COMMON SENSE INSTITUTE

2020 BALLOT GUIDE

Prop. #118: Paid Family & Medical Leave Insurance Program

Proposes to create a state-run paid leave insurance benefit program. The program would include up to 90% wage replacement and cover up to 12 to 16 weeks of leave ranging from bonding with a newborn to personal injury, & combine benefits usually offered separately by paid family leave & short-term disability programs.

- Compared to other states with existing state-run programs, Colorado's would have some of the most generous benefits in the nation.
- **Solvency** - If the program starts at a claims rate of 6.2% and an average length of leave of 9.5 weeks, the 2023 premium collections will not be sufficient to cover benefit and administrative costs in the first year of the program in 2024. In 2025, once the premium can increase to 1.2%, the program utilization can at most increase to a level equivalent to a claims rate of 7.5% & an average length of leave of 10.2 weeks while maintaining solvency. **Any higher utilization and the program would face insolvency and likely require further legislative action.**
- **Direct Costs** – The three constructed scenarios show a range of wage premiums to fund the benefit of .71%, 1.12% & 1.70%.
  - This is an annual premium of $178, $281 or $425, for an individual making $50,000, respectively.
  - Given the current flat income tax of 4.63%, the wage premiums amount to **between a 10% to 18% increase in income related taxes on those wages.** The state government, a large employer required to participate in the program, would see the single year cost of between $39,000,000 and $94,000,000.
  - In 2025, total premiums to be paid by employers could total over $1.34 billion. **This would be an effective increase of the corporate income tax of 204%.**
- **Indirect Costs – Given the one size-fits-all approach, some businesses will face much higher costs.** A restaurant which must replace nearly 100% of the workers who take leave, would see their already low margin be reduced by 10%. On the other hand, a higher wage biotech research company, with a high margin, would see a decline in their margin of 2% & a per employee net cost of $545.

News

Paid family leave program could have $1.34 B price tag for employers
"In 2025 once the program is matured, Colorado employers would pay an estimated $1.34 billion in premiums, said the report, presented Wednesday by the CSI.."
Center Square: September 9, 2020, by Derek Draplin
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Full Report: *www.commonsenseinstituteco.org/proposition-118-a-statewide-paid-family-and-medical-leave-program-for-colorado-but-at-what-cost/*

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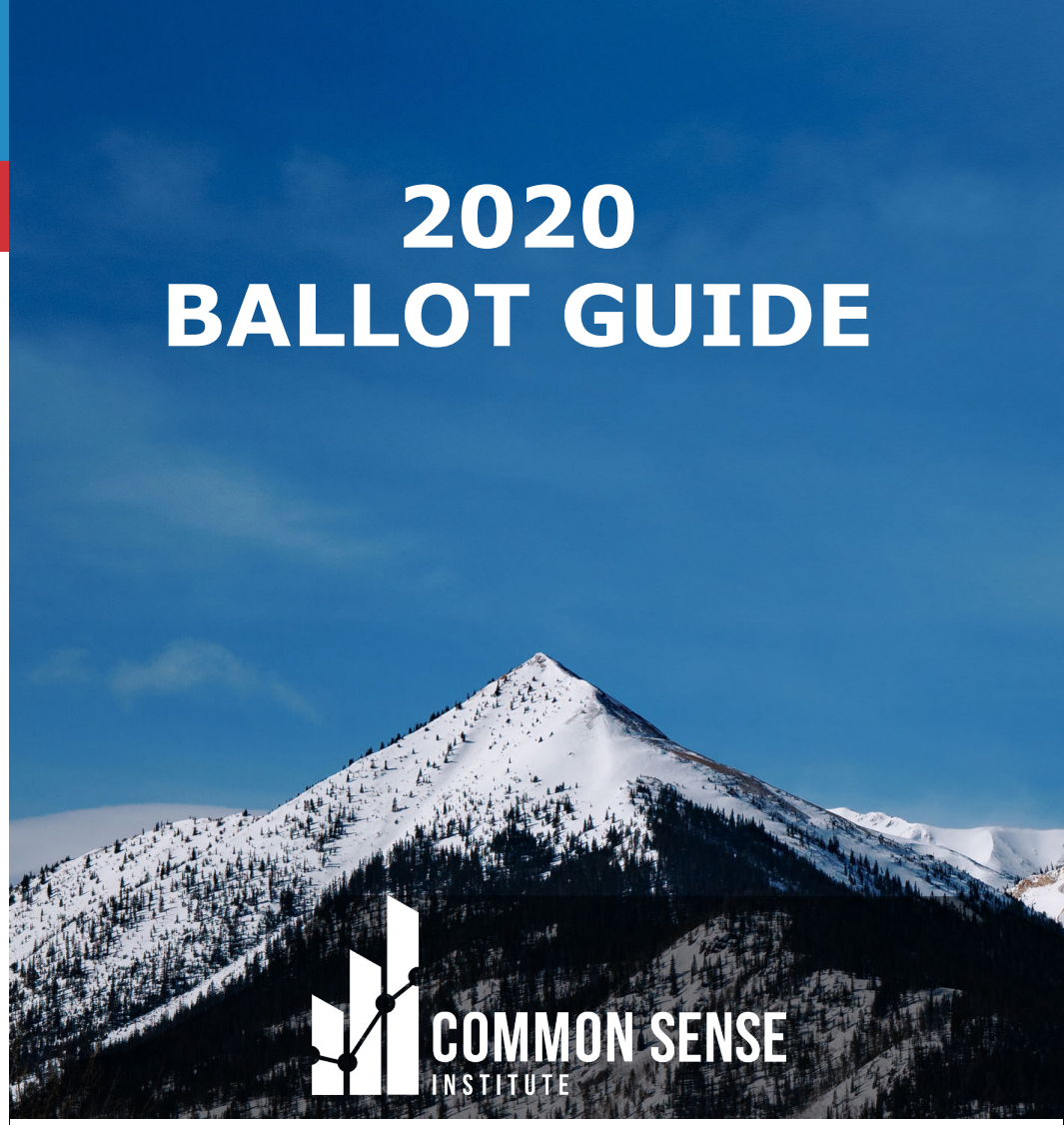

