

Local Impacts

Pueblo, Colorado

Focused on Your Region

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Statewide Local Impacts

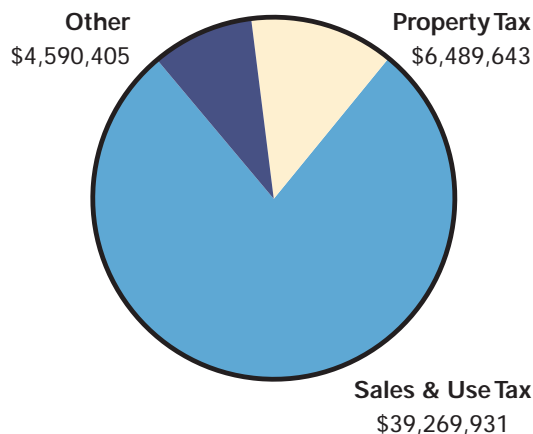
From before statehood, Coloradans have held closely to the philosophy of “local control” when it comes to taxes and government services. While Colorado’s state taxes are below the national average, our local taxes tend to be higher than the national average. The fiscal constraints in our state constitution have had a profound impact on every government entity in the state but no two are alike. Colorado’s counties, cities, towns, school districts, water districts, fire protection districts and other government entities are each unique in demography, economy, tax base and level of government service.

Limitations on Local Revenues

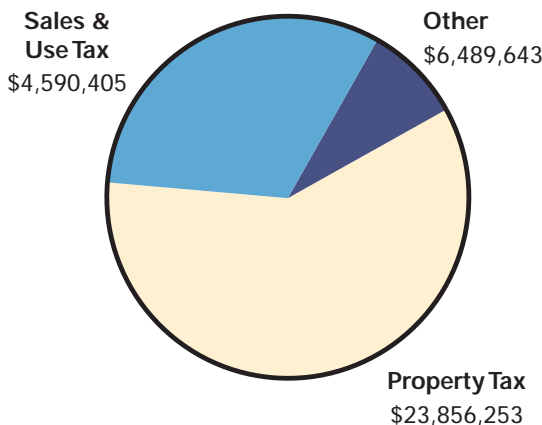
Even before TABOR, Colorado law limited yearly revenue increases for local governments to a 5.5% increase from prior year revenues. In 1993, TABOR modified the local government revenue growth limit to the lesser of the 5.5% limit or the sum of inflation and “annual local growth.” For schools, TABOR caps revenue growth at the rate of inflation plus the increase in student enrollment in each school district. Just as with the statewide TABOR limit, any revenue

beyond the local limit must be refunded to the taxpayers and any changes to the limits are subject to a vote of the people.

**City of Pueblo
Tax Revenue in 2000**



**County of Pueblo
Tax Revenue in 2000**



Annual local growth

is defined by TABOR as inflation plus the net percentage change in real property values of newly constructed property minus destroyed property (net new construction). The TABOR formula does not recognize increases in the actual market value of existing property.

The source and stability of local tax revenue

is directly linked to the local economy. In Las Animas County, the oil and gas industry has been responsible for nearly all the county's assessed valuation growth since 2000. Of the county's \$270 million assessed valuation, the oil and gas industry accounts for \$140 million. One oil and gas company, Evergreen Resources is by far the single largest taxpayer in the county. In Pueblo, voters recently considered redirecting a sales tax for public safety improvements.

TABOR:

Different Growth Limits for Different Levels of Government:

State	Local	School District
Inflation plus % change in population	Inflation plus % change in net new construction	Inflation plus % change in enrollment

Debrucing: This term is named after the author of TABOR, Doug Bruce and refers to elections where voters are asked to allow government to keep and use all or part of the revenue collected beyond the TABOR limit. Local governments (especially school districts) have been successful in debrucing. In fact, about 70% of Colorado school districts have debruced to some extent since TABOR went into effect while state government has never successfully debruced. Many believe this is because taxpayers have more trust in effective government spending when it takes place closer to home. Debrucing does not mean a government is forever free from under the spending and revenue restrictions of TABOR; it only allows a locality to keep and spend all or part of a TABOR revenue surplus for an indefinite period of time – often interpreted as not exceeding four years.

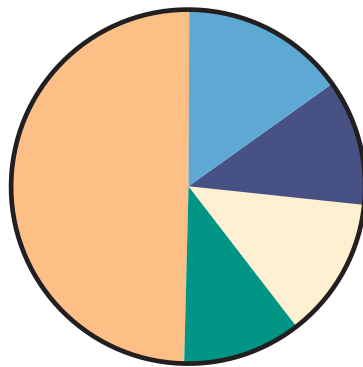
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Revenue Trends

Local governments do not levy an income tax and depend primarily on property tax and sales tax. Although the sum of all local tax revenue continues to climb each year, the effect of the Gallagher Amendment combined with TABOR, have caused a steady

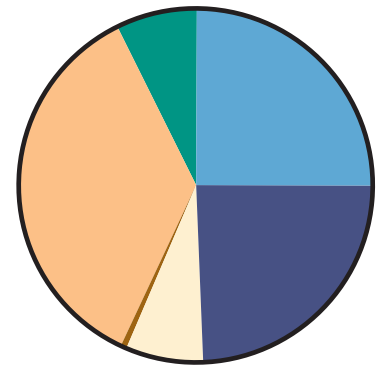
erosion of local government’s most reliable source of revenue – property tax. Many localities have responded to this trend by increasing reliance on the more volatile sales tax and by “debrucing.”

City of Pueblo Expenditures in 2000



- **Public Safety**
\$21,450,155
- **Public Works**
\$6,510,733
- **Culture & Recreation**
\$4,989,646
- **Other**
\$5,557,750
- **General Government**
\$4,682,301

County of Pueblo Expenditures in 2000



- **General Government**
\$16,145,984
- **Public Safety**
\$15,625,151
- **Public Works**
\$4,539,314
- **Culture & Recreation**
\$344,482
- **Social Services**
\$22,915,369
- **Other**
\$4,758,777



Economic Brief: Pueblo and Southern Colorado

In September, noted Colorado economist, Tucker Hart Adams, delivered her 2004 economic forecast at the Pueblo Country Club. While not all the news was good, she felt there was reason for optimism about Pueblo's economic future. Because Pueblo did not participate in the technology boom of the 1990s, they escaped the bubble burst that followed in Colorado Springs and the Denver metro area. She stated, "Twenty-five years ago, when I first came down here, I found it hard to find anything positive say about Pueblo." Today, local economic indicators are positive and showing modest growth. For the future, Adams recommended that Pueblo focus on the basics like generating business through a favorable tax and regulatory environment. She recommended that Pueblo avoid using gimmicks to "buy" business with big incentives. Likewise government spending on projects like roads or buildings should only be undertaken because there is a need, not just to put people to work.

According to Adams, the economy in Pueblo grew at 0.7% last year and is expected to grow 1.0% this year. Retail sales were up 0.4% last year and showed a 5% increase in the first half of this year. In 2001, Pueblo County lost almost 600 jobs but that is expected to rebound in 2003 with an increase

of about 1,000 jobs by 2005. While the area's economy tends to lag behind the rest of the state, the Colorado Legislative Council believes that Pueblo's increasingly diversified economy has become more resilient and will emerge more rapidly from the recent recession than it has from past recessions.

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The economy in Pueblo and surrounding area has tracked the history of the region. Founded as a fort in the 1840s, The Pueblo economy has been fueled by cattle, railroads and most notably, steel. In the 1960s over 10,000 people were employed in the steel industry in Pueblo. In the 1980s Pueblo's steel economy became a western victim of the collapse of the entire industry. While steel and manufacturing no longer have a dominant role in the economy, the Rocky Mountain Steel Mill still employs around 700 people. In total, the manufacturing sector continues to shrink dropping from 19% of total employment in 1980

to 8.7% in 2000. Today, Pueblo markets itself as enticing to business with low start up costs and a favorable tax structure.

Government remains a strong sector of the economy in the Pueblo region especially in Fremont County where the majority of the state prisons are located. Statewide, government accounts for 14.6% of total employment, in the Pueblo region government accounts for 23% of total employment. Since 2000, Colorado Department of Corrections employment in Pueblo and Fremont counties grew by over 10%. In Florence, the federal prison employs about 1,100 workers.

Tourism is critical to the local economy. Pueblo Lake State Park has the third highest visitation in the state, serving over one million visitors annually. Pueblo is the home of the Colorado State Fair which saw about 670,000 visitors last year. While the Colorado State Fair receives significant financial assistance from the state, the 16-day event is a boon to the local economy. Pueblo and Cañon City are also the gateway to some of the state's best rafting on the Arkansas River but last year's drought and the wildfires caused a falloff in tourism. Visits to the Royal Gorge Bridge fell by 19% in 2002.

Pueblo Region Economic Indicators (Colorado Legislative Council, 2002)

- The combined population of Pueblo, Fremont and Custer counties grew 21% through the 1990s. Custer County lead the way with 87% population growth over the decade.
- Pueblo is the 7th largest city in the state with a metro population of 103,411. Pueblo County is the 10th largest in Colorado at 146,880.
- Per capita income grew 4.5% per year in the region through the 1990s compared to a statewide average of 5.4%. Custer County grew at only 2.7% per year.
- The employment rate in the Pueblo region lags behind the rest of the state but grew at 2.9% in the last decade compared to 0.6% in the 1980s.
- Construction employment has been the leading sector in the 1990s at times beating the state average. Residential construction has been especially strong because of low interest rates attracting retirees seeking a low cost of living.

Recent Budget Impacts in the Pueblo Region

- In July, the University of Southern Colorado officially became Colorado State University-Pueblo. The University's affiliation with the Colorado State University System accompanies a proposed tuition increase of 6.0% – 8.5%. CSU-Pueblo should also be better able to leverage grant money from the federal government. In addition, the University is preparing to add a master's degree in nursing.
 - According to the Pueblo Business Journal, CSU-Pueblo and the Pueblo Community College are facing serious budget issues. CSU-Pueblo was down \$4.1 million and PCC was down more than \$3 million from the FY 2003-04 budget request. As a result, CSU-Pueblo has laid off 9 employees and will leave 55 positions vacant.
 - According to the Denver Post, State reductions have resulted in the Pueblo County Department of Social Services cutting day care services subsidies for low income families. A family of four must make less than \$30,700 per year to be eligible for day care subsidies, down from \$36,200.
 - The Pueblo city jail was designed to hold about 200 inmates and is operating far above capacity at about 500 inmates.
 - Trinidad City Manager Jim Soltis reports a 5% drop in city 2003 sales tax revenue.
 - Cañon City, sales taxes have dropped around 3%. The City expects to spend \$10,000 over next two years to fight West Nile virus. Operating budgets are being cut between 10 and 15%. A hiring freeze is currently in effect, and one layoff has occurred.
 - In Walsenburg, budget reductions of about \$1.5 million to Trinidad State Junior College drove the recent closure of the Walsenburg branch campus.
- What are other economic concerns in the Pueblo region?**
- Does state fiscal policy play a role?**
- Please share your concerns and ideas.**