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Legislative
Council
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MEMORANDUM

A confidential memorandum is only given to the legislator requesting the research. Staff continue to regard the memorandum as confidential unless the legislator making the request indicates otherwise, although information in the memorandum may be provided in whole or in part to other legislators pursuant to their separate research requests. After receiving the memorandum, the legislator may release the document to interested parties.

April 4, 2007

TO: Interested Persons

FROM: Legislative Council Staff

SUBJECT: State Household Taxes Paid and Services Received by Income Cohort

This memorandum compares the taxes Colorado households pay and state services they receive using the following income cohorts:

- lower-income households: annual incomes up to \$30,000;
- middle-income households: annual incomes between \$30,000 and \$80,000; and
- higher-income households: annual incomes above \$80,000.

The memorandum is divided into three sections. The first section provides a comparison between taxes paid and services received by income level. The second section defines terms and discusses the methodology used to analyze this relationship. The third section provides information on the relevant services provided by each department. If available, an estimate on the distribution of the dollar amount of services received by low, middle, and high-income households from each department is included.

Table of Contents

Summary of Results	Page 2
<i>Summary Chart</i>	Page 3
Definitions and Methodology	Page 2
Distribution of Services by Department	Page 6

Section 1: Summary of Results

Chart 1 on the following page shows the distribution of state taxes paid by households and the services that are funded by these taxes among the lower-, middle-, and higher-income cohorts.¹ Staff research indicates that in FY 2006-07 lower-income households receive 46 percent of state services funded with state taxes, while middle-income households receive 32 percent and higher-income households receive 22 percent. In FY 2003-04, the last year for which data is available, lower-income households paid 10 percent of state taxes paid by households, middle-income households paid 35 percent, and higher-income households paid 55 percent.

Section 2: Definitions and Methodology

This section defines terms and describes the methodology used to determine the lower-, middle-, and higher-income cohorts. The methodology used to determine how services are distributed among the income cohorts are described in each relevant department's section.

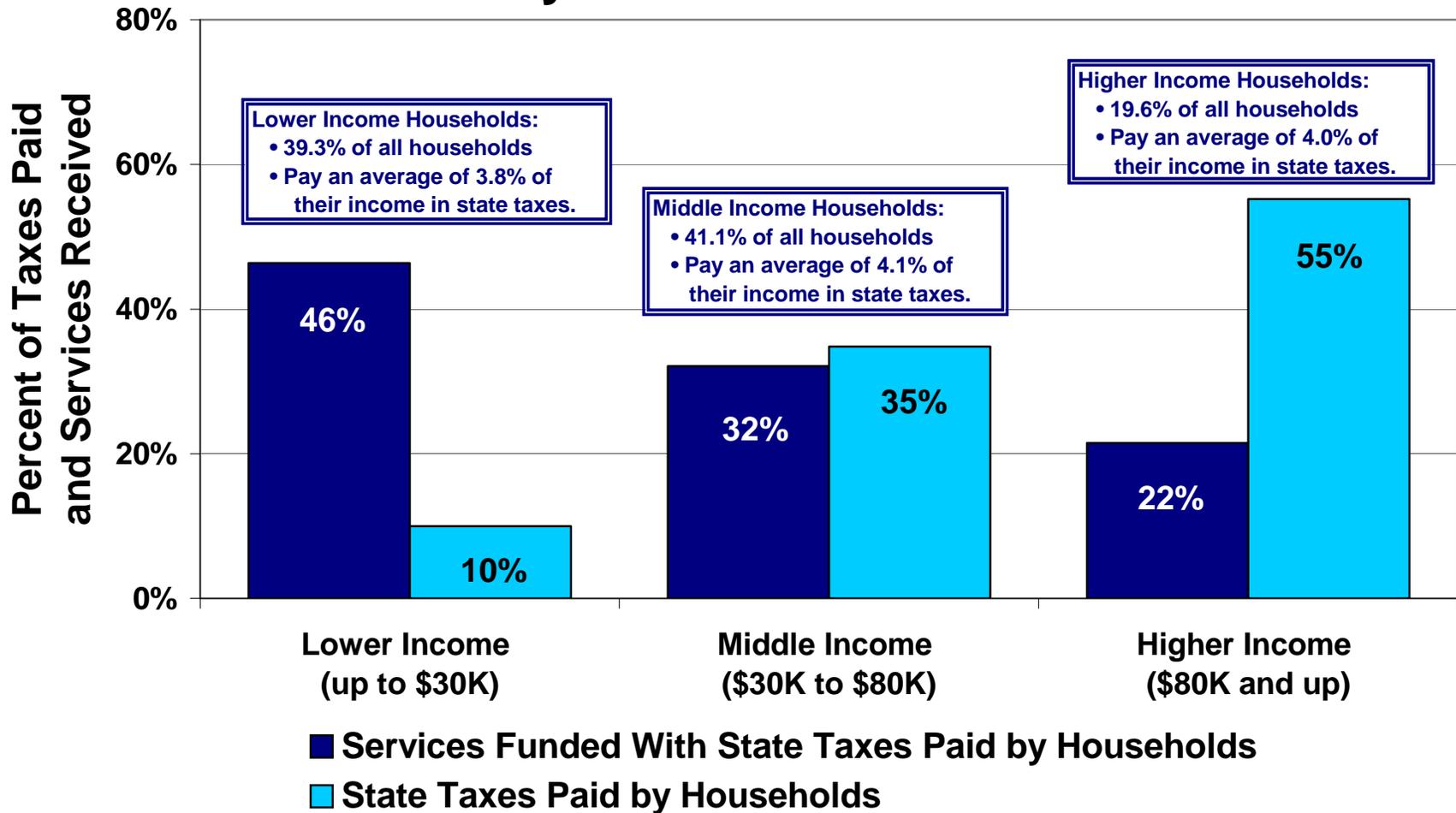
Definition: State Taxes. For purposes of the distribution of taxes paid by income cohort, state taxes include only those paid to the state by individuals. In particular, they include the individual income, sales and use, cigarette and tobacco products excise, alcoholic beverage excise, and motor fuel excise taxes and the vehicle registration and driver's license fees. Taxes paid by businesses or to local governments and the federal government are not included. Other fees are not included because services funded by them tend to directly benefit the individual or business that paid the fee.

