COLORADO

Governor Jared Polis

FY 2027-28 BUDGET REQUEST

November 1, 2026



GOVERNOR JARED POLIS

OFFICE OF THE GOVERNOR

NOVEMBER 1, 2026

To the Joint Budget Committee and the General Assembly:

It is my honor to submit this balanced budget for FY 2027-28 to the Colorado General Assembly. This year marks Colorado's 150th year of statehood and America's 250th birthday. Across our state, we have celebrated the people and communities that shaped Colorado—those who built our schools, connected our communities, strengthened our economy, and protected the landscapes that define us. Their legacy is more than a record of the past. It is a responsibility to build a Colorado that offers the next generation even greater opportunity.

We have a responsibility to meet the needs of the people who live in Colorado today, while also thinking about the Colorado we will leave to those who come next. That means investing where investment is needed, maintaining the foundations that make Colorado strong, keeping taxes low and life affordable, having the discipline to recognize that resources are not unlimited, and knowing that the next rainy day could be just around the bend.

Every budget reflects choices about what we value, what we can afford, what we need to change, and what we want to preserve and grow. Responsible budgeting is therefore not simply about today. It is about making sure that the choices we make today do not unnecessarily limit the choices available to Coloradans tomorrow.

Over the past several years, Colorado has made significant progress while navigating a series of challenges: a worldwide pandemic, high inflation due to tariffs, federal policies, rescissions, and clawbacks that hurt Coloradans and the state's fiscal health. Even in the midst of these challenges, this Administration collaborated with the General Assembly to take bold actions that improve the lives and opportunities for Coloradans today and tomorrow. We focused on the priorities that matter most to Coloradans:

- Building opportunity through fiscal responsibility
- Building opportunity through preschool, kindergarten through high school education, and supports to give every child a chance to succeed
- Expanding housing opportunities
- Building a safer Colorado
- Saving people money on taxes

- Saving people money on health care
- Powering a clean energy future

As I submit my eighth and final budget package to the General Assembly, we can look back with pride on the transformative accomplishments we have achieved together, while recognizing the critical long-term issues we must continue to address.

My proposed balanced budget for FY 2027-28 continues to prioritize the areas that matter most to Coloradans because they create opportunities to build communities and foster economic vitality. It also promotes fiscal responsibility so that our future is one of opportunity, not one constrained by fiscal instability. Fiscal responsibility is not an end in itself; it is what gives Colorado the flexibility to invest in opportunity today and tomorrow and ensures future residents live in a state defined by possibility, not constrained by constant scarcity.

This balanced budget requests total expenditures of $51.3 billion, including $18.9 billion General Fund. The table below shows the incremental requests for several categories of spending. The FY 2027-28 budget request is a $579 million (1.1 percent) total funds increase over the FY 2026-27 appropriated budget. The General Fund obligations are increasing by $479 million (2.6 percent).

Table 1. Summary of FY 2027-28 Budget Request

Description	Total Funds	General Fund
FY 2027-28 Budget Request	$51,274,252,366	$18,940,897,189
FY 2026-27 Appropriation	$50,694,648,111	$18,461,482,522
$ Change	$579,604,255	$479,414,667
% Change	1.10%	2.60%
FY 2027-28 Expense by Major Category (Not Exhaustive)		
Caseload	$580,682,691	$497,775,941
Common Policies	$309,822,754	$189,630,317
Annualizations	-$157,850,955	-$10,409,107
Operating Adjustments	$7,699,741	-$5,173,398
Capital	$159,281,179	$113,219,873
IT Capital	$59,992,802	$14,123,335
Change in GF Reserve Requirement	$76,312,195	$76,312,195

Building Opportunity Through Fiscal Responsibility

Fiscal responsibility means more than just balancing the budget for FY 2027-28, which of course we do. The decisions we make today also create a sound trajectory for Colorado's budget in future years. We cannot kick the can down the road and leave future governors and General Assemblies with even more difficult choices. For example, we must set a clear direction for Colorado's future by putting Medicaid on a financial path so that it continues to provide access to care and better outcomes for all eligible Coloradans.

A short-sighted approach that balances this year's budget while ignoring the years ahead would lead to greater instability in state services and an ever-narrowing path for the investments we can make to expand opportunity for Coloradans. Instead, this budget makes difficult choices now to put Colorado on a sustainable fiscal path and preserve our ability to invest in our priorities in the years ahead.

Maintaining a Strong Reserve

An important part of fiscal responsibility is maintaining an adequate reserve so Colorado can weather the inevitable ups and downs of the economy. When I took office, the state's General Fund reserve was 7.25 percent of appropriations. Working with the General Assembly, we increased that reserve to as high as 15 percent, giving Colorado significantly greater flexibility to respond to economic downturns and other unexpected fiscal challenges.

Those reserves proved their value when H.R. 1 imposed immediate and long-term costs on Colorado's budget that required us to draw upon them. This budget proposes a General Fund reserve of 13.05 percent. We know that another economic downturn is not a question of if, but when. Maintaining a robust reserve gives us the flexibility to navigate those challenges without unnecessarily destabilizing the services Coloradans rely upon.

