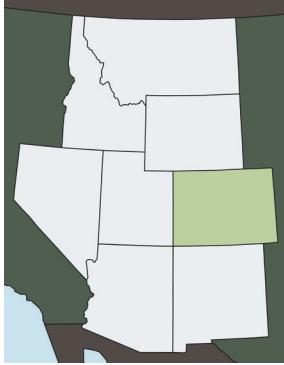# COLORADO Budget Report Card

TWENTY YEARS AGO, Colorado's state worker pension was 99 percent funded. But in following years the funding ratio slipped below 60 percent as benefits were increased, investment returns did not hit expected levels, and the state's annual contributions fell short of those recommended by actuaries.

These practices contributed to Colorado's below-average pension funding ratio and to its D average in legacy costs for fiscal 2015 through 2019. But legislators set the stage for improvement in 2018, when they began to phase in hikes in the retirement age for future retirees, increases in annual contributions for employers and workers, and reductions in cost-of-living benefit raises. These steps helped raise the pension funding ratio from 59 percent in 2018 to 65 percent in 2019. What saved Colorado from a bottom-dwelling D-minus average was its funding of other postemployment benefits (OPEB), primarily health care, in line with actuarial recommendations in all five years studied.

While Colorado failed to receive an A average in any area, it took Bs in budget maneuvers, reserve funds, and transparency. In budget maneuvers, the state lessened use of one-time actions to achieve balance. For example, in 2018, its university system stopped relying on a one-day shift in payroll obligations from one fiscal year to the next, the practice followed in 2015–17.

Although Colorado does not have an official rainy day fund, it has policies similar to those in other states for using and replenishing general fund balance. It does not consider revenue volatility in policies governing the fund balance, however, a shortcoming shared by twenty-nine other states.

MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D-	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

COLORADO Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	C	C	C	C	C	
Consensus Revenue Forecasts	✗	✗	✗	✗	✗	
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗	● ● ● ● ●
Revenue Growth Projections	✓	✓	✓	✓	✓	
			5-YEAR AVERAGE	C		

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	C	C	C	B	A	
Deferring Recurring Expenditures	✗	✗	✗	✓	✓	●
Revenue and Cost Shifting	✗	✗	✗	✗	✓	●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓	● ● ●
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓	
			5-YEAR AVERAGE	B		

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	D	D	D	D	D	
Public Employee OPEB Funding	✓	✓	✓	✓	✓	
Public Employee Pension Funding	✗	✗	✗	✗	✗	
Public Employee Pension Funded Ratio*	60%	46%	47%	59%	65%	● ● ● ● ●
			5-YEAR AVERAGE	D		

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	B	B	B	B	B	
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	● ● ● ● ●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗	
			5-YEAR AVERAGE	B		

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	B	B	B	B	B	
Consolidated Budget Website	✓	✓	✓	✓	✓	
Provides Debt Tables	✓	✓	✓	✓	✓	● ● ● ● ●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	
Discloses Tax Expenditures	✓	✓	✓	✓	✓	
			5-YEAR AVERAGE	B		

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.
* **SOURCE** Bloomberg.

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