It is important to note that not all of the taxes that are deposited into the General Fund and the Highway Users Tax Fund which are used to fund services are paid by Colorado households. Businesses and nonresidents also pay these taxes. In FY 2005-06, it is estimated that residents of the state paid about 74 percent of these taxes and nonresidents paid about 6 percent. Businesses paid about 20 percent of these taxes.

Definition: State Services. For purposes of this analysis, state services include only those services paid for with state taxes. Thus, this research focuses on services funded by the General Fund, the State Education Fund, the Highway Users Tax Fund, and by cigarette and tobacco taxes imposed by Amendment 35. Individual income, sales and use and the other excise taxes included in this analysis together comprise an estimated 96.5 percent of General Fund revenue in FY 2006-07.

¹ It is important to note that programs use differing definitions of income to determine eligibility for programs than the definition of income used by the Department of Revenue for the tax burden analysis. Thus, the income amounts used for the tax burden and services received by income level do not match exactly.

Chart 1. State Taxes and Services by Income Cohort



Source for Taxes: Colorado Department of Revenue
 Source for Services: Legislative Council Staff

Taxes paid by businesses that are not deposited in the General Fund or Highway Users Tax Fund are excluded from this research because the distribution of tax burden among income cohorts for these taxes is unknown. For example, the unemployment insurance tax, a payroll tax paid directly by businesses, is not included. The severance tax, paid by businesses that extract nonrenewable natural resources, is also not included. The severance tax primarily funds programs related to the impacts of mining, and oil and natural gas production and to conservation and natural resource planning. These services are assumed to benefit all income levels proportionately. However, some severance tax revenue is used to provide services for lower-income households, most notably to provide assistance for home heating costs.

Definition: Proportional vs. Disproportional Distribution of Services. Some state services are distributed to households on a proportional basis. For example, the Colorado Department of Transportation develops and maintains the state's transportation infrastructure. Since everyone in Colorado benefits either directly or indirectly from this service, it is *proportionally* distributed to taxpayers in all income ranges. Lower-income households receive 39.3 percent of proportionately distributed services, while middle-income households receive 41.1 percent and higher-income households receive 19.6 percent. In contrast, some state agencies disproportionately provide more services to lower-income households in the form of public assistance. For example, the Department of Human Services and Department of Health Care Policy and Financing primarily provide services to households with income below a certain threshold.

Methodology: Defining the appropriate income cohorts. As described above, this analysis uses three income cohorts: lower-income (households with annual incomes up to \$30,000); middle-income (households with annual incomes between \$30,000 and \$80,000); and higher-income (households with annual incomes of at least \$80,000). Precise amounts of funding for state services provided to each income cohort are unavailable because most departments do not track the income of those who benefit from their services. Some track the amount of funding provided to households below certain income thresholds, especially when that funding is dependent upon income eligibility. These income thresholds are usually framed in terms of a percentage of the federal poverty guidelines.

Determining the middle- and higher-income cohorts. According to the U.S. Census Bureau's American Community Survey, the median household income in Colorado during 2004 was \$48,200. Because this amount is roughly midway between \$30,000 and \$80,000, this range was determined to be the middle-income cohort. Anything above that amount was determined to be the higher-income cohort.

Determining the lower-income cohort. Staff determined \$30,000 to be the upper limit of the lower-income cohort because it is approximately the same as 185 percent of the 2007 federal poverty guidelines for a three-person household, which is close to the average-sized household in Colorado. The general income eligibility limit for the large majority of funding for state services for lower-income households is 185 percent of the federal poverty guidelines.² The general income limit for eligibility for the Medicaid program – the states's largest public assistance program – is 133 percent of the federal poverty guidelines.

² There are other requirements besides income that impact eligibility for programs, such as the level of resources of individuals. Thus, some individuals who may qualify based on income may not be eligible to receive assistance because they do not meet other eligibility requirements.

It is important to note that some households with incomes *above* \$30,000 a year receive services that are defined as low-income services. The income levels at 185 percent of the federal poverty guidelines vary depending on the size of household. Also, it is important to note that a relatively small amount of the state funding for lower-income programs is allocated to households up to 300 percent of the federal poverty guidelines. However, as previously indicated, it is not possible to determine the funding amounts that were received by specific incomes. Thus, this analysis is only a rough estimate and does not provide a precise distribution of the amount of funding received by income level.

Table 1 shows the income levels for different sized households and selected percentages of the federal poverty guidelines.

Table 1
Income Levels for 2007 Federal Poverty Guidelines

Number of People in Household	100%	133%	185%	300%
1	\$10,210	\$13,579	\$18,889	\$30,630
2	\$13,690	\$18,208	\$25,327	\$41,070
3	\$17,170	\$22,836	\$31,765	\$51,510
4	\$20,650	\$27,465	\$38,203	\$61,950
5	\$24,130	\$32,093	\$44,641	\$72,390
6	\$27,610	\$36,721	\$51,079	\$82,830

A note on federal taxes. An estimate on the distribution of federal taxes and services funded with federal money is not provided in this analysis because it focuses only on state taxes and services. However, about 23 percent of the state's budget is comprised of federal money. A large portion of this money is provided to the Departments of Health Care Policy and Financing and Human Services to help fund public assistance. Another significant amount helps fund transportation projects in the state.