My budget puts the state on a path to restore the General Fund reserve to 15 percent over the next five years, which strikes a responsible balance between rebuilding the reserve to prepare for future economic downturns and preserving funding for essential state services today. A gradual and disciplined approach will allow Colorado to strengthen its fiscal position over time while minimizing unnecessary disruptions to the services Coloradans rely upon.

My budget proposes to strengthen the state's General Fund reserve through the spinoff and conversion of Pinnacol Assurance, Colorado's workers' compensation insurer of last resort. Established more than a century ago, Pinnacol provides workers'

compensation coverage to more than 45,000 Colorado employers. But its current structure prevents it from insuring employees working outside of Colorado or offering complementary insurance products. As I've argued before, conversion would give Pinnacol greater flexibility to better serve employers operating across state lines, compete in a changing marketplace, and preserve its essential role as Colorado's insurer of last resort. Whether the General Assembly and the next administration pursue this proposal or another approach, maintaining the status quo is not sustainable. Without reform, Pinnacol risks continued erosion of its competitive position, potentially jeopardizing protections for workers, increasing premiums for employers, and harming the state's economic competitiveness.

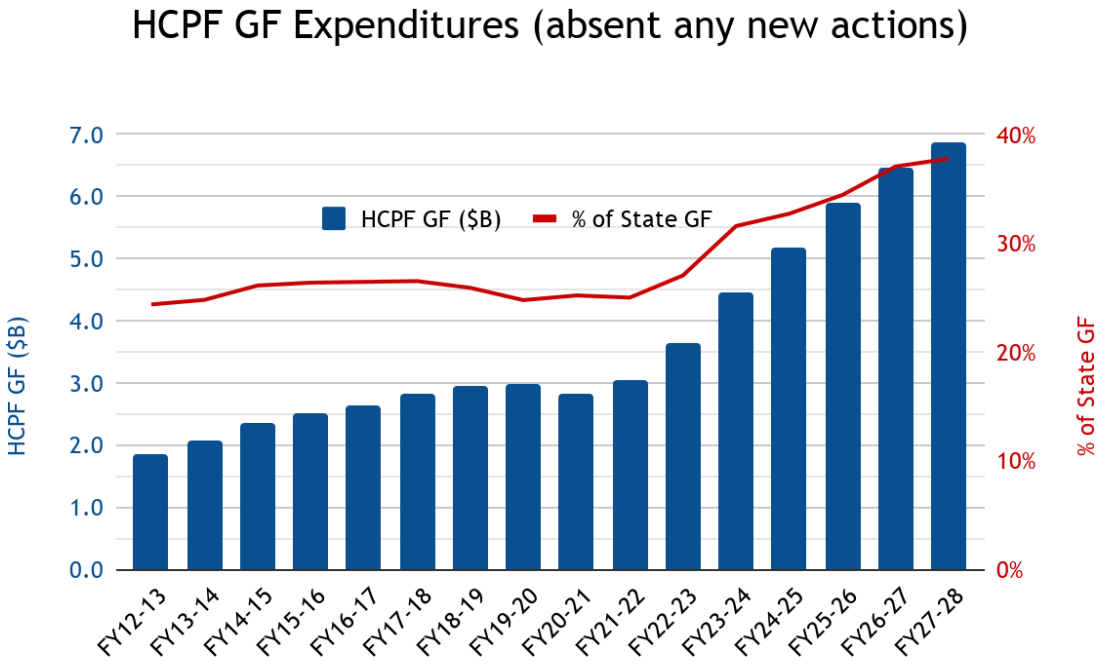
As part of this conversion, Pinnacol should compensate the state in recognition of the state's historic role in creating and supporting the organization. Unlike last year's proposal, this budget would dedicate the one-time funds to strengthening Colorado's fiscal position and supporting essential services for children. If the conversion were completed in FY 2027-28 and net proceeds after PERA obligations reached the upper bound of our expectations, $200 million would bolster the General Fund reserve, bringing it to 14.2 percent and accelerating our return to 15 percent; $100 million would support sustainable implementation of the new School Finance formula through the State Education Fund; and $100 million would support the Colorado Child Care Assistance Program (CCCAP). These investments would strengthen Colorado's long-term fiscal stability without creating new ongoing obligations.

Putting Medicaid on a Sustainable Path

Medicaid is a cornerstone of Colorado's health care system, providing essential health coverage to 20 percent of Coloradans, including children, low-income families, older adults, and people with disabilities. Beyond providing access to medical care, Medicaid supports hospitals, clinics, and health care providers across the state, particularly in rural communities where access to care can be limited. It helps Colorado families remain healthy, provides critical long-term care services to our most vulnerable residents, and strengthens the health care infrastructure upon which all Coloradans depend.

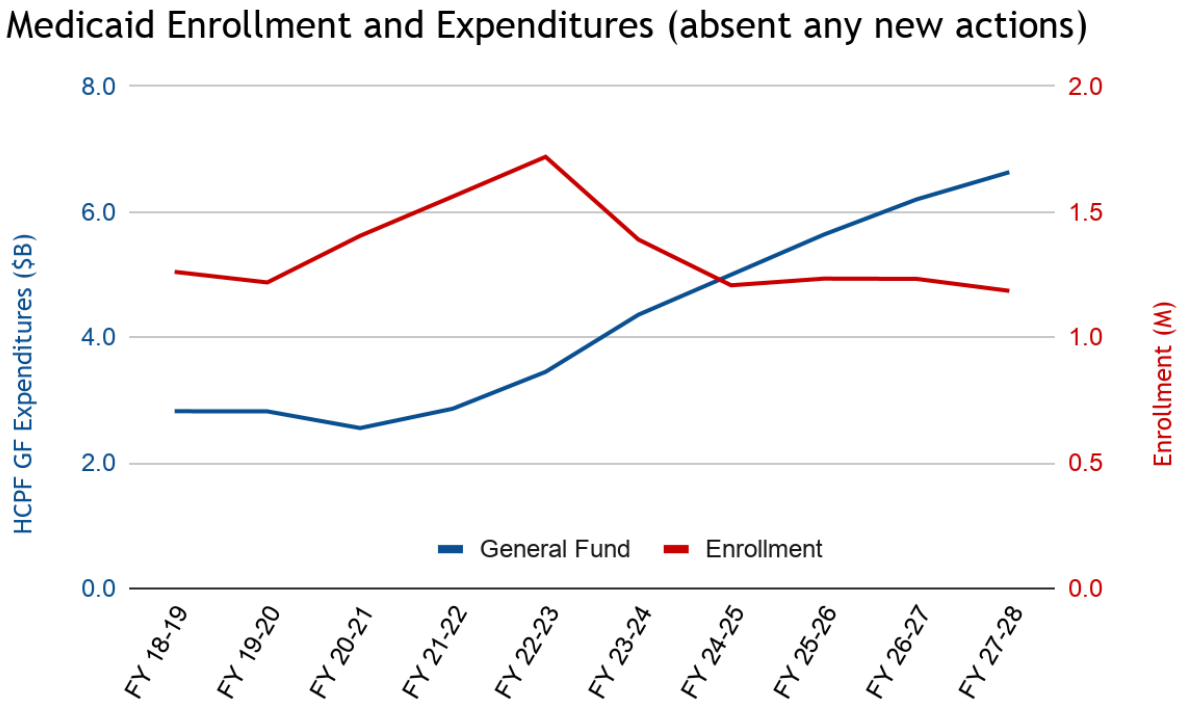
Medicaid expenditures are rising rapidly, without commensurate improvements in the health of recipients, which places significant and immediate pressure on the state budget and threatens its long-term sustainability. Slowing the growth in Medicaid spending is essential to fiscal responsibility. In doing so, my north star here is to preserve access to care for as many Coloradans as possible, without, for example, jeopardizing eligibility for Medicaid expansion populations and the Children's Health Insurance Program (CHP+).

The growth in Medicaid spending over the last several years has far outpaced the growth in the rest of the state budget, threatening the long-term financial stability of state government. For the decade preceding FY 2022-23, the state's share of Medicaid expenses and the state's total General Fund expenditures both increased at roughly the same rate, as Medicaid accounted for approximately 24 to 26 percent of General Fund spending over that timeframe. Since FY 2022-23, Medicaid spending has accelerated dramatically. Without action, Medicaid expenditures are projected to reach $6.9 billion General Fund in FY 2027-28, nearly double the spending from just five years earlier, and consume approximately 38 percent of the state's General Fund expenditures.



Much of this growth began during the COVID-19 pandemic, when Medicaid programs across the country expanded services and adopted new models of delivering care. These changes helped ensure that vulnerable individuals could continue receiving essential services during a public health emergency: for example, allowing family members to provide certain home-based long-term care services helped reduce the risk of COVID transmission while enabling individuals to continue to receive care in their homes. These kinds of changes are simply not sustainable at their current cost, and common-sense guardrails are needed to bring spending patterns back to pre-pandemic levels. In addition to these changes, Colorado made significant investments in the health care system to support access to care, including expanding behavioral health benefits and the provider network and supporting more livable wages for people that provide support for individuals with disabilities. However, even

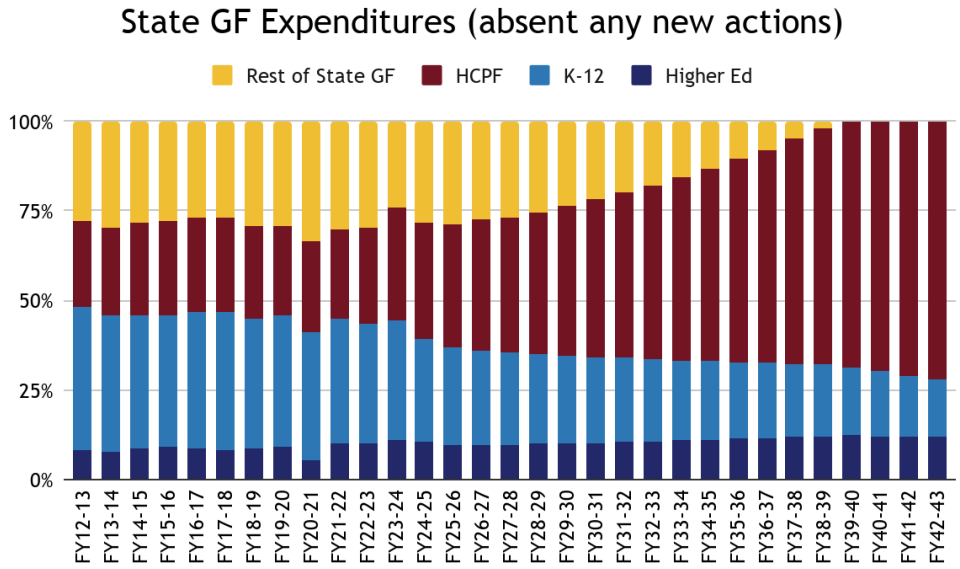
as Medicaid enrollment has returned to pre-pandemic levels in Colorado (as shown in the graph below), spending has continued to increase substantially without better outcomes, reflecting greater utilization of services and higher costs per enrollee.



The rapid growth in Medicaid spending is a challenge facing states across the country, but Colorado's spending has grown particularly quickly. According to health policy organization KFF, national Medicaid spending per enrollee increased by approximately 26 percent between 2019 and 2024, while Colorado's spending per enrollee increased by nearly 39 percent. Although Colorado's spending per enrollee remains below the national average, its much faster growth is particularly challenging given Colorado's fiscal constraints. In particular, TABOR limits the state’s revenue collection and spending, so accommodating such rapid growth in Medicaid expenditures means that fewer dollars can be devoted to other budget priorities. Compounding this challenge, Colorado receives a regular federal Medicaid match of just 50 percent for most Medicaid members, which is the lowest rate permitted under federal law because of the state’s relatively high per capita income. This means the state must cover the other half of expenditures for services funded at that rate, compared with a substantially smaller state share in many other states. These structural constraints make it especially important for Colorado to take action now to put Medicaid on a sustainable fiscal path.

We also see additional fiscal challenges looming ahead, such as the significant and damaging fiscal impact imposed by the federal legislation H.R. 1. This federal law will drastically limit the state's ability to fund payments to hospitals that care for Medicaid members. It will put at risk coverage for roughly 427,000 Coloradans, including 367,000 adults, 34,000 children in the Children's Health Insurance Program (CHIP), 25,000 adults and children with disabilities via the Medicaid buy-in program, and 1,000 pregnant women in CHIP. Due to H.R. 1, the state will also have to impose work requirements and six-month eligibility checks on the expansion population.

Failing to act would allow Medicaid to consume an ever-growing share of the state budget, crowding out funding for education, public safety and corrections, housing, and other critical services year after year. The graph below shows that if Medicaid spending were to continue at its current pace, there would be no General Fund spending available for any other parts of state government besides education within fifteen years. A sustainable Medicaid program is essential not only to preserving health care for the Coloradans who rely upon it, but also to maintaining our ability to invest in the other priorities that expand opportunity across our state.



Making Government More Efficient

Finally, fiscal responsibility requires every part of state government to examine how it operates and make sure taxpayer dollars are being used effectively. Earlier this year, I asked the leadership of every state department to identify options to reduce operating budgets, outside of caseload-driven expenditures, by 4 percent. That work requires departments to identify opportunities to operate more efficiently, reduce or

eliminate programs or activities that are not delivering sufficient value, and refinance programs where appropriate to free General Fund resources for our highest priorities.

The federal government should take a cue from Colorado, which balances our state budget every year. Congress consistently fails to balance the federal budget. Over the last few years, the national annual deficit has been growing and the cumulative debt has ballooned to record heights. The national debt stands at more than $40 trillion, which far surpasses the size of our national economy. The worsening deficit and debt result in higher interest rates and inflation and create a drag on the economy. Those are real impacts that hurt the budgets of families as well as state and local budgets. That is why I support a federal balanced budget amendment.

Building Opportunity Through Education

Today, Colorado is ranked #1 in the country for education according to US News and World Report. This achievement reflects the investments we've made to give every Coloradan a high quality education, along with the skills to succeed from classroom to career. From passing universal free preschool and kindergarten to fully funding our K-12 schools, our investments in education have been and will continue to be guided by the following principles:

Start Earlier

We know that high-quality early education gives students a strong start and helps prevent achievement gaps from forming in the first place. I ran for governor on a promise to deliver free preschool and full-day kindergarten to all Colorado students. We got it done.

We passed free full day kindergarten in 2019, saving Colorado families an average of $500 per month. In the first year alone, more than 12,000 additional children enrolled in kindergarten.

Colorado voters passed free preschool with an overwhelming majority, and today, families save an average of $6,300 on preschool. Colorado jumped from 27th to 3rd nationally for preschool enrollment, and in the 2025-2026 school year, free preschool served roughly 71 percent of eligible children.

My proposed budget for FY 2027-28 builds on our commitment to our early learners. With the new cash fund revenue from H.B. 26-1289 and the legislature's reinstatement of our historical General Fund commitment to maintain the real value of preschool funding through H.B. 26-1259, we anticipate that existing Universal

Preschool funding is sufficient to meet the needs of the program without a new budget request this year.

At the same time, we want to double down on our commitment that families across Colorado have access to high-quality preschool that prepares children to succeed. This budget invests an additional $7.3 million from Proposition EE revenue in FY 2027-28 to build on the Universal Preschool's quality foundation, helping ensure that children and families have access to high-quality providers. The investment will support our Early Childhood Councils and the implementation of an evidence-based classroom observation tool to better equip preschool providers to support students' development and growth and help more children enter kindergarten ready to succeed.

This budget also takes important steps to stabilize the Colorado Child Care Assistance Program (CCCAP) by right-sizing the Child Care Development Fund (CCDF) appropriation to establish a sustainable level of service while maintaining the number of children and families served in FY 2025-26. While the request decreases the CCDF appropriation by $10.9 million in FY 2027-28, the FY 2027-28 CCCAP appropriation will still be 14 percent, or $22.3 million, above what counties spent in FY 2025-26.

This budget proposes to establish a sustainable level of service and provide families and providers with more stability, allow counties to move from freezes to waitlists, and ultimately shorten the time families wait for child care assistance. While we reach a caseload we can sustain with federal funds, the budget also proposes to dedicate about $100 million from the conversion of Pinnacol to create a trust fund for CCCAP, which would significantly expand the number of children and families who can access life-changing childcare subsidies over the coming years.

Additionally, we want to build on our successes to support early education in preschool and child care with proposals for legislatively referred measures. One of our budget requests (Statewide R-13) proposes to increase the Proposition EE taxes on cigarettes and tobacco by approximately 80 percent while raising the tax on nicotine products from 62 percent to 80 percent. It would also raise taxes on gaming establishments to the national average with 75 percent of the new exempt funding used to support preschool and childcare programs. The other 25 percent of new gaming funds would be distributed to existing recipients.

Increasing and Better Directing Funding for Schools

For far too long, the Budget Stabilization Factor – or BS Factor – hamstrung our K-12 schools. In 2024, we fully funded K-12 education, getting more dollars into classrooms. This means better teacher pay, smaller class sizes, and the resources needed to give every Colorado student a high quality education.

Since I took office in 2019, Colorado has increased average per-pupil funding by more than 50 percent – from $8,137 per student in 2019 up to $12,325 today. To ensure all students' educational needs are met, we also increased state funding for special education through S.B. 23-099.



As we eliminated the Budget Stabilization factor, we also modernized the school finance formula for the first time in 30 years. H.B. 24-1448 created a new student-focused formula to better support students experiencing poverty, English learners, students with disabilities and higher-need districts. We designed the transition carefully, phasing in the new formula over seven years to give districts time to adjust while moving Colorado toward a more equitable and student-centered approach to school funding.

As Chair of the National Governors Association in 2024-25, I led the "Let's Get Ready: Educating All Americans for Success" initiative, bringing governors together to examine how we measure whether students are truly prepared for life after high school. The initiative produced a roadmap focused on four dimensions of student readiness: academic preparedness, postsecondary and workforce readiness, lifelong well-being, and civic engagement. Colorado is now one of six states participating in an NGA pilot project to develop a statewide student-readiness dashboard, helping us

build a more complete picture of the knowledge, skills, and experiences that prepare young people for success.

My proposed budget for FY 2027-28 prioritizes protecting and increasing funding for K–12 education even in the face of significant fiscal pressures facing our state. Staying true to the commitment we made to Colorado's public schools during the 2025 legislative session, we are continuing the implementation of our new, more equitable school finance formula, reaching 45 percent implementation in FY 2027-28. We are also incorporating the enrollment-smoothing methodology established by S.B. 26-023 to provide greater stability and predictability for school districts. Overall, this budget proposes an increase of $154.7 million in State Share of Total Program funding, including $125 million General Fund. This increase would bring average per-pupil funding to $12,814, an increase of $488 over FY 2026-27 and more than 55 percent higher since I took office. To continue this investment and sustain a reasonable State Education Fund reserve beyond request year, the state must commit sufficient General Fund towards Total Program; if the General Fund contribution is reduced to the five-year average, the Office of State Planning and Budgeting (OSPB) estimates that the State Education Fund would go insolvent in FY 2028-29.

We are also building on our commitment to equitable funding for Colorado schools and students, increasing categorical funding by $23.0 million, including $15.7 million for special education and $3.9 million for student transportation, an area of high need that has historically been underfunded. These investments help ensure that schools have the resources to meet the diverse needs of their students, regardless of where they live or attend school.

Trusting Families and Expanding Colorado’s Leadership in Public-School Choice

Along with eliminating the Budget Stabilization Factor and fully funding Colorado’s K-12 public schools, we also achieved full mill levy equalization for Charter School Institute schools. This budget proposes to continue fully funding mill levy equalization, bringing the total investment to $57.3 million. Doing so helps to give Colorado students access to more equitable funding regardless of where they attend school.

We are also meeting Colorado learners where they are with high-quality education at every age and stage and through innovative school models. That is why my budget is looking, through legislation, to extend the Adult High School Grant Program by an additional $1.2 million.

We Use Science and Data to Guide Policy

Measurable outcomes are a key part of setting students up for success. Colorado supports high-impact tutoring, an intensive, data-driven model centered on frequent, sustained interaction between students and tutors. In response to data that show students need more support in math, we directed federal Governor's Emergency Education Relief (GEER) funds to connect every elementary and middle school in the state with a free digital math accelerator, Zearn, and nearly 1,000 schools statewide raised their hands to participate. Data show that students who used Zearn with fidelity saw a six percentile increase on their CMAS scores compared to their peers. Through H.B. 23-1231, we made a major investment in evidence-based math instruction, teacher training, interventions for students who are struggling, and expanded learning opportunities.

This budget sets aside $1.5 million from the State Education Fund, subject to legislation, to implement a new measure of executive functioning in kindergarten classrooms statewide, helping educators better understand and support the skills young learners need to succeed in school.

Learning Does Not Stop at 3 P.M. or at the End of May

We are investing in programs that help students succeed inside and outside the classroom. This budget extends the highly effective Out of School Time Grant for three additional years at $3.5 million annually, providing students with access to affordable academic enrichment, safe learning environments, and opportunities to develop skills that set students up for success in the workforce. We are also proposing additional Colorado Department of Education staffing support to help school districts meet auditing, training, and reporting requirements.

We are Building More Affordable Paths Beyond High School

Setting Colorado students up for success requires expanding and strengthening high-quality opportunities after high school. The “Big 3” initiative is putting the pieces in place for every Colorado student to graduate from high school having earned college credit, obtaining an industry-recognized credential, or participating in high-quality work-based learning. In 2024, more than 51,000 Colorado high school students participated in concurrent enrollment (a 15 percent increase in just one year), and more students are earning in-demand industry credentials and participating in apprenticeships that provide real-world experience before graduation.

We have built better tools to understand whether our education system is delivering results for students after they leave the classroom. Through H.B. 24-1364, we created Colorado’s Statewide Longitudinal Data System, now known as Colorado Data

Connections, to link information across secondary education, higher education, workforce participation, and employment. This gives students and families better information about how different educational pathways and programs connect to careers and long-term earnings, while giving educators and policymakers a clearer picture of which pathways are helping students obtain good jobs and earn a livable wage.

We have invested in improving access to and the affordability of higher education for families and students by keeping tuition growth low and creating new financial aid opportunities. These include the Colorado Promise Tax Credit, a refundable tax credit that reimburses students for tuition and fees not covered by other financial aid or scholarships. The first cohort of students were able to claim this tax credit during the 2026 tax filing season and received over $20 million in reimbursements. This continues our earlier initiatives to provide full tuition and fee coverage for high demand workforce areas in healthcare, education and public safety.

We continue to explore and pursue new, more efficient models of higher education and workforce development to improve the quality of services provided to Coloradans. H.B. 26-1317 created the Unified Postsecondary Talent Development System Transition Advisory Committee (TAC) to develop a plan to transition oversight of workforce development programs to CDHE. We support the TAC's goal of establishing a cohesive department structure that oversees a system of postsecondary talent development that integrates postsecondary educational, training, and employment resources for Coloradans. We are closely monitoring the TAC's work and look forward to their recommendations, due to the Legislature on November 30, 2026.

Supporting Colorado's Bid to Host the U.S. Space Academy

Colorado is enthusiastically pursuing the opportunity to host the U.S. Space Academy, an institution proposed through NASA to prepare future leaders in space science, engineering, technology and public service. With our state's unparalleled aerospace ecosystem supported by a thriving industry, highly skilled workforce, top educational and research institutions, and strong federal and military presence, Colorado is uniquely qualified to serve as the permanent location for the Space Academy campus that will train the next generation of American space leaders.

To help these efforts, we are proposing a conditional state incentive, similar to our successful efforts to develop Colorado's quantum technology industry in 2024, to support the state's bid to host the Space Academy. We propose legislation to establish these incentives to be contingent upon successful award of the Academy to the state. Envisioned as a refundable tax credits, this funding would be capped at $10 million per year over a five-year period and could be used to support investments in real

property, business personal property, or approved operating expenses in support of the Academy's establishment. This state incentive would be leveraged with and accompanied by a package of other assets and services provided by the private sector, local governments, higher education partners, foundations, and others.

Protecting the Long-Term Sustainability of Medicaid

Medicaid is one of Colorado's most essential programs, providing health coverage to approximately 1.2 million Coloradans with low incomes and/or disabilities. It supports routine and emergency medical care, behavioral health services, long-term care for seniors and people with disabilities, and supportive services for Coloradans with physical and developmental disabilities. Along with education, Medicaid has long been one of the largest parts of Colorado's budget, reflecting the importance we place on the health and well-being of Coloradans.

Fiscal responsibility requires that Colorado change the current trajectory of Medicaid spending, as I described above. The Executive and Legislative Branches must work together to slow the growth of Medicaid spending and establish a sustainable path forward. To be sustainable, Medicaid spending should grow at approximately the same rate as the state's TABOR revenue limit. This approach recognizes the importance of Medicaid while ensuring that Colorado can continue investing in education, public safety, housing, and the other services and opportunities Coloradans expect from their state government.

Achieving that target will require deliberate and careful choices, focusing on maintaining eligibility and supporting positive health outcomes. Our current budget situation is not the result of any single policy or decision. Rather, it reflects many decisions to expand Medicaid eligibility, increase services, and enhance reimbursement rates for health care providers. Taken together, they have created a spending trajectory that our state cannot sustain.

As we make the necessary adjustments, we must be guided by clear principles:

- To protect health coverage for as many Coloradans as possible
- To address rapid growth in the utilization of certain services while maintaining member health and safety
- To improve administrative efficiency and program integrity
- To ensure that benefits and services deliver the greatest value and positive health outcomes
- To ensure program integrity and fiscal accountability
- To maximize federal and other non-General Fund resources

These principles will help us make difficult choices thoughtfully while protecting the essential purpose of Medicaid.

It is also important to remember that increased spending on health care does not necessarily lead to better health outcomes. In the United States, we already spend more on health care per capita than many other developed nations, but our performance on measures such as life expectancy and chronic disease prevalence is often worse. As we examine ways to put Medicaid on a more sustainable financial footing, we must prioritize services that actually lead to better health outcomes.

I applaud the General Assembly's work to address the sustainability of this challenge through S.B. 26-187, which established a legislative Commission on Medicaid that is charged "to identify, consider, and evaluate legislative and executive branch action options to implement a sustainable Medicaid program." My Administration places great value on the continuing collaboration with the Commission on Medicaid, as leaders from the Department of Health Care Policy and Financing (HCPF) and OSPB work with the General Assembly to find solutions that ensure Medicaid is fiscally sustainable.

Medicaid Budget Proposals for Sustainability

This budget proposes to limit Medicaid GF spending growth in FY 2027-28 to no more than 4.3 percent over the FY 2026-27 spending authority approved by the General Assembly, consistent with the currently projected growth in the state's TABOR revenue limit.

At the Commission on Medicaid's September 17, 2026 meeting, OSPB and HCPF presented new data on an overexpenditure in FY 2025-26 and preliminary spending projections for FY 2026-27 and FY 2027-28 (link to OSPB presentation; link to HCPF presentation). Those preliminary forecasts indicated unsustainable spending growth. For example, the preliminary forecast indicated that Medicaid expenditures for FY 2026-27 were on track to exceed appropriations by more than $440 million General Fund. Moreover, spending in FY 2027-28 was expected to be roughly 15 percent higher than the FY 2026-27 appropriations. To put this into perspective, the current inflation rate is 3.7 percent. Therefore, my Administration has taken immediate actions for FY 2026-27 and is requesting approval of additional proposals for FY 2027-28 that will slow the growth in spending to align with the TABOR growth rate.

The actions we are taking and proposing are guided by efforts to maintain primary care and community-based services that help people stay healthy and reduce the need for more costly care. We have focused benefit changes on optional Medicaid

benefits that we can no longer afford to maintain. And, we have focused on reducing administrative spending to prioritize services for members.

Attachment 5 (Medicaid Sustainability) provides additional details on the administrative actions for FY 2026-27 and budget proposals for FY 2027-28. The FY 2027-28 proposals are included in HCPF request R-06 (Medicaid Sustainability) and some are incorporated into HCPF's forecast requests R-01 through R-05.

In order to slow and align the growth of Medicaid spending with the TABOR growth rate, more work is necessary. My proposed budget includes a placeholder for additional measures that will control spending growth. We commit to collaborating with the General Assembly's Commission on Medicaid as it develops options to make Medicaid more financially sustainable, and we will consider those options when we submit additional proposals in our January 2, 2027 supplemental and budget amendment requests.

Medicaid will remain a critical part of Colorado's commitment to the health and well-being of our residents. But sustaining that commitment requires us to confront the program's spending growth today, rather than allowing it to undermine the fiscal future of both Medicaid and the other essential services Coloradans rely upon. By working together to put Medicaid on a sustainable fiscal path, we can protect access to care while preserving Colorado's ability to invest in opportunity for generations to come.

Supporting Stronger Families

Our balanced budget continues to support Colorado families and protect access to essential services, while responding responsibly to significant changes in federal policy. Beginning in October 2027, the federal government will require states for the first time to pay a share of Supplemental Nutrition Assistance Program (SNAP) benefits if their payment error rates (PER) exceed six percent. Colorado is projected to administer $1.3 billion in SNAP benefits in FY 2027-28, and maintaining benefits for eligible Coloradans under these new federal requirements is expected to require an additional $100.5 million in state and local funding that year and $134 million the following year. These estimates are based on an assumption that Colorado's PER falls between 8-10 percent, which seems likely given the current PER of 9.4 percent from October 2025 to May 2026, two-thirds of the federal fiscal year.

To help meet this new obligation without placing the full burden on the General Fund, this budget proposes referring a measure to voters in 2027 that would allow Colorado to retain additional revenue for Healthy School Meals for All and use available

funding, after fully funding school meals, to help maintain food assistance for eligible Coloradans. This is the third time this same issue would appear before the voters, and I want to encourage the General Assembly to learn from school districts and local governments in how they structure their initiatives so that they can simply appear before voters once. The Colorado Department of Human Services will continue to collaborate with counties in efforts to reduce the PER for future years, focusing on technology and a data-informed continuous quality improvement process and training for county eligibility workers.

There are significant ongoing efforts to reduce the PER. First, the SNAP Accuracy Model identifies cases at high risk of having errors for county staff to re-review, preventing errors before they are measured. The Colorado Department of Human Services is also developing an interview support tool to assist caseworkers in obtaining complete and accurate information at the point of interview, which would resolve a significant number of errors. Finally, the state and counties are working closely through a Continuous Quality Improvement (CQI) process to use root cause data to generate new, targeted, interventions.

We are also working to ensure children have access to nutritious food throughout the year. Colorado's Summer Electronic Benefits Transfer program provides $120 in grocery benefits to families for eligible school-aged children during the summer and now serves more than 450,000 children each year. As temporary grants and partnerships that helped launch the program expire, this budget provides $2.1 million to ensure Colorado can continue delivering these benefits reliably and on time.

Creating Opportunity for Colorado's Children

Children do best when they can remain connected to family whenever it is safe and appropriate. Relatives are often the best and least disruptive placement for children who enter the child welfare system, but recent legislation eliminated financial assistance for non-certified kinship foster homes. This budget invests $6.1 million, including $5.5 million General Fund, to restore assistance at 30 percent of the foster care rate, helping relatives meet children's immediate needs while they complete the foster-care certification process.

We are also taking advantage of new federal resources to give young people in foster care greater opportunity as they grow up. Colorado is opting into the federal Fostering the Future initiative, which will allow the Department of Human Services to establish and manage savings accounts for foster children under age 18. Eligible children born between January 2025 and December 2028 will receive an initial $1,000 federal contribution that can help them save toward college, a first home, and their future. This budget invests $0.5 million to build the infrastructure needed to

administer these accounts and ensure Colorado foster youth—some of the most vulnerable people in our state—can benefit from every available federal dollar.

Strengthening Behavioral Health and Safety

We have worked to transform Colorado's behavioral health system to make it easier for Coloradans to get the care they need, when they need it. In 2019, I created the Behavioral Health Task Force to develop a roadmap for improving a system that was fragmented across state agencies and difficult for Coloradans to navigate. Its work led to the creation of the Behavioral Health Administration (BHA) in H.B. 21-1097, bringing greater coordination and accountability to our behavioral health system and creating a single state agency responsible for leading system-wide reform, purchasing services for uninsured and underinsured Coloradans, and regulating behavioral health providers.

These reforms are now delivering measurable improvements in access to care. Through the launch of Behavioral Health Administrative Service Organizations, the statewide wait time for an initial behavioral health appointment has fallen 71 percent, from 30 days to just 8.5 days. The BHA also oversees Colorado's 988 Lifeline, where more than 95 percent of calls are answered within 59 seconds and 75 percent of interactions are stabilized without the need for additional services. At the same time, BHA now actively licenses more than 1,000 entities providing behavioral health services across Colorado.

My proposed budget for FY 2027-28 builds on that progress by continuing our work to create a more coordinated behavioral health system for Colorado children and youth with the most complex needs. Through the Colorado System of Care, the BHA and HCPF are working together to better coordinate services for children with high-acuity behavioral health needs. This budget expands the behavioral health crisis system, including Youth Post-Crisis Stabilization Services, so that young people and families have greater support following a behavioral health crisis.

Finally, we are investing in the basic infrastructure necessary to provide safe and reliable behavioral health care. This budget continues the multi-year modernization of the Colorado Mental Health Hospital in Pueblo, the state's 516-bed psychiatric hospital serving primarily forensic patients, by replacing aging water and sewer lines and improving roads, parking lots, and walkways. These investments will address recurring infrastructure needs and mitigate the state's waitlist for individuals waiting for admission for inpatient restoration services.

Expanding Opportunities for Housing

Housing affordability has been one of the biggest challenges facing Colorado families, and we have worked to expand housing opportunities for Coloradans at every income level. Working with local and Tribal governments and the General Assembly, we have made historic investments in affordable and middle-income housing, supported innovative approaches to lower construction costs, created new pathways to homeownership, helped Coloradans experiencing homelessness find stability, and taken action to address the rising cost of homeowners insurance.

Building and Preserving More Homes

We have made major state investments to help finance housing that working families can afford, leveraging state, federal, and private resources to make those dollars go further. Since the fall of 2024, the Department of Local Affairs and the Office of Economic Development and International Trade have administered funding supporting the creation of more than 17,000 affordable homes across Colorado, with the goal to reach 22,000 units by June 2027. Since 2021, we have also created $2.1 billion in new housing tax credits as well as additional tools to support transit-oriented and middle-income housing.



Colorado voters have been important partners in this work. In 2022, voters approved Proposition 123, creating a dedicated source of funding for affordable housing, homeownership, and homelessness programs. Since its inception, the Affordable

Housing Support Fund has awarded nearly $275 million to create or preserve 3,385 affordable homes and serve more than 90,000 households across 217 Colorado jurisdictions. