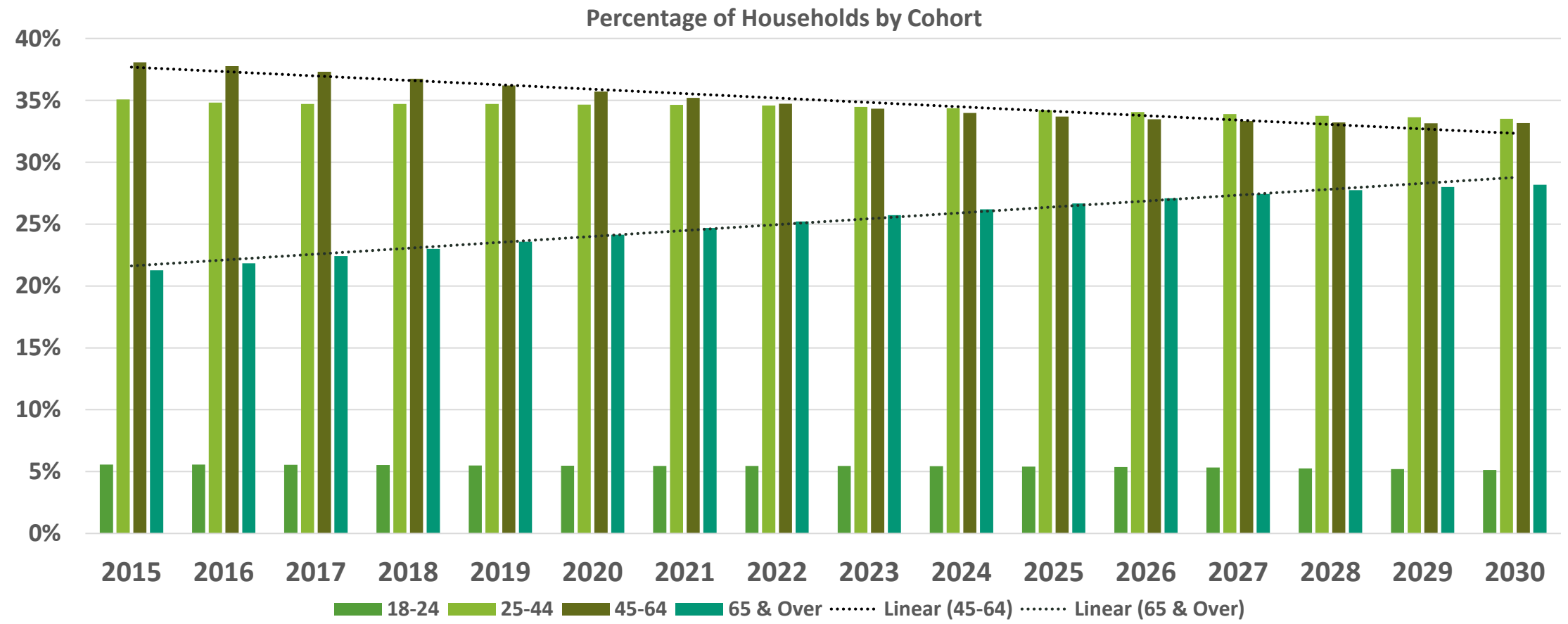


The Effects of Aging on Colorado's Revenue and Expenditures: A View to 2030

COLORADO FUTURES CENTER REPORT TO SAPGA

OCTOBER, 2016

The 65 and Over Cohort Growing as a SHARE of the Total Population



Assumptions

Forecast horizon of 2030

For all revenue and expenditures for which we had sufficient data, we completed forecasts

Forecast assumptions – revenue models

- Assessed impact of aging only
- Held constant all other economic and demographic variables
- Results stated in growth rates of constant dollars
- This is not a budget exercise

Forecast assumptions – Medicaid

- Augmented aging assumptions with HCPF's health care inflation projections

We Studied the Impact of Aging on...

The Revenue System

- Sales Tax
- Income Tax
- State responsibility for the Senior and Disabled Veteran Property Tax Homestead Exemption

State Expenditures

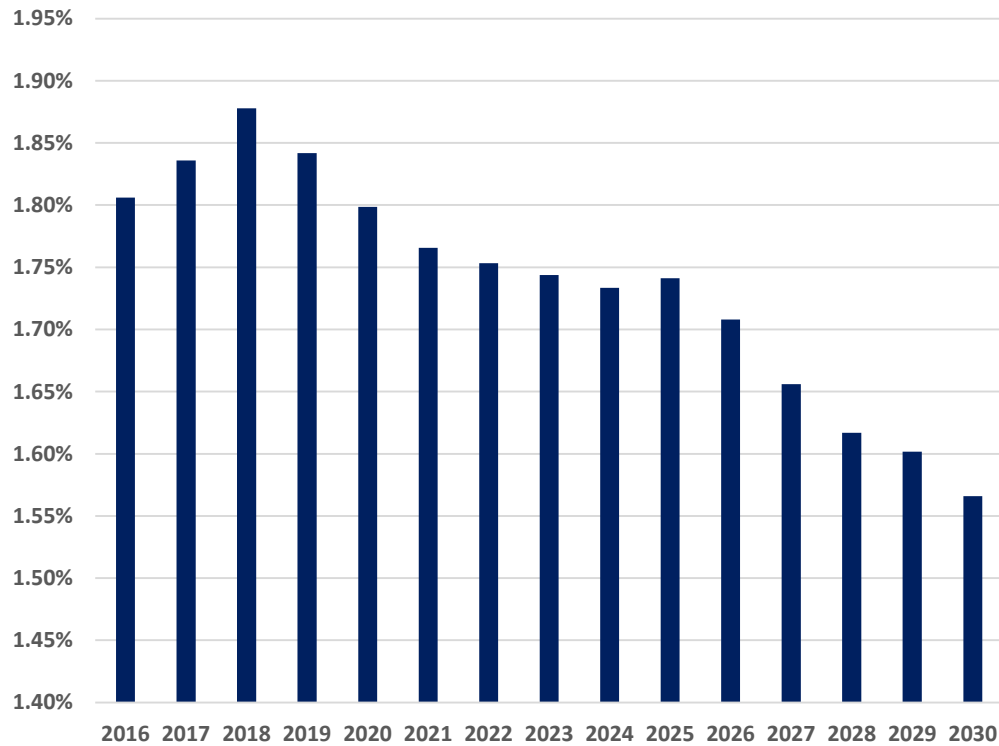
- Medicaid
- Non health care related expenditures

