



PUTTING PENSION COST IN CONTEXT: COLORADO

This brief on Colorado is part of a series of state reports that compare pension obligation to subsidy spending for either FY 2018 or FY 2019, depending on data availability.

The measure chosen for pension obligation is the employer normal cost, which is the portion of the total normal cost (i.e. present value of future benefits allocated to a particular fiscal year) that is attributable to employers. The employer normal cost is obtained from annual financial statements and actuarial valuation reports – either extracted directly or calculated by: 1) multiplying covered payroll by the employer normal rate; or 2) subtracting the employee share from the total normal cost; or 3) subtracting legacy costs (i.e. annual payment needed to amortize the unfunded actuarial accrued liabilities) from actuarially determined employer contribution. Where the necessary information is not provided, the employer normal cost is estimated by multiplying the total normal cost by the actuarially determined employer contribution (rate) as a percentage of total contribution (rate).

The cost of economic development incentive programs is obtained from annual reports from economic development agencies, state tax expenditure reports, and GASB Statement No. 77 Tax Abatement Disclosures in annual financial reports. We also consider corporate tax dodging via offshore tax havens as reported by U.S. PIRG. Where data for a particular program or tax expenditure is not available for the year of study, the most recent data (but no earlier than 2016) is used as an estimate.

2018 Colorado Public Employee Pension Obligations	\$378,203,901
2018 Cost of Colorado Subsidies and Corporate Tax Breaks	\$757,983,403

The public retirement system in Colorado consists of Fire and Police Pension Association (FPPA) and Colorado Public Employees' Retirement Association (PERA). The latter is made up of five divisions of membership: state, local, and school employees, judges, and employees of Denver Public Schools. Market volatility has triggered increases in employee and employer contributions. The total employer normal cost valued for 2018 is \$378.2 million [1-3]. As both workers and the state are paying more to remedy the shortfall, it is time to re-evaluate the over \$700 million in yearly incentives given out to corporations.

When it comes to tax and fiscal policy, Colorado is perhaps most known for its Taxpayer Bill of Rights (TABOR), which severely restricts how much money the state and its local governments can collect and spend. Because of this budgetary constraint, Colorado's economic development incentives

are relatively moderate in both number and magnitude, especially at the state level. Even so, as the figures above indicate, the state still spent more than twice as much revenue as it needed to fulfill its 2018 pension obligations.

State-level subsidy spending mainly goes to tax credits for oil and gas production, enterprise zones, and incentives for high-tech industries, which adds up to hundreds of millions of dollars. Other subsidies such as the Strategic Fund, job tax credits, cash support, and a sales tax diversion for local tourist attractions make up just about \$20 million [4-7]. Corporate tax dodging using offshore tax havens constitutes a substantial revenue reduction – over \$250 million according to the latest available data [11]. In addition, Colorado has resumed an uncapped “vendor discount” allowing retailers to keep a share of the sales tax they collect from consumers as a servicing fee. In 2017, this vendor’s compensation, including the discount on cigarette and tobacco sales, amounted to \$103.6 million in foregone sales tax revenue [10].

Colorado has struggled for many years with its fiscal health because of TABOR. With revenues already depressed, tax abatements, even moderate ones, can strain the budget for infrastructure, schools, public safety, health care, higher education, and public employees’ pensions. As the tabulations in this report clearly demonstrate, for Colorado, reducing corporate subsidies can go a long way to salvage the revenue needed to meet its yearly public pension obligations and reduce the burden on both employees and employers.

Subsidy Program Costs

Economic Development Subsidies and Corporate Tax Breaks	Subsidy Amount
Colorado Enterprise Zone Business Tax Credits [4]	\$54,515,000
Colorado Enterprise Zone Contribution Tax Credits [4]	\$14,567,000
Job Growth Incentive Tax Credits [4]	\$6,885,000
Regional Tourism Act [4]	\$6,398,000
Historic Preservation Tax Credit [4]	\$4,148,000
Strategic Fund Incentive + Strategic Fund Initiative [5]	\$4,935,168
Transferable Tax Credits [5]	\$13,000,000
Advanced Industries Accelerator Program [6]	\$12,181,260
Advanced Industries Investment Tax Credit [7]	\$2,900,000
Cash Collateral Support Program* [8,9]	\$2,800,000
Oil and Gas Ad Valorem Tax Credit** [10]	\$271,824,000
Vendor’s Discount/Compensation [10]	\$103,587,000
Colorado First and Existing Industry Job Training Grant**	\$5,678,775
Corporate tax dodging via offshore havens [11]	\$254,564,200
TOTAL	\$757,983,403

* 2018 data not available. The number reported here is estimated by averaging the 2017 and 2019 data.

** Latest available data is from 2016 and 2017 and used here as an estimate for 2018. The source for job training grant was obtained from [Subsidy Tracker](#) by Good Jobs First.

Source Documents

(Accessed February 6, 2020)

- [1] Colorado Public Employees' Retirement Association. 2017. "Report on the Actual Valuation." <https://www.copera.org/sites/default/files/documents/2017valuation.pdf>.
- [2] Colorado Public Employees' Retirement Association. 2018. "Comprehensive Annual Financial Report for the Year Ended December 31, 2018." <https://www.copera.org/sites/default/files/documents/5-20-18.pdf>.
- [3] Colorado Fire and Policy Pension Association Statewide Defined Benefit Plan. 2019. "Actuarial Valuation Report for the Year Beginning January 1, 2019." https://www.fppaco.org/PDF/ER/ER-Actuarial-OH-Vol/SWDB_ValReport_2019_final.pdf.
- [4] Colorado Office of the State Comptroller. 2018. "Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018." https://www.colorado.gov/pacific/sites/default/files/State_of_Colorado_CAFR_FY2018.pdf.
- [5] Colorado Economic Development Commission. 2018. "Annual Report Fiscal year 2017-18." https://choosecolorado.com/wp-content/uploads/2018/11/EDC_signed-Annual-Report-FY-2017-18_FINAL-1.pdf.
- [6] Colorado Office of Economic Development and International Trade. 2018. "Advanced Industry Accelerator Grant Program Update as of June 30, 2018." <https://choosecolorado.com/wp-content/uploads/2016/07/AI-Annual-Report-2018-Final.pdf>.
- [7] Colorado Office of Economic Development and International Trade. 2018. "Annual Report | 2018." https://choosecolorado.com/wp-content/uploads/2018/11/OEDIT-Annual-Report-2018_final-1.pdf.
- [8] Colorado Office of Economic Development and International Trade. 2019. "Annual Report | 2019." <https://choosecolorado.com/wp-content/uploads/2019/11/OEDIT-Annual-Report-FY19-pursuant-to-24-48.5-101-7.pdf>.
- [9] Colorado Housing and Finance Authority. 2017. "Annual Financial Report December 2017 and 2016." <https://choosecolorado.com/wp-content/uploads/2018/11/2017-CCS-SSBCI-Annual-Report.pdf>.
- [10] Colorado Department of Revenue. 2018. "Tax Profile & Expenditure Report 2018." <https://www.colorado.gov/pacific/sites/default/files/2018%20TP%26E%20%28DR%204016%29.pdf>.
- [11] U.S. PIRG Education Fund. 2016. "Picking up the Tab 2016: Small Businesses Bear the Burden for Offshore Tax Havens." <https://uspirg.org/sites/pirg/files/reports/USP%20PickTab%20Nov16%201.0.pdf>