Federal income taxes, motor fuel taxes, and estate taxes that are partially redistributed back to the states are also paid by Colorado taxpayers. Higher income households pay a larger share of the federal individual income tax than the state income tax because the federal tax is graduated and thus more progressive.

Section 3: Distribution of Services by Department

This section provides information on those departments that either receive a significant amount of General Fund and/or administer services disproportionately to the lower-, middle-, and/or higher-income cohorts. For each of these departments, a table is provided showing the amount of state tax funds received by the department in FY 2006-07 and the estimated amount of the services paid for by those funds, if any, that are received disproportionately by each income cohort. In addition, a brief amount of information about the other funding sources for each department, such as federal or cash funds, is included. Estimates regarding how services are distributed by income for these other funding sources have not been determined because this research focuses specifically on services paid for with state taxes.

Sections for departments that administer services **disproportionately** among income cohorts are located as follows:

- Education Page 7
- Health Care Policy and Financing Page 9
- Higher Education Page 10
- Human Services Page 11
- Local Affairs Page 13
- Public Health and Environment Page 14
- Revenue Page 15
- Treasury Page 16

Sections for departments that administer services **proportionately** to all income levels are located as follows:

- Agriculture Page 18
- Corrections, Judicial, and Law Page 19
- Military and Veterans Affairs Page 20
- Natural Resources Page 21
- Transportation Page 22

The rest of the state's departments either receive little or no state tax funds and/or are assumed to provide services to all income groups **proportionately**. Thus, this analysis does not provide specific information on these departments. These departments include:

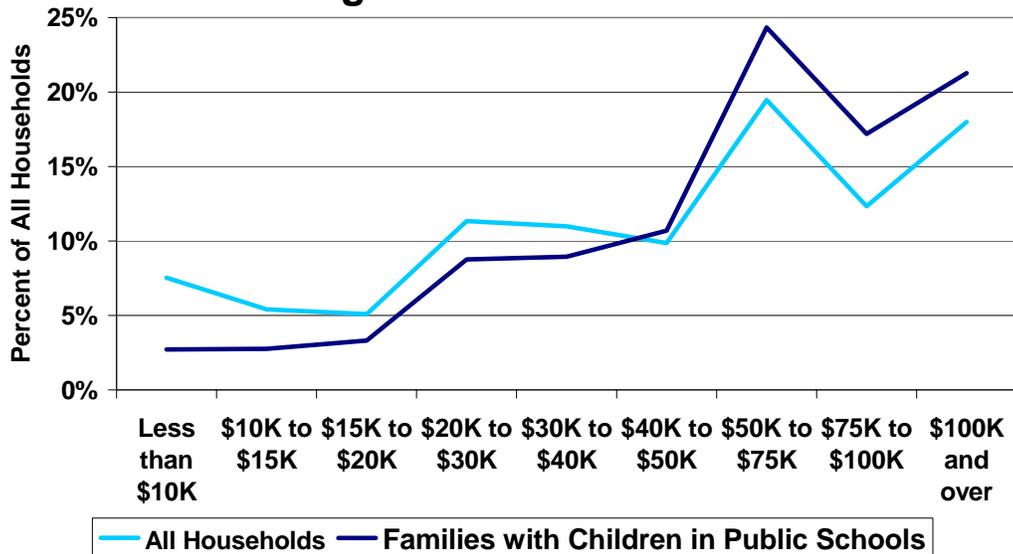
- Governor's Office
- Labor and Employment
- Legislature
- Personnel and Administration
- Public Safety
- Regulatory Agencies
- State

Department of Education — General Fund — \$2,874.2 million in FY 2006-07 (42.2 percent of General Fund appropriations). The Department of Education supports the State Board of Education in its duty to exercise general supervision over public schools, including accrediting public schools and school districts. It also develops, promotes, and delivers adult education and library services; distributes state and federal aid to local public school districts; and administers direct educational services at the Colorado School for the Deaf and Blind. In addition to General Fund appropriations, the Department of Education received a \$308.6 million appropriation from the State Education Fund in FY 2006-07. The State Education Fund receives about 7.4 percent of all income taxes collected by the state.

The bulk of the department's General Fund and State Education Fund appropriations are distributed to school districts under the school finance act. These appropriations are also used to fund several categorical programs, including special education for children with disabilities and gifted and talented children, the English language proficiency program, public school transportation, vocational education, the expelled and at-risk student services grant program, the Small Attendance Center, and the comprehensive health education program. The department also manages the School Capital Construction Expenditures Reserve and School Construction and Renovation Fund. General Fund is not used to fund the free and reduced school lunch program, which is need-based.

Because the entirety of these funds benefit children attending public schools in Colorado, it is assumed that the department's services are distributed among income cohorts in a manner proportional with the income distribution of families in Colorado with children attending public schools. This distribution is shown in Chart 2 along with that for all households, based on data from the Census Bureau's 2005 American Community Survey. The distribution of income for families with children was flattened somewhat by an adjustment for families with children in private schools.

Chart 2. Distribution of Income Among Colorado Households



Source: U.S. Census Bureau; 2005 American Community Survey

Table 2 shows how services funded by the department's General Fund and State Education Fund appropriations are distributed to lower-, middle-, and higher-income households. The distribution is proportional to the income distribution for families with children in public schools. Aside from General Fund and the State Education Fund, the department's budget is funded with cash funds (0.4 percent), other cash funds exempt (4.3 percent), and federal funds (12.7 percent).