Revenue Findings

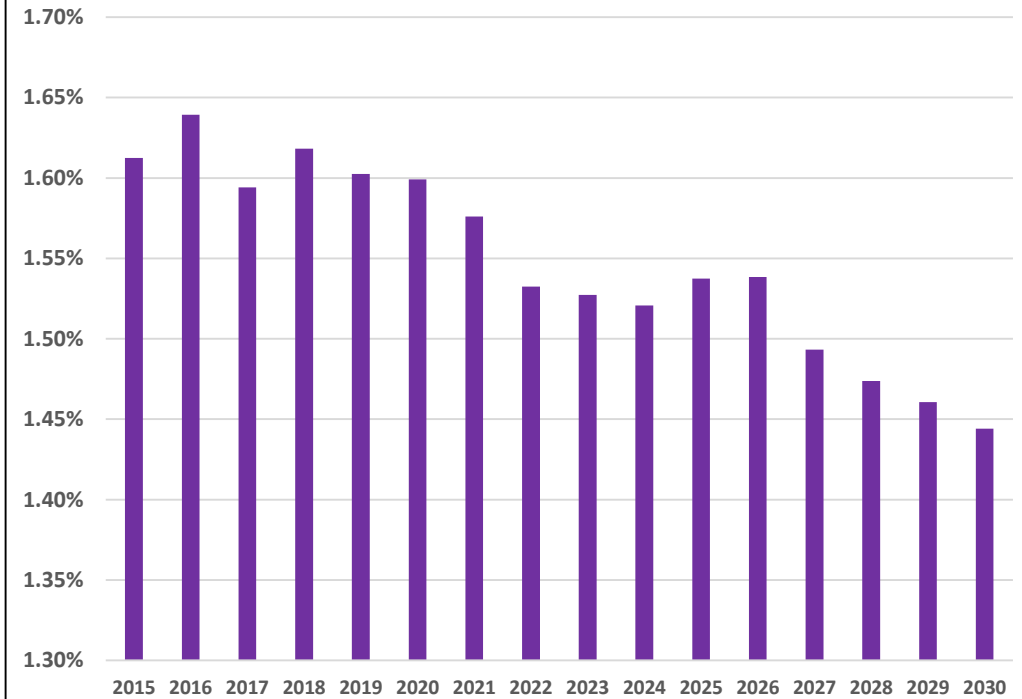
Key Finding: Annual Growth Rates in Real Sales and Income Tax Revenues Will Slow Due to Aging



Growth Rate in Sales Tax Revenue, 2015 Real Dollars

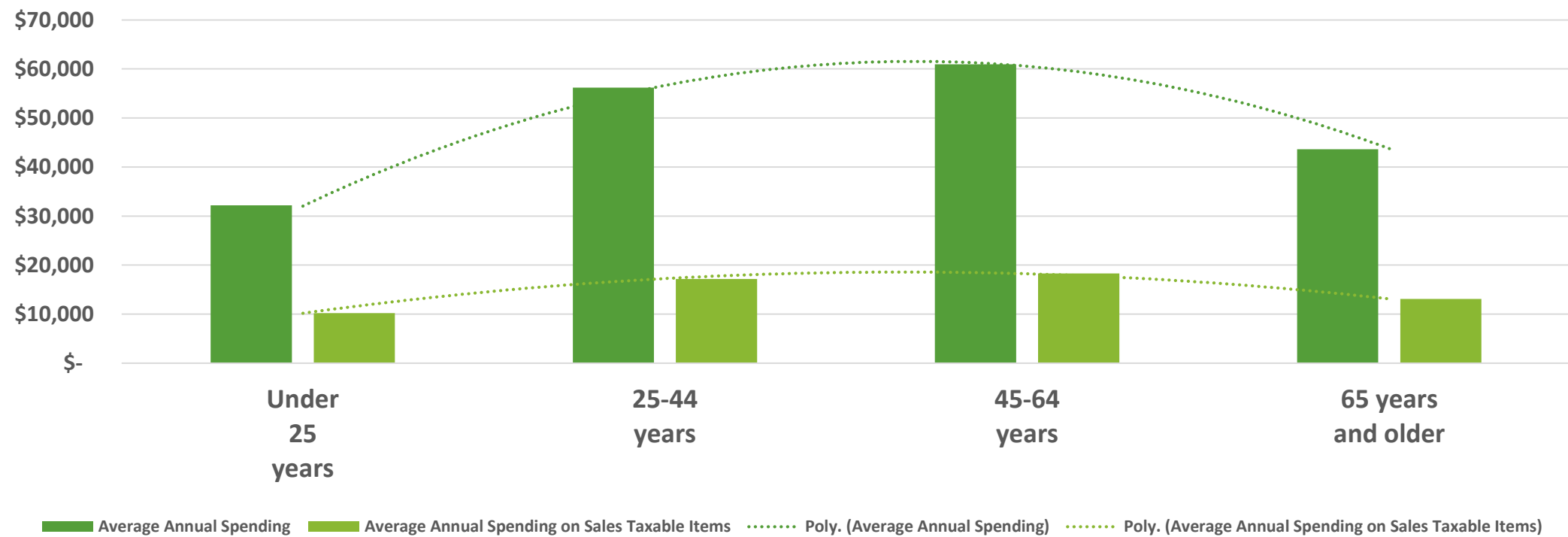


Growth Rate in Income Tax Revenue, 2013 Real Dollars

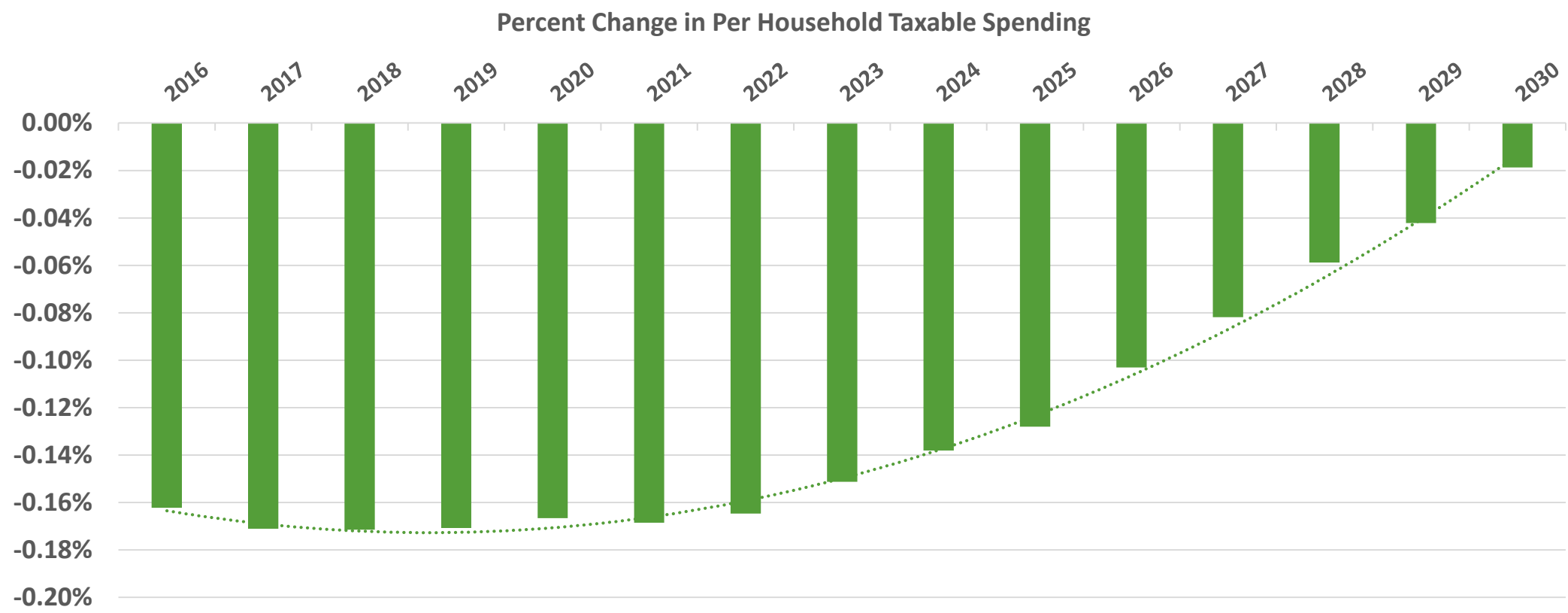


Aging Affects Sales Tax Through Consumption Patterns

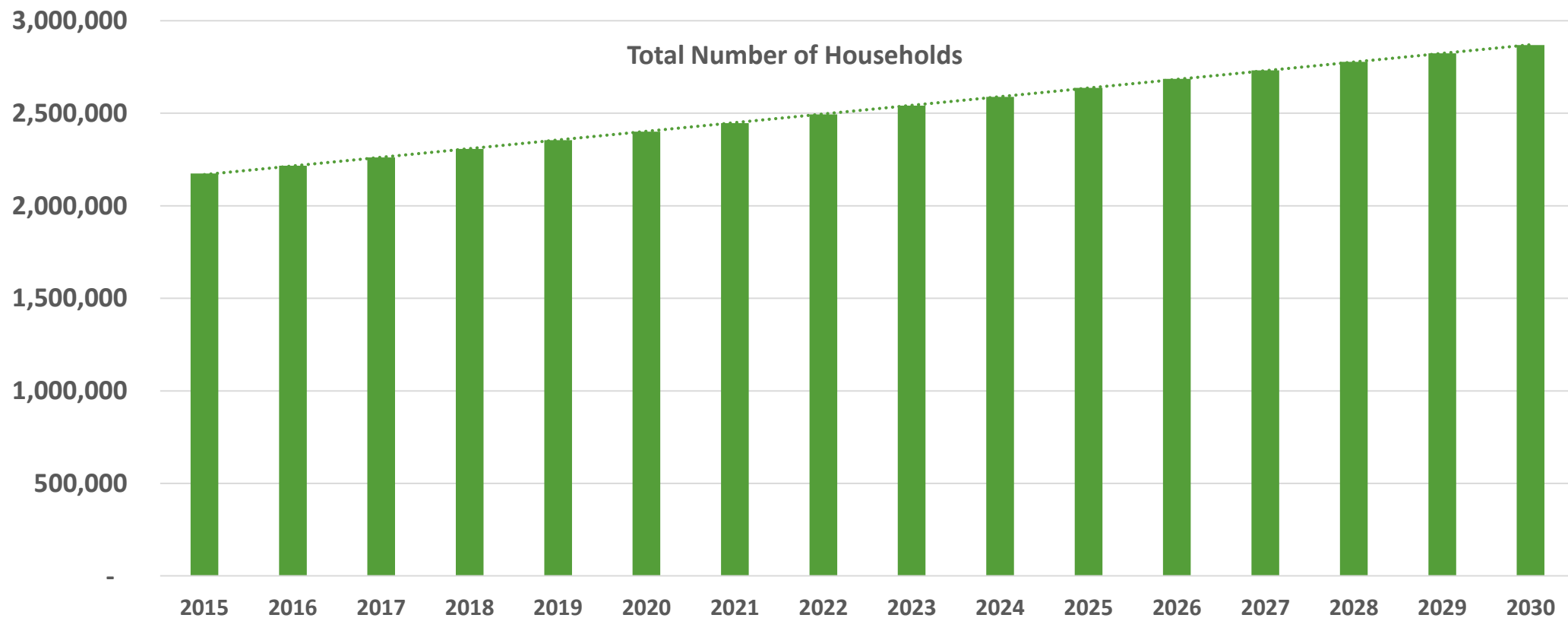
Average Annual Total Spending and Taxable Spending per Household by Age Cohort (\$2015)



