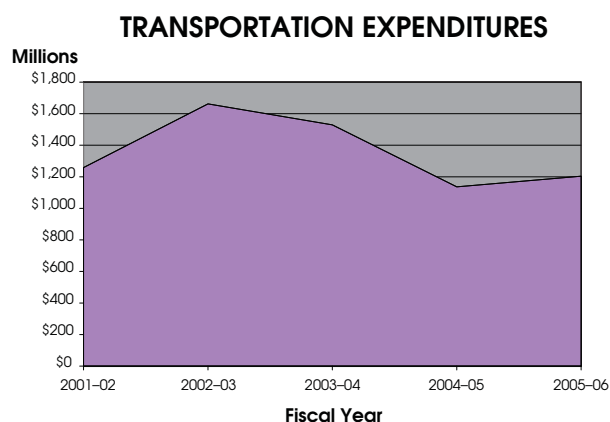
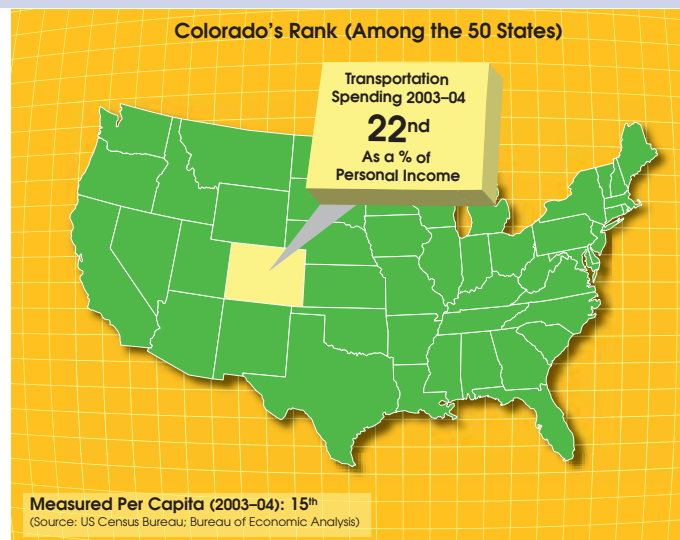
The Department of Transportation reports that much of the need for highway construction maintenance is not being met. The graph to the right compares the existing highways (measured in lane miles) to the demand for highways (measured in miles traveled). In high-density metropolitan areas, the increase in miles traveled without similar increases in lane miles or alternative transportation capacity results in increasing congestion.

The following table shows the percentage of roadways rated good and fair as compared to those rated poor.

	2005	2004	2003	2002	2001
Percent Rated Good/Fair	65	61	58	58	54
Percent Rated Poor	35	39	42	42	46

The following table shows the percentage of state bridges that are rated as structurally deficient. The Department of Transportation closes all bridges that are considered a threat to public safety.

	2006	2005	2004	2003	2002
Percent Structurally Deficient	6.6	6.2	6.5	6.3	6.6





## Justice

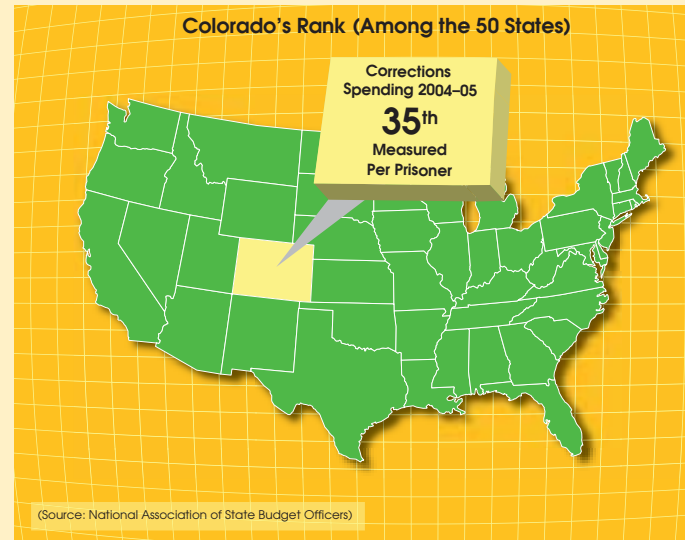
The justice function includes the Judicial Branch of government, and the Departments of Law, Public Safety, and Corrections. The Department of Corrections' expenditures increased from \$443.3 million in Fiscal Year 2001–02 to \$534.2 million in Fiscal Year 2005–06—a 20.5 percent increase. This represents an increase from 7.8 percent of the General Fund budget to 8.1 percent.

The general-funded expenditure amounts stated above do not include payments made to construct and repair the department's correctional facilities. In Fiscal Year 2005–06, the department issued \$130.6 million of Certificates of Participation (COPs) to pay for construction of a new correctional facility. In addition to paying for a new state prison, the state is increasingly contracting with private prisons to meet the growing capacity needs.

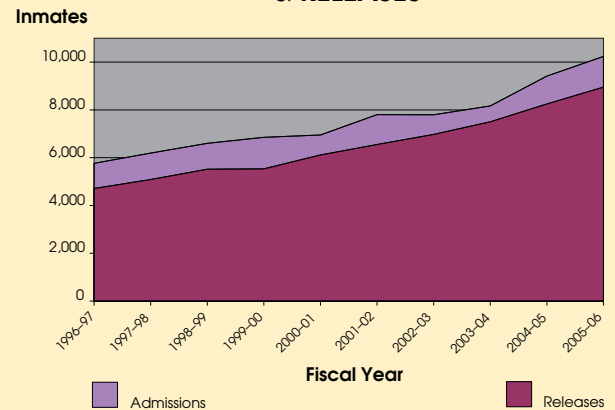
The Department of Corrections measures the demand for prison space and related general-funded operating costs based on the number of persons admitted to and released from the correctional facilities. The graph to the right shows that admissions have consistently exceeded releases by a significant amount over the past ten years. This will continue to put pressure on the state General Fund budget.

## Social Assistance (Department of Human Services)

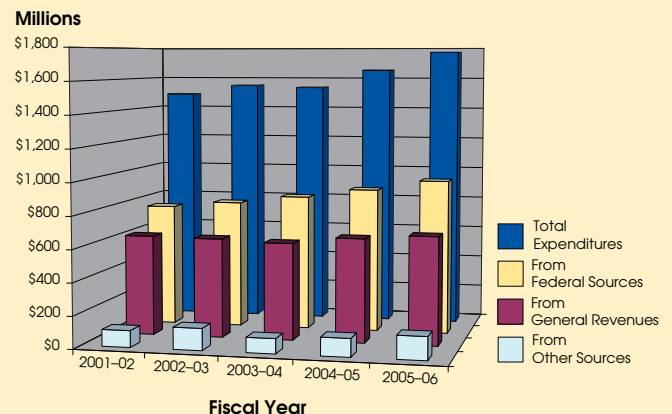
The Department of Human Services operates a wide variety of programs to assist the state's citizens including mental health institutes, residential mental health services, veterans' nursing homes, youth corrections, child and elderly services, and federal poverty programs. The chart shows that most of the increase in social assistance expenditures has been provided by the federal government although there is a slight increase in General Fund support for these services. These General Fund increases have been made primarily to address caseload growth. The demand for social services is affected by general increases in the size of the state population and increases in the portion of the population that is considered needy under program rules.



### CORRECTIONS ADMISSIONS & RELEASES



### DEPARTMENT OF HUMAN SERVICES EXPENDITURES



## State Employee Workforce

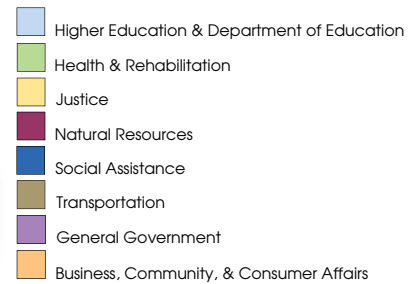
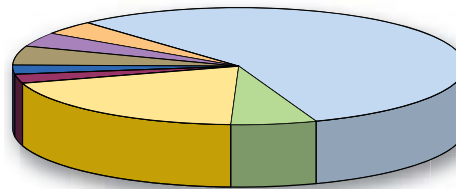
In Fiscal Year 2005–06, Colorado employed 58,468 full-time–equivalent employees (FTE)<sup>3</sup>; and total personal service expenditures (wages, salaries, and benefits) were \$3.94 billion. Personal service expenditures have increased by 10.5 percent over the past five years with the effects of inflation removed.

The number of state FTE has remained

about the same over the five-year period growing only 0.9 percent while the state’s population grew 6.0 percent. As a result, the number of state employees declined both as a percentage of the state population and as a percentage of the total public and private workforce.

The chart shows the function where state workers are employed. The largest employer is the education function (primarily Higher Education because K–12 workers are employed by local school districts) followed by justice (primarily prison guards), health and rehabilitation workers, and transportation workers.

**NUMBER OF FULL-TIME EMPLOYEES BY FUNCTION**



**NUMBER OF FULL-TIME-EQUIVALENT STATE EMPLOYEES BY FUNCTION  
LAST FIVE FISCAL YEARS**

FUNCTION	2005–06	2004–05	2003–04	2002–03	2001–02
General Government	2,255	2,219	2,180	2,300	2,422
Business, Community, & Consumer Affairs	2,342	2,367	2,343	2,344	2,334
Higher Education & Department of Education	32,680	32,664	32,595	32,435	31,887
Health and Rehabilitation	3,729	3,681	3,717	3,803	3,766
Justice	11,372	11,083	10,767	11,257	11,437
Natural Resources	1,485	1,472	1,446	1,453	1,453
Social Assistance	1,520	1,462	1,482	1,567	1,610
Transportation	3,085	3,098	3,113	3,080	3,065
<b>Total FTE</b>	<b>58,468</b>	<b>58,046</b>	<b>57,643</b>	<b>58,239</b>	<b>57,974</b>

<sup>3</sup> The term full-time–equivalent in this instance is used to estimate the number of full-time employees that would be needed to provide the same services that are currently provided by a mix of full-time employees and, in some instances, a large number of part-time or seasonal employees. The estimate is based on each agency’s average salaries of full-time employees divided into the total part-time payroll.

**Colorado’s Rank (Among the 50 States)**