Table 2
Department of Education State Tax Funding
 FY 2006-07

Total	% of Total Dept. Budget	\$ to Lower Income	% of Total	\$ to Middle Income	% of Total	\$ to Higher Income	% of Total
\$3,182.8 million	74.6%	\$558.8 million	17.6%	\$1,399.9 million	44.0%	\$1,224.1 million	38.5%

Department of Health Care Policy and Financing — General Fund — \$1,192 million in FY 2006-07³ (20.5 percent of total General Fund appropriations). The Department of Health Care Policy and Financing provides health care services to about 656,000 Colorado residents through four programs: (1) the state's Medicaid medical and mental health programs; (2) the Colorado Indigent Care Program (CICP); (3) the Children's Basic Health Plan (CBHP); and (4) the Old Age Pension Medical Program. The department also administers the Comprehensive Primary and Preventive Care Grant Program and the Primary Care Program to increase access to health care services for medically under-served populations.

These programs are mostly funded with the General Fund and with federal matching funds. Some of the department's programs are also funded with the Amendment 35 tobacco tax money. In addition, some programs are funded by special funds that receive General Fund money, such as the Old Age Pension Program.

The department provides services exclusively to lower-income households. Eligibility for the programs is generally based on an income level below a percentage of the federal poverty guidelines and the level of resources of individuals, their required level of care, and their age. The upper income limit for all of the department's programs is generally 300 percent of the federal poverty guidelines, which is about \$50,000 for a 3 person household in 2007. However, this limit applies to a relatively small percentage of households receiving services. Most programs have a lower income eligibility limit. For example, the general income limit for eligibility for the Medicaid program – the states's largest public assistance program with a General Fund appropriation of over \$1 billion in FY 2006-07 – is 133 percent of the federal poverty guidelines, or about \$20,000 for a three-person household. The income limit for a majority of adults in the Medicaid program is 36 percent of the federal poverty guidelines, or about \$6,000 for a three-person household.

Aside from General Fund and other state tax money, the department's budget is funded with cash funds (0.2 percent), cash funds exempt (7.1 percent), and federal funds (50.8 percent). Generally all of the department's funding is used for services for lower-income households.

**Table 3
FU 2006-07 Department of Health Care Policy and Financing State Tax Funding**

Total	% of Total Department Budget	% to Lower Income
\$1,323.5 million	42.1%	100.0%

³ The General Fund amount excludes \$188.5 million that the department transferred to the Department of Human Services for Medicaid programs.

Department of Higher Education — General Fund — \$694.1 million in FY 2006-07 (10.2 percent of General Fund appropriations). The Department of Higher Education's primary mission is to provide education beyond K-12 for Colorado residents through its 26 state campuses, two local district junior colleges, and four area vocational schools. The department also provides education for nonresident students, but state funds are not generally used to educate nonresidents. The department's General Fund appropriations are used to fund the College Opportunity Fund stipends and fee-for-service contracts with these schools, the Colorado Commission on Higher Education, the Historical Society, the Student Loan Program, financial aid, work study programs, and several smaller special programs. Two private schools, Regis and the University of Denver, also receive General Fund appropriations in the form of College Opportunity Fund stipends.

The Department of Higher Education does not track the income of students unless they apply for need-based financial aid or work study programs. Because students from all economic strata attend Colorado's institutions and the entire economy benefits from the presence of these institutions, it is assumed that the services provided by the Department with the exception of need-based financial aid and work study programs are provided proportionately to all income levels.

In FY 2006-07, a total of \$61.8 million was appropriated for need-based financial aid, Governor's Opportunity Scholarships to low-income students, and student loan assistance to low-income students. Of this, \$41.9 million was received by households with incomes of \$30,000 or less, and \$19.9 million was received for households with incomes greater than \$30,000. A total of \$14.9 million was appropriated for work study. Of this, it is assumed low-income households received \$10.4 million, since 70 percent of work study funding is required to fund jobs for low-income students. Therefore, low-income students received a total of \$52.4 million from these programs. Middle-income students received \$24.4 million.

The rest of the department's budget is funded from cash funds exempt (includes tuition; 57.2 percent)⁴, federal funds (1.2 percent), and cash funds (1.4 percent).

**Table 4
FY 2006-07 Department of Higher Education State Tax Funding**

Total General Fund	% of Total Department Budget	\$ to Lower Income	% of Total GF	\$ to Middle Income	% of Total GF	\$ to Higher Income	% of Total GF
\$694.2 million	40.2% ⁵	\$295.2 million	42.5%	\$278.2 million	40.1%	\$120.8 million	17.4%

⁵ This is adjusted to reflect that \$624.5 million is appropriated first from the General Fund to the College Opportunity Fund (COF) and again from the COF to each higher education institution. The second appropriation is excluded to avoid counting it twice.

Department of Human Services — General Fund — \$619.7 million in FY 2006-07 (7.6 percent of total General Fund appropriations). The Department of Human Services is charged with the administration and supervision of all non-medical public assistance and welfare activities of the state, including assistance payments, food stamps, child welfare services, rehabilitation programs, alcohol and drug treatment programs, and programs for the aging. The department is also responsible for inspecting and licensing child care facilities and for the care and treatment of the state's dependent citizens who are mentally ill, developmentally disabled, or juvenile offenders.

These programs are mostly funded with General Fund and federal dollars. Other state funds consist of \$188.5 million in General Fund money transferred from the Department of Health Care Policy and Financing and money from the Old Age Pension (OAP) Fund. The OAP Program provides cash assistance to low-income individuals over the age of 59 and is primarily funded with excise taxes that are credited to the General Fund. This program was appropriated \$78.9 million in FY 2006-07. In addition, the Older Coloradans Fund and the Old Age Supplemental Medical Care Fund received \$3.75 million in sales and use taxes in FY 2006-07. Although all individuals age 60 and over are generally eligible for these programs regardless of income, it is assumed that most of the individuals who use them are lower-income.

With the exception of the Division of Youth Corrections, the department provides services primarily to low-income individuals. Eligibility for the programs is generally based on having income below the federal poverty guidelines. Many of these programs have limits on the level of resources that individuals may have to become eligible for services. As an example, the OAP program has income and resource eligibility thresholds that require program participants to have no more than \$648 of monthly income and have up to \$2,000 in available resources. Another program, the Aid-to-the-Needy-Disabled Colorado Supplement requires program participants to have no more than \$230 in monthly income and a maximum of \$2,000 in resources.

**Table 5
FY 2006-07 Department of Human Services State Tax Funding**

Total	% of Total Department Budget	\$ to Lower Income	% of Total	\$ to Middle Income	% of Total	\$ to Higher Income	% of Total
General Fund							
\$619.7 million	32.1%	\$543.4 million	87.7%	\$51.7 million	8.3%	\$24.6 million	4.0%
Other State Tax Funds							
\$271.2 million	13.9%	\$271.2 million	100.0%	\$0	0%	\$0	0%
Total							
\$890.9 million	46.0%	\$814.6 million	91.4%	\$51.7 million	5.8%	\$24.6	2.8%

The Division of Youth Correction provides for the supervision and treatment of juveniles in the criminal justice system, except for those sentenced as adults to the Department of Corrections. Because the services provided by the division benefit the safety and well-being of the entire population, it is assumed that these services are provided proportionately to all income levels. The division received \$125.7 million in General Fund appropriations in FY 2006-07.

A significant portion of money is appropriated for child welfare services that are made available to counties. Other programs provide supplemental income to individuals receiving Supplemental Security Income (SSI) payments.

Aside from General Fund and other state tax money, the department's budget is funded with cash funds (5.4 percent), cash funds exempt (17.3 percent), and federal funds (31.2 percent).

Department of Local Affairs — General Fund — \$10.3 million in FY 2006-07 (0.2 percent of total General Fund appropriations). The Department of Local Affairs primarily provides training, technical, and financial assistance to local governments. Thus, the department's General Fund appropriations are generally used to provide assistance to local governments. This is assumed to serve all income groups proportionately. However, according to the department, its Division of Housing provided \$1.1 million in General Fund money in FY 2006-07 to non-profit housing developers or housing authorities to help build affordable housing projects. Federal funds are also used to fund affordable housing projects.

Only households who have incomes that are 80 percent of the area median income or below can qualify to live in the affordable housing projects. The area median income is based on incomes within the various counties in which the projects were built. The highest household income eligible for these projects was \$59,600 for a four-person household in Longmont, which qualifies as a middle-income household for purposes of this memorandum. It is important to note that households with the lowest incomes require the most funding assistance. Thus, it costs more to fund such projects and results in fewer affordable housing units for those with the lowest incomes.

The department also used \$10,000 of the \$1.1 million in General Fund money to provide administrative funds for a local foreclosure prevention services agency. This agency helps individuals with delinquent loans. The income eligibility limit for this program is also 80 percent of the area median income.

Aside from General Fund money, the department's budget is funded with cash funds (12.2 percent), cash funds exempt (42.6 percent), and federal funds (40.9 percent).

**Table 6
FY 2006-07 Department of Local Affairs State Tax Funding**

Total General Fund	% of Total Dept. Budget	\$ to Lower Income	% of Total GF	\$ to Middle Income	% of Total GF	\$ to Higher Income	% of Total GF
\$10.3 million	4.3%	\$4.4 million	42.6%	\$4.1 million	39.9%	\$1.8 million	17.5%

Department of Public Health and Environment — General Fund — \$22.3 million in FY 2006-07 (0.3 percent of total General Fund appropriations). The Department of Public Health and Environment is responsible for improving and protecting the health of the people of Colorado, maintaining and protecting the quality of Colorado's environment, and assuring the availability of health and medical care services to individuals and families.

Many programs within the health divisions serve low income households and program eligibility varies by program. These programs target women and children or Medicaid recipients. Services are often delivered through local health providers. As an example, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) serves households with incomes up to 185 percent of the federal poverty guidelines which is about \$30,000 for a three-member household. A program providing free mammograms under the Women's Cancer Control Initiative has a higher eligibility threshold – \$50,000 for a family of four, which is around 250 percent of the federal poverty guidelines.

Lower-income households receive \$7.9 million, or 34.8 percent, of General Fund appropriations in FY 2006-07. General Fund appropriations for programs that serve households of all income levels was \$14.3 million, or 65.2 percent of total department General Fund revenue. Total federal funding for the department in FY 2006-07 is \$210.4 million, or about 45.9 percent of the total department funding of \$457.9 million.

Low income programs that receive Amendment 35 money include a program that provides immunizations for low-income children, the Health Disparities Grant Program, and a program that provides breast and cervical cancer treatment. These programs received \$8.5 million in tobacco funding in FY 2006-07. An additional \$39.2 million in Amendment 35 funding provided money to other programs that are generally assumed to provide services to all income levels. Of the \$457.9 million in total department funding, \$158.2 million is allocated to programs that serve low-income households, while the remaining \$299.1 million is allocated to programs that serve households of all income levels.

**Table 7
FY 2006-07 Department of Public Health and Environment State Tax Funding**

Total	% of Total Department Budget	\$ to Lower Income	% of Total	\$ to Middle Income	% of Total	\$ to Higher Income	% of Total
General Fund							
\$22.8 million	5.0%	\$13.8 million	60.3%	\$6.1 million	26.9%	\$2.9 million	12.8%
Amendment 35 Funds							
\$47.8 million	10.4%	\$23.9 million	50.1%	\$16.1 million	33.8%	\$7.7 million	16.1%
Total							
\$70.5 million	15.4%	\$37.7 million	53.4%	\$22.2 million	31.5%	\$10.6 million	15.0%

Department of Revenue — General Fund — \$93.8 million in FY 2006-07 (1.4 percent of total General Fund appropriations). The Department of Revenue is charged with the collection of state and local taxes, the enforcement of tax laws, the administration of driver and motor vehicle laws, the enforcement of state liquor and tobacco laws, regulation of limited-stakes gambling, oversight of greyhound/horse racing, and the operation of the Colorado Lottery. The department also operates the state's commercial ports of entry.

Of the \$93.8 million in General Fund appropriations, about \$82.1 million is used to fund these services which are distributed proportionally to households of all income levels. The remaining General Fund money \$11.7 million – is used to fund the cost of the Property Tax/Rent/Heat Rebate Program that provides rent, property, heating fuel assistance credits and grants to low-income elderly and disabled persons in Colorado.

Aside from General Fund, the department's budget is funded with cash funds (8.2 percent), cash funds exempt (74.6 percent), and federal funds (0.3 percent).

**Table 8
FY 2006-07 Department of Revenue State Tax Funding**

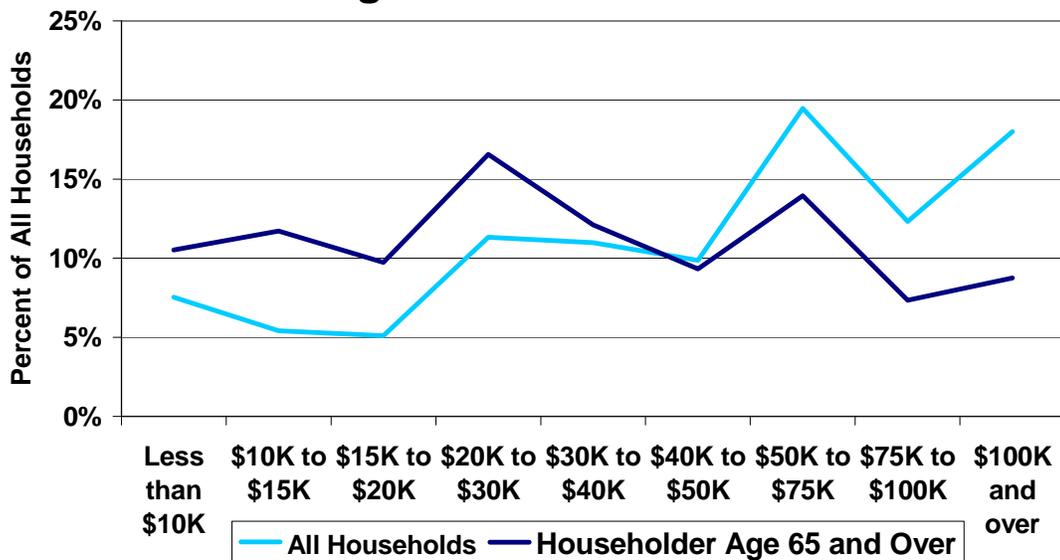
Total	% of Total Dept. Budget	\$ to Lower Income	% of Total	\$ to Middle Income	% of Total	\$ to Higher Income	% of Total
\$93.8 million	16.9%	\$44.0 million	46.9%	\$33.8 million	36.0%	\$16.1 million	17.1%

Treasury Department — General Fund — \$100.2 million in FY 2006-07 (1.5 percent of General Fund appropriations). The Treasury Department’s mission is to ensure the safekeeping and management of public funds by depositing and investing all funds received by state agencies. The department administers the Unclaimed Property Program, provides short-term financing to school districts, assists charter schools with long-term financing, and makes loans to elderly individuals and military personnel through the Property Tax Deferral Program. The department is also responsible for making the following distributions: Highway Users Tax Fund revenue to counties and municipalities; federal mineral leasing funds; senior citizen property tax exemption payments to local governments; and the state’s payment to the Fire and Police Pension Association for local “old hire” plans.

Of the department’s \$100.2 million General Fund appropriation for FY 2006-07, \$0.8 million was appropriated for administrative expenses, \$34.8 million for the state’s payment to the Fire and Police Pension Association, and \$64.6 million to reimburse local governments for the senior citizen property tax exemption.

Because the services that the Treasury Department provides are necessary to allow all of state government to function, its administrative services are assumed to be distributed proportionately among all income levels. In addition, while it is probable that the income distribution among beneficiaries of the “old hire” fire and police pension plans is different from that of the population as a whole, that distribution is unknown. Thus, due to a lack of data, that portion of the General Fund appropriation is also assumed to be distributed proportionately among all income levels.

Chart 3. Distribution of Income Among Colorado Households



Source: U.S. Census Bureau; 2005 American Community Survey

Only individuals age 65 and older and who have owned their home for at least ten years are eligible for the senior citizen property tax exemption. Chart 3 shows the distribution of income among all households in Colorado and among those in which the head of the household is at least 65 years of age. In this age cohort, it is not unlikely to find individuals in the lower income strata who have owned their homes for at least ten years. Therefore, it is assumed that this service is distributed among income cohorts in a manner proportional with the income distribution of households in Colorado in which the head of the household is at least 65 years of age.

Table 9
FY 2006-07 Treasury Department State Tax Funding

Total	% of Total Dept. Budget	\$ to Lower Income	% of Total	\$ to Middle Income	% of Total	\$ to Higher Income	% of Total
\$100.2 million	37.6%	\$45.3 million	45.3%	\$37.5 million	37.4%	\$17.4 million	17.3%

Department of Agriculture — General Fund — \$5.2 million in FY 2006-07 (0.1 percent of total General Fund appropriations). The Department of Agriculture primarily regulates, promotes, and supports various agricultural activities in Colorado. The department does not track the incomes of individuals receiving its services. However, in general, many of the department's programs serve both the general population and those in the agricultural and ranching industries. For example, the Agricultural Services Division – which receives most of the department's General Fund money – administers the bulk of the department's major programs, which include inspection and consumer services, protecting the economic viability of livestock producers, administering animal welfare issues, managing statewide pest control programs, and inspecting plant products for the marketplace to ensure they are free from pest and disease. Thus, it is assumed that these services are provided to the general population, even though those in the agricultural and ranching industries may benefit from the services as well.

The Agricultural Markets Division's services appears to administer the only services that are provided solely to the agricultural and ranching industries. The division provides marketing assistance to agricultural-based businesses, promotes Colorado agricultural products, and works to assist food processing companies. This division received \$402,256 in General Fund appropriations in FY 2006-07. It is important to note that in addition to being General Funded, the division is also funded with fees paid by entities receiving its services.

Based on Colorado Department of Labor and Employment 2005 data, about 90 percent of the individuals in the crop and animal production industries made less than \$35,000 a year. However, some individuals in the industries make over \$100,000 a year. These individuals are likely the owners of the ranching and farming businesses. Since it is difficult to quantify how the marketing services benefit the various individuals in the industries, it is assumed the services provided by this division benefit all income levels.

Aside from General Fund money, the department's budget is funded with cash funds (39.9 percent), cash funds exempt (39.9 percent), and federal funds (5.4 percent).

Table 10
FY 2006-07 Department of Agriculture State Tax Funding
Lower-Income (39.3%), Middle-Income (41.1%), and Higher-Income (19.6%)

Funding Source	\$ to All Income Levels	% of Total Department Budget
General Fund	\$5.2 million	14.8%

Departments of Corrections, Judicial, and Law — General Fund — A total of \$856.6 million in FY 2006-07 (12.6 percent of General Fund appropriations). These departments are responsible for administering, interpreting, and enforcing state law. Because the services provided by these Departments benefit the safety and well-being of the entire population of the state it is assumed that these services are provided proportionately to all income levels. A description of each department and General Fund appropriation follows.

Department of Corrections — General Fund — \$582.9 million in FY 2006-07 (8.6 percent of General Fund appropriations). The Department of Corrections is responsible for managing and supervising the penal, correctional, and reformatory institutions of the state; operating a counseling and parole supervision program to enable incarcerated persons to regain productive independence; and developing and administering a correctional industries program to supply manufactured products to state institutions and to provide rehabilitative benefits for inmates. The Department of Corrections operates 24 prisons throughout the state, each with varying levels of security. The Department also contracts for prison capacity with several county and private facilities. The rest of the department's budget is funded from cash funds exempt (9.4 percent), federal funds (0.4 percent), and cash funds (0.4 percent).

Judicial Department — General Fund — \$264.3 million in FY 2006-07 (3.9 percent of General Fund appropriations). The Judicial Branch is responsible for administering the state court system, including the Colorado Supreme Court, the Court of Appeals, district courts, county courts, and water courts. The branch also administers adult and juvenile probation services in the state's 22 judicial districts. The General Fund appropriation to the Judicial branch includes three independent agencies: the Colorado State Public Defender, the Office of the Alternate Defense Counsel, and the Office of the Child's Representative. The rest of the department's budget is funded from cash funds exempt (2.8 percent), federal funds (0.7 percent), and cash funds (19.0 percent).

Department of Law — General Fund — \$9.1 million in FY 2006-07 (0.1 percent of General Fund appropriations). The Department of Law enforces civil and criminal law and provides legal services to state agencies. The Department primarily engages in civil litigation to protect and defend state property rights and enforce consumer credit, debt collection, consumer protection, and antitrust laws. The Department represents the state in criminal appeal cases and investigates and prosecutes Medicaid-related crimes. The rest of the department's budget is funded from cash funds exempt (65.3 percent), federal funds (2.2 percent), and cash funds (9.8 percent).

Table 11
FY 2006-07 Departments of Corrections, Judicial, and Law
Lower-Income (39.3%), Middle-Income (41.1%), and Higher-Income (19.6%)

Department	General Fund Appropriation \$ to All Income Levels	% of Total Department Budget
Department of Corrections	\$589.2 million	89.8%
Judicial Department	\$264.3 million	77.5%
Department of Law	\$9.1 million	22.7%
Total	\$856.6 million	83.1%

Department of Military and Veterans Affairs — General Fund — \$5.2 million in FY 2006-07 (0.1 percent of total General Fund appropriations). The Department of Military and Veterans Affairs has more than 4,600 Army and National Guard members trained for federal active duty of which some of the military personnel are deployed to Iraq and Afghanistan. Others in the department are trained for preserving life and property during natural disasters and civil emergencies in Colorado.

Other department functions include: maintaining the equipment and facilities for the state military forces; providing for safekeeping of the public arms, military records, and relics and banners of the state; assisting veterans and National Guard members with benefits claims; maintaining the Western Slope Veterans' Cemetery; supporting the Civil Air Patrol and Colorado Wing; and assisting in the fight against the spread of drug trafficking and abuse.

Money from the state General Fund makes up 3.4 percent of total funding while 95.0 percent is from federal funding. Total funding for the department is \$153.4 million in FY 2006-07. The department's General Fund appropriation of \$5.2 million is used for financial support for the Civil Air Patrol and the auxiliary of the U.S. Air Force through the Division of Civil Air Patrol. Thus, the General Fund portion of the department's funding is assumed to be proportionally distributed to all taxpayers because it funds a defense function for the state that benefits all income levels. The federal funding component, 95 percent of the department's funding, is primarily used for veteran benefits that are tied to a veteran's *national* military service.

Aside from General Fund and federal money, the department's budget is funded with cash funds (0.05 percent) and cash funds exempt (1.5 percent).

Table 12
FY 2006-07 Department of Military and Veterans Affairs State Tax Funding
Lower-Income (39.3%), Middle-Income (41.1%), and Higher-Income (19.6%)

Funding Source	\$ to All Income Levels	% of Total Department Budget
General Fund	\$5.2 million	3.4%

Department of Natural Resources — General Fund — \$28.4 million in FY 2006-07 (0.4 percent of General Fund appropriations). The Department of Natural Resources is comprised of 8 separate divisions, only 2 of which receive an appropriation from the General Fund: the Division of Parks and Outdoor Recreation and the Division of Water Resources (a.k.a. State Engineer’s Office). The Executive Director’s Office also receives part of its funding from the General Fund. Divisions that do not receive any General Fund include the Division of Reclamation, Mining, and Safety; the Colorado Geological Survey; the Oil and Gas Conservation Commission; the State Land Board; the Colorado Water Conservation Board; and the Division of Wildlife. Because the services provided by the department benefit the entire population, the General Fund appropriation to the Executive Director’s Office is assumed to be provided to all income levels. General Fund makes up only 14.6 percent of the department’s total budget; the rest of the department's budget is funded with cash funds (20.7 percent), other cash funds exempt (56.1 percent), and federal funds (8.6 percent).

The Division of Parks and Outdoor Recreation manages 47 parks and various recreation programs throughout Colorado. The \$2.7 million in General Fund it received in FY 2006-07 comprises about 10 percent of its budget. The department contracted with PricewaterhouseCoopers in 2003 to conduct a market assessment study which found that Coloradans visiting state parks were most likely to have an average gross household income of \$46,000 per year. It is thus assumed that park visitors are representative of all income groups and that the Division’s services are provided proportionately to all income levels.

The Water Resources Division, also known as the Office of the State Engineer, is responsible for the administration of all surface and ground water rights in Colorado. The \$18.6 million General Fund appropriation it received in FY 2006-07 comprises 90.0 percent of the division’s budget and is used primarily for personnel expenses. Because the entire population of the state benefits from the division's services, it is assumed that the division’s services are provided proportionately to all income levels.

Table 13
FY 2006-07 Department of Natural Resources State Tax Funding
Lower-Income (39.3%), Middle-Income (41.1%), and Higher-Income (19.6%)

Division	General Fund Appropriation \$ to All Income Levels	% of Total Department Budget
Executive Director’s Office	\$7.1 million	3.6%
Parks and Outdoor Recreation	\$2.7 million	1.4%
Division of Water Resources	\$18.6 million	9.6%
Total	\$28.4 million	14.6%

Department of Transportation — an estimated \$520.2 million General Fund (over the six percent limit) and \$756.4 million Highway Users Tax Fund in FY 2006-07. The Department of Transportation’s mission is to operate and maintain the state highway system, including managing over 150 current highway projects, repairing road damage, plowing snow, and developing and implementing the State’s Highway Safety plan. The department also assists local governments with their transportation infrastructure and maintains the statewide aviation system plan. Because the entire population of the state benefits from the state’s roadway system, it is assumed that these services are distributed proportionately among all income levels.

While the department does not generally receive a General Fund appropriation, it receives General Fund from the SB 97-1 diversion and the transfer of two thirds of the excess General Fund reserve as a result of HB 02-1310. The department also receives approximately 55 percent of motor fuel taxes, motor vehicle registration fees, and drivers license fees deposited into the Highway Users Tax Fund (HUTF).

SB 97-1 diverts 10.355 percent of sales and use taxes to the department for use on strategic transportation projects during any year in which there is sufficient money in the General Fund to allow General Fund appropriations to increase by the 6 percent limit and to fully fund the 4 percent statutory General Fund reserve. Based on the March 2007 revenue forecast, a full diversion equal to \$228.9 million will occur.

HB 02-1310 transfers two thirds of the excess General Fund reserve to the department. A total of \$291.3 million has already been transferred to the department this year from last year’s excess General Fund reserve. This year’s reserve will be transferred next year. This money is also required to be spent on strategic transportation projects.

Other state taxes for transportation. Based on the March 2007 revenue forecast, a total of \$558.0 million in motor fuel taxes, \$181.9 million in motor vehicle registration fees, and \$16.5 million in drivers license fees will be collected by the state in FY 2006-07. The Department of Transportation receives about 55 percent of this, with the remainder distributed to counties and municipalities.

Table 14
FY 2006-07 Department of Transportation State Tax Revenue

March 2007 Forecast

Lower-Income (39.3%), Middle-Income (41.1%), and Higher-Income (19.6%)

Total	% to All Income Levels
\$1,276.6 million	100.0%

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