The Result is a Decline in Per Household Taxable Spending



Colorado Projected to Continue to Grow

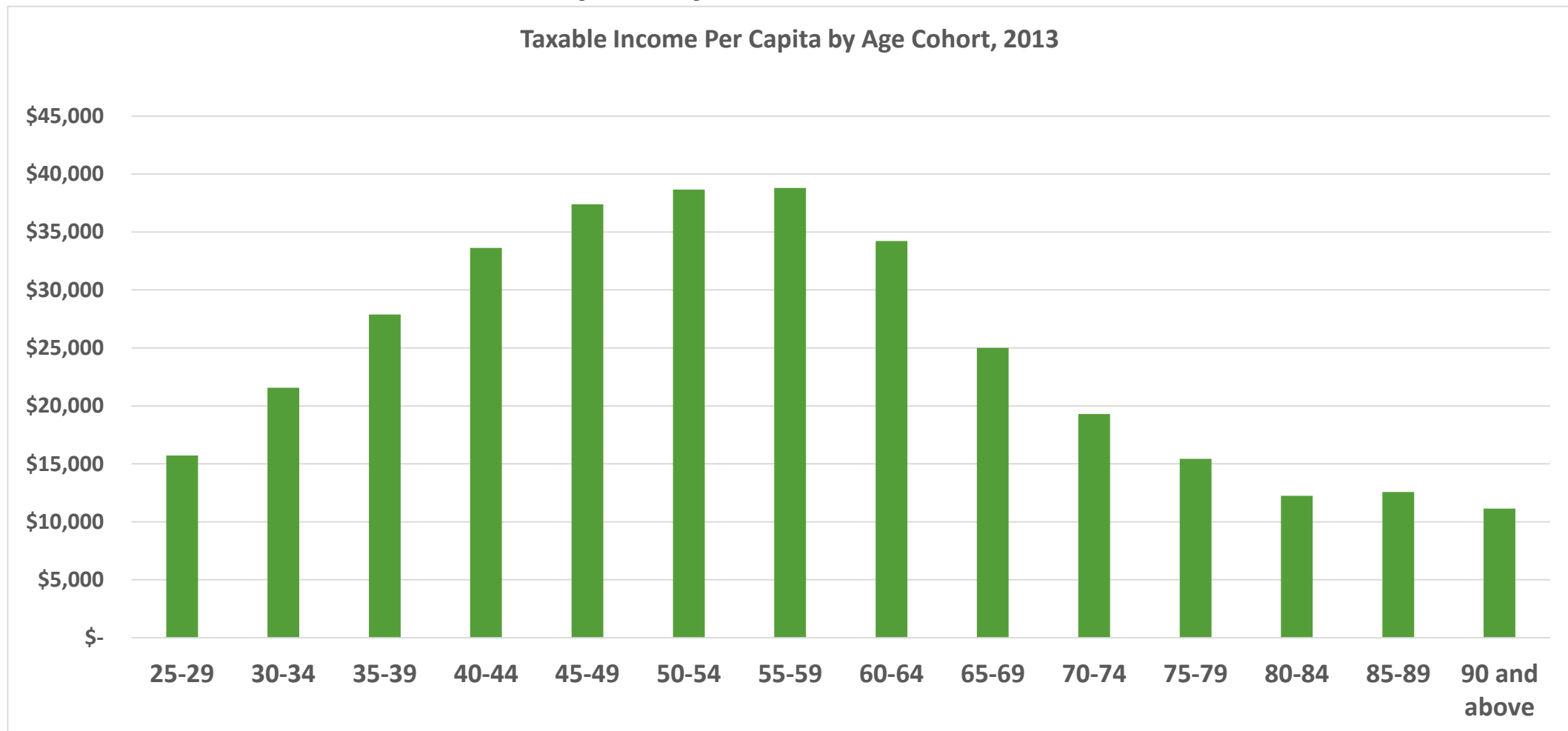


The Result is More Slowly Growing Sales Tax Revenue

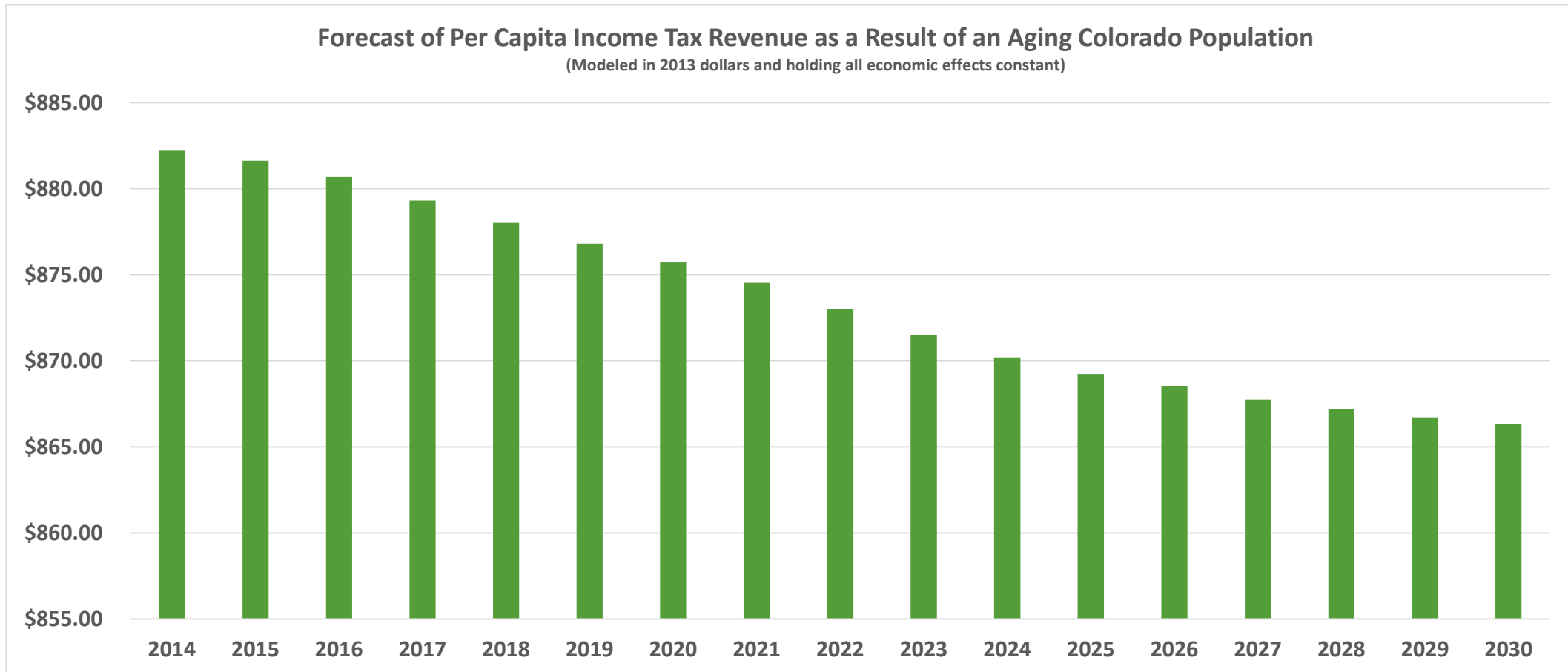
Percent Change in Total Taxable Spending



Income Tax Displays a Similar Pattern

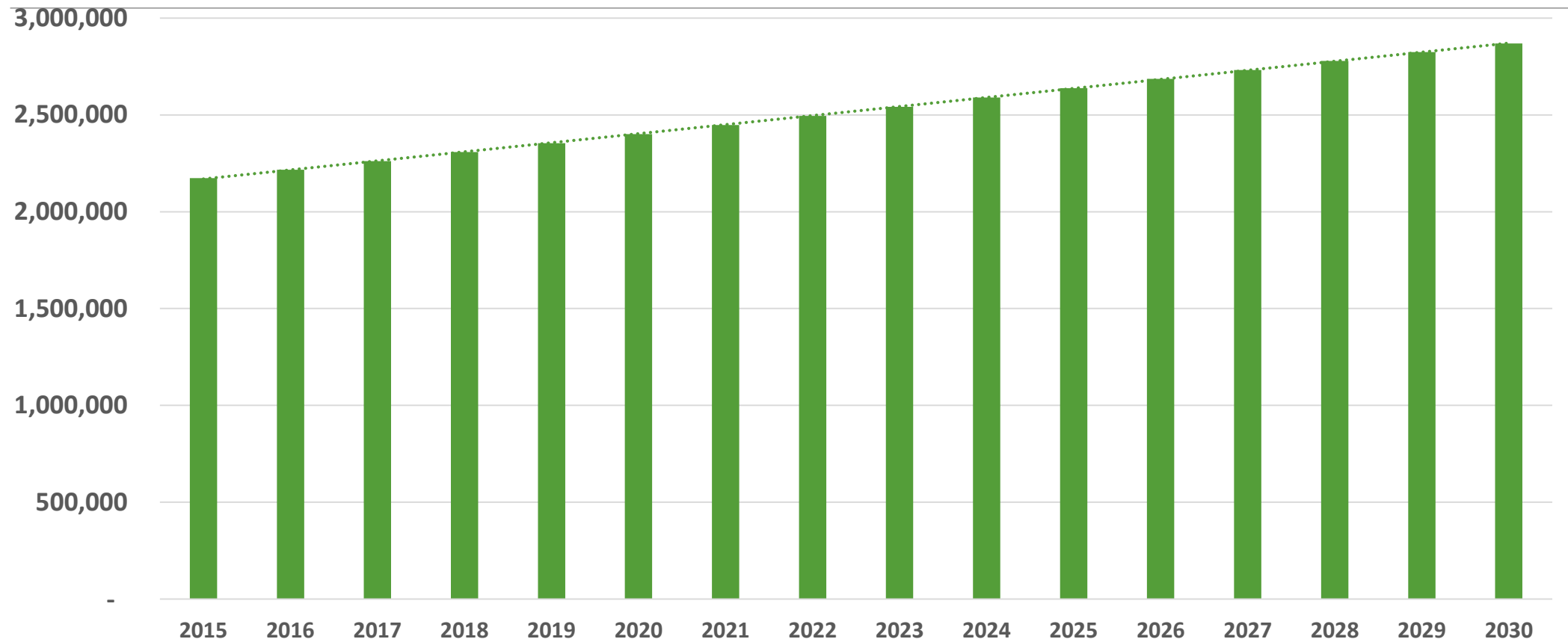


The Increase in Share of Older Coloradans Results in Decline in Per Capita Tax Revenue

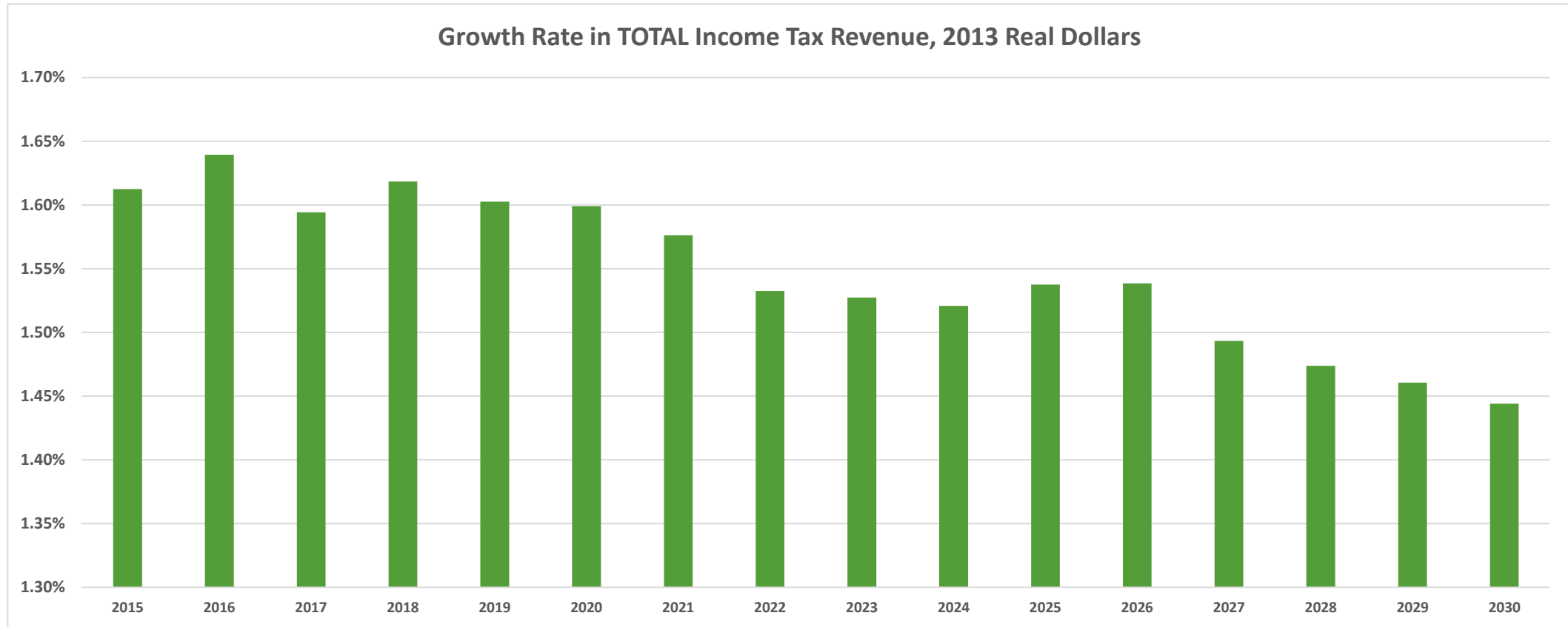


Remember Colorado Continues to Grow

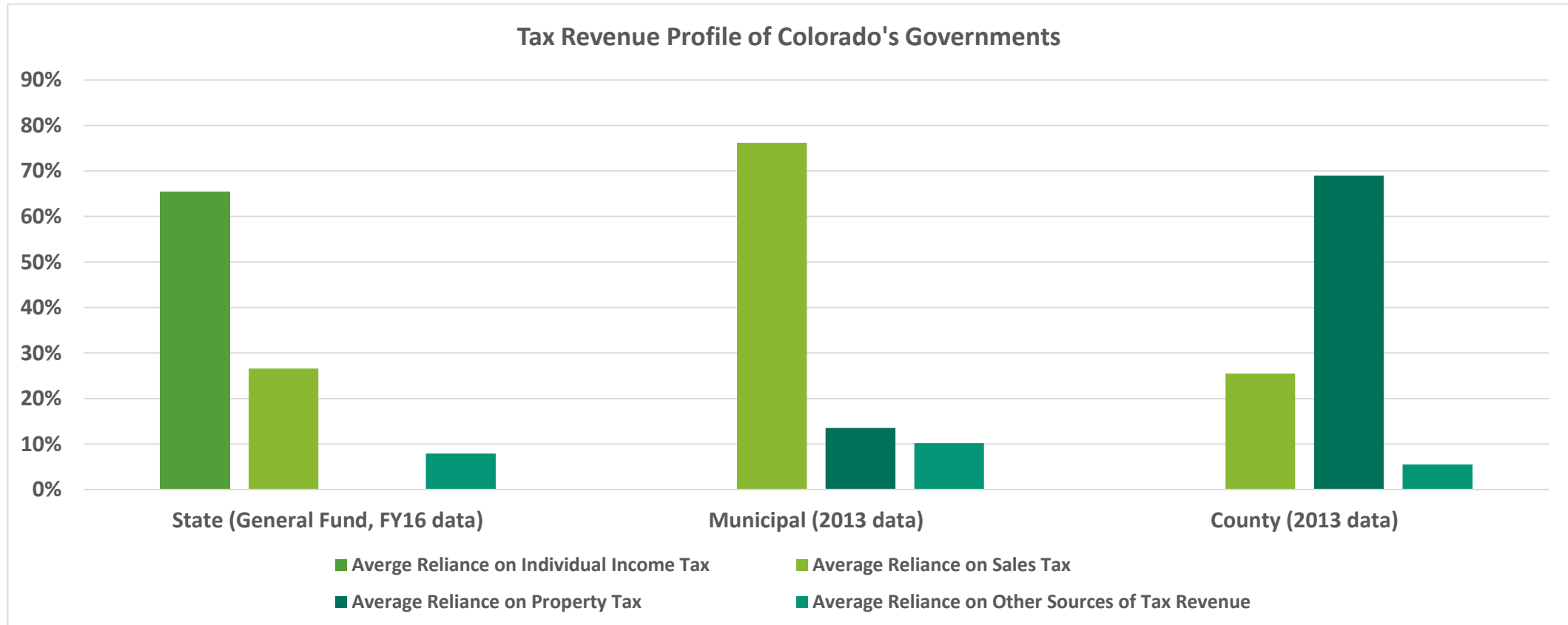
Total Number of Households



Like the Sales Tax, TOTAL Income Tax Revenue Will Continue to Grow but at a Slower Rate

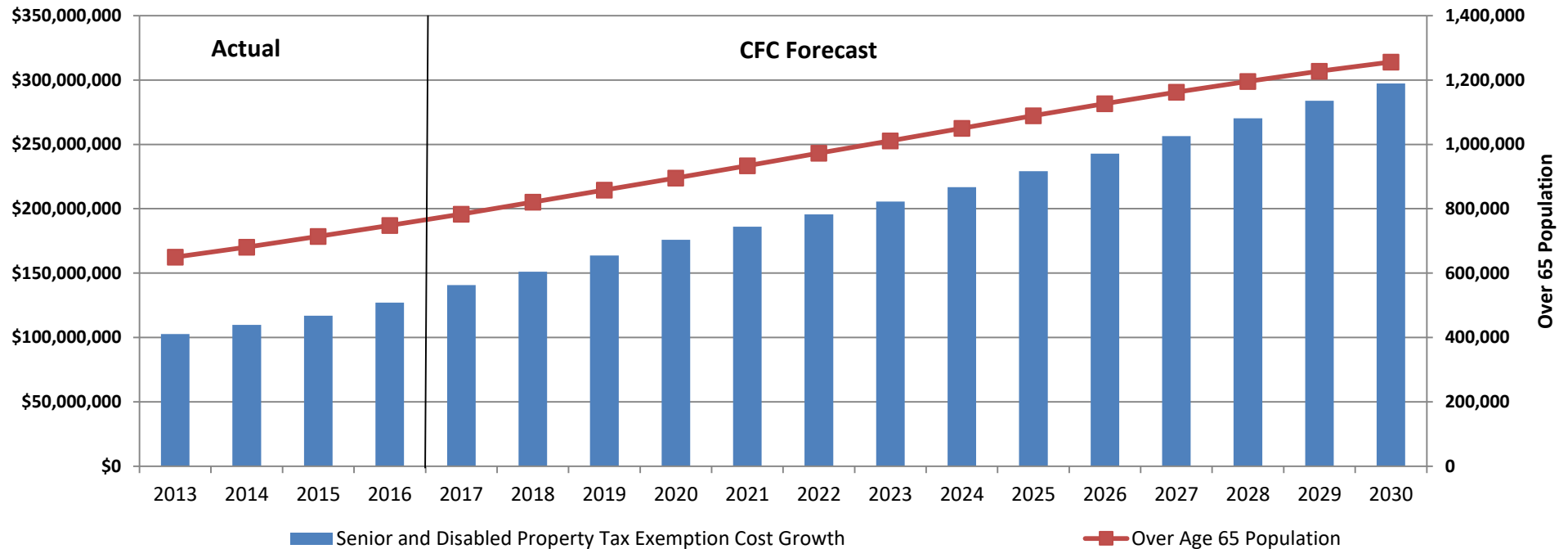


Local Government Impacts will Depend on Relative Reliance on Revenue Sources



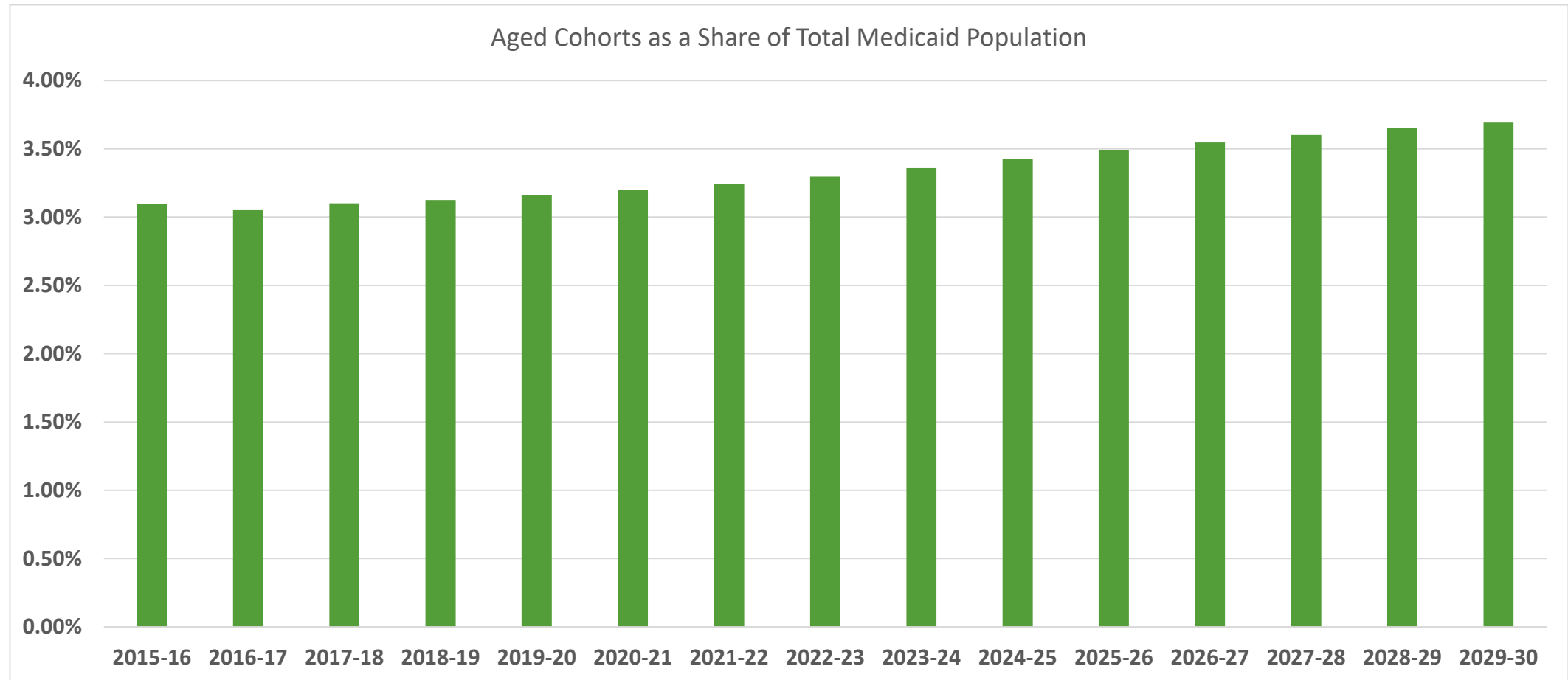
Property Tax Exemption Impacts State Government

Actual and Forecast State Reimbursements to Local Governments for Senior and Disabled Property Tax Homestead Exemption



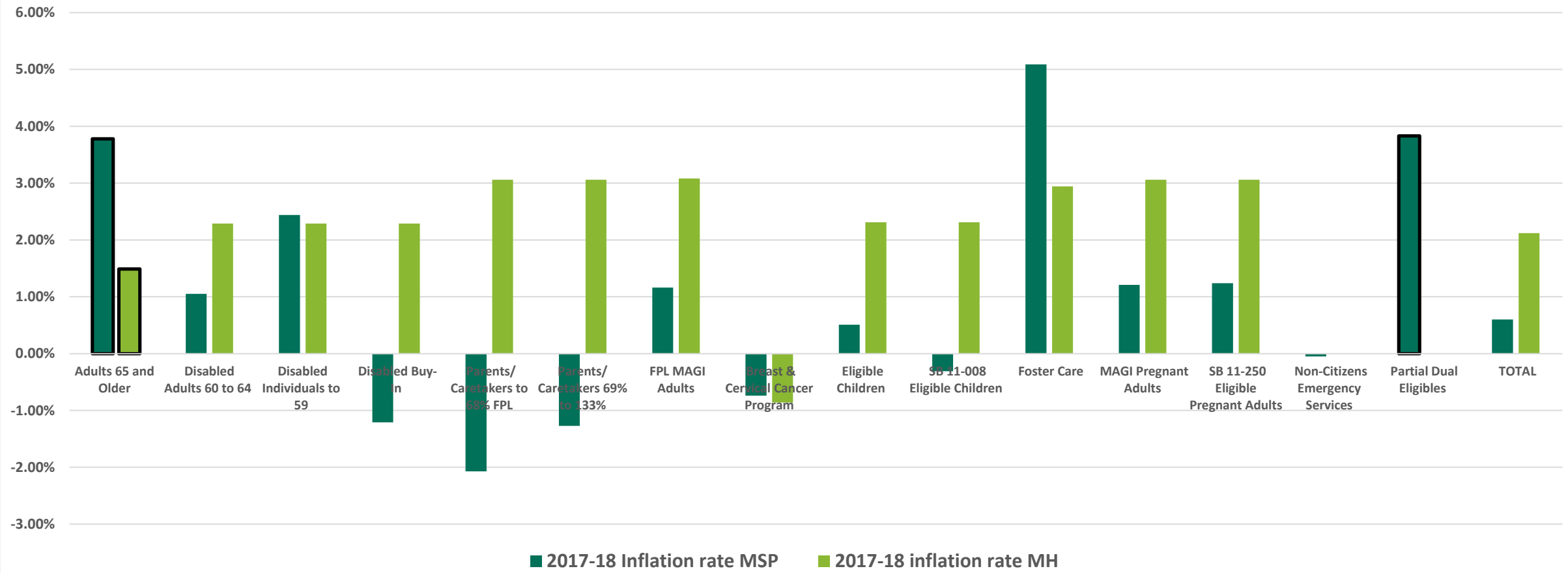
Expenditure Findings

Aging Affects State Budget Most Significantly in the Medicaid Program



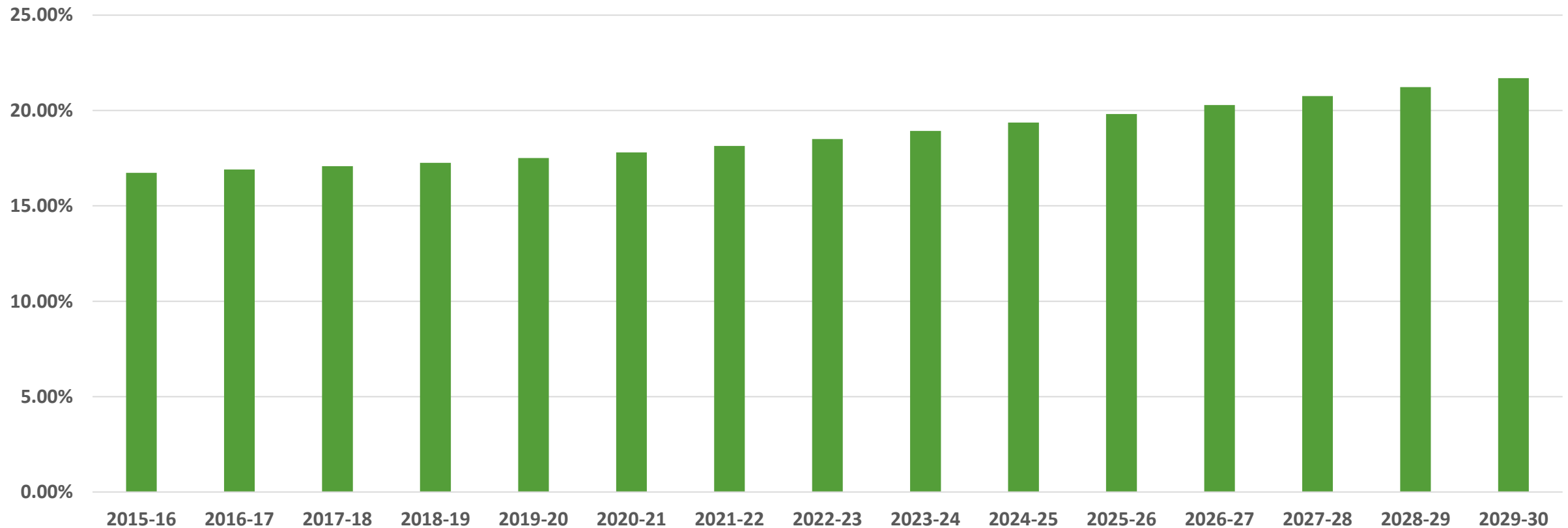
Over 65 Cohorts Most Expensive

Inflation Rates for Per Capita Expenditures by Cohort:
Medical Services Premiums and Mental Health, FY 2017-18



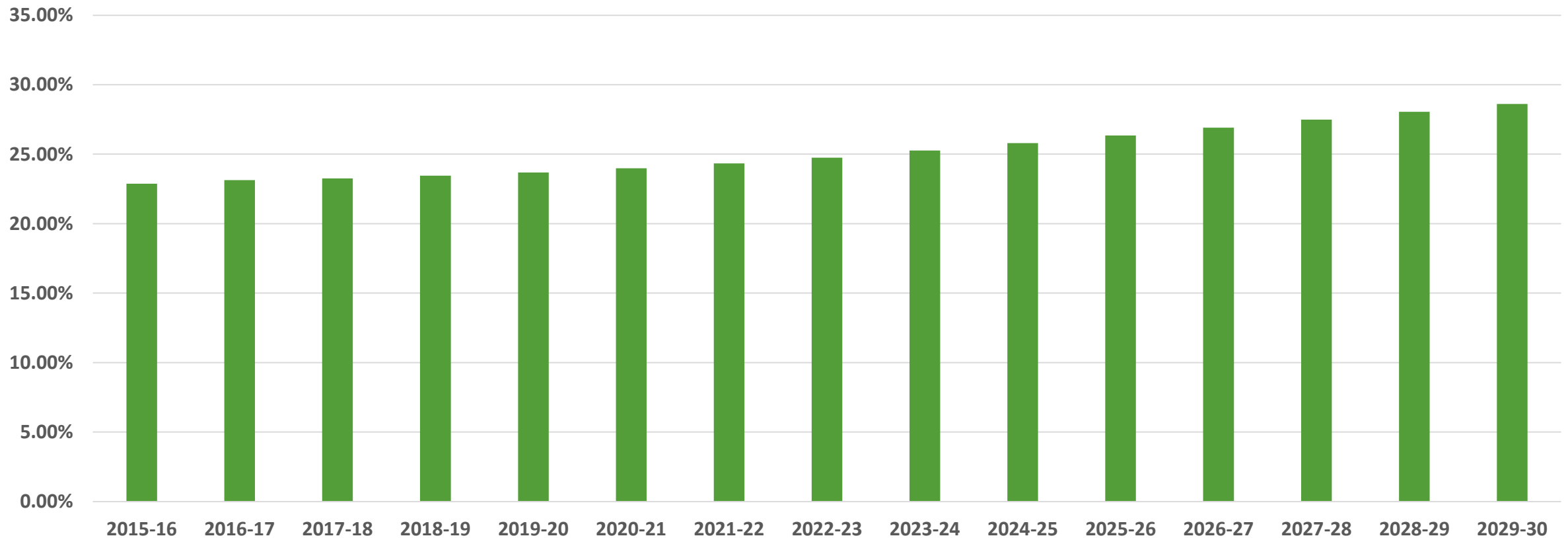
And as a Result, Spending on 65+ Cohorts Grows as a Share of Total Medicaid Program

Aging Related Expenditure as a Share of Total Medicaid Program



Over 65 Cohort Spending an Even Larger Share of the Non-Expansion Population

Aging Related Expenditures as a Share of the Non-Expansion Medicaid Population



Beyond Medicaid, Many Other Program Expenditures Directly Driven by Aging

Old Age Pension Program - Department of Human Services (DHS)

Older Americans Act – DHS

State Funding for Senior Services – DHS

Colorado Dental Health Care Program for Low Income Seniors – Department of Health Care Policy and Financing (HCPF)

Adult Protective Services – Elder Abuse - DHS

Other Programs for Which Aging Also Has an Impact

Colorado Department of Public Health and Environment
(CDPHE) - Health Facility Oversight and Licensing

Prevention Services – CDPHE

Department of Corrections -DOC

Department of Transportation - CDOT

Department of Local Affairs (DOLA) – Division of Housing

Conclusion: Modest Age Related Revenue Impacts Exacerbated with Expenditure Pressure

Sales Tax – The growth rate in real sales tax revenue will decline from a high of just over 1.85% in 2018 to just over 1.55% in 2030.

Income Tax – The growth rate in real income tax revenue will fall from just under 1.65% in 2016 to just under 1.45% in 2030

Medicaid - Age related expenditures in the Medicaid program will grow from 16.73% today to 21.7% of total expenditures in 2030.

Senior Property Tax Exemption – The exemption will grow from a high of 10.7% in FY 2016-17 to 4.7% by FY 2029-30