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Colorado's economy.

CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives.

For full analysis, please visit www.commonsenseinstituteco.org

Amendment B: Repeal of the Gallagher Amendment

Would provide a temporary solution to Colorado's system of property taxation. If passed, Amendment B would freeze the residential assessment rate at 7.15% and most non-residential assessment rates at 29%.

If passed

- Freezing the residential assessment rate would halt the anticipated reduction to 5.88%, estimated to reduce property tax revenue by nearly $700 million.
- Residential homeowners will likely pay higher taxes in the future, as property taxes will grow in-line with home values.
- The legislature would be able to lower all rates in future years, but still cannot raise rates, unless referred to voters.

If failed

- The anticipated reduction in the residential rate to 5.88%, & associated reduction in local tax revenue, would likely prompt further gov't & fiscal responses, including increasing local mill levies which dis proportionally impacts non-residential property.
- Lower property tax revenue to K-12 school districts will increase the pressure on the state budget to backfill funding for education. DOLA modeling indicates that revenue to school districts would have experienced a reduction in revenue from 2018 to 2019, if the anticipated lower assessment rate of 5.88% were enacted.

Full Report: *www.commonsenseinstituteco.org/the-inherent-tradeoffs-in-amendment-b/*

Prop. #116: State Income Tax Reduction

Proposes to reduce Colorado's flat income tax rate, which applies to individuals and businesses, from 4.63% to 4.55%.

- **In its first full year effective, it will decrease state tax revenues by almost $160m—1.7% of total projected collections.**
- If passed, the private sector would add between 896 & 1,384 jobs. The net employment impact will on average be a reduction of 324 jobs or an addition of 1,514, after accounting for reductions in gov't employment growth.
- By year 5, Colorado GDP will have grown between $1m & $55.5m.
- **On average, yearly state gov't revenue will fall between $170.9m & $176.3m relative to the baseline projection.** As a result, the state gov't will have to reduce gov't job growth to meet tighter budget requirements.

News

Common Sense Institute finds net economic gain from income tax reduction
"The business-minded Common Sense Institute added up the costs and savings of Prop.116 to reduce the state's income tax levy from 4.63% to 4.55%…"
Colorado Politics: September 3, 2020, by Joey Bunch
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Full Report: *www.commonsenseinstituteco.org/prop-116-cut-to-co-state-income-tax-rate/*

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Prop. #117: Voter Approval for New State Enterprises

Proposes that with the creation of a new fee or enterprise with a projected or actual revenue from fees and surcharges of over $100,000,000 total in its first five fiscal years must be approved in a statewide general election.

- In 1993, the first year of TABOR limits, only 46% of the total state spending was exempt, or $2,403 per Coloradan in 2019 inflation adjusted dollars. **In 2019, 69% of total Colorado state spending was exempt from TABOR, which equates to an amount of $5,787 per Coloradan.**
- Since the adoption of TABOR, or the Taxpayer's Bill of Rights, voters have approved **only a total of 3 statewide tax revenue increases,** which include increased rates on tobacco products, new taxes on marijuana, and online sports betting. However, during that same time, the state legislature has created 15 new enterprises, resulting in fees to Coloradans and new revenue to the state, without a direct vote of the people. **In FY 2018, total revenue collected from enterprise fees totaled $17.9 billion.**
- In 2018, state enterprise fee revenues were more than **double** what they were in 2008 on a per-Coloradan basis as total revenue from **enterprise fees has grown four times faster than general fund revenue.**
- **In the year 2000, fees amounted to $222 per Coloradan, while General Fund spending amounted to $1,174 per resident. By 2018, fees equaled $3,136 per Coloradan, and General Fund spending equaled $1,864.**
- This means that for every $1 increase in general fund revenue per Coloradan, enterprise fees have gone up $4.22— more than four times faster.

An enterprise is defined as a quasi-government entity that collects and allocates fees for a pre-specified use.

News

Common Sense Institute Examines Initiative 295
"This month, CSI launched a series of studies to examine the 2020 ballot..."
The Villager: July 2, 2020, page 11
Read >>

Common Sense Institute charts the rise in fees against taxes
"CSI applied its calculations to a potential November ballot question on requiring voter approval for raising major fees..."
Colorado Politics: June 18, 2020, by Joey Bunch
Read >>

POINT/COUNTERPOINT: Initiative 295: Yes or no?
"The cost of living in Colorado is on the rise..."
The Gazette: July 5, 2020, by Michael Fields and Marc Snyder
Read >>

Full Report: *www.commonsenseinstituteco.org/initiative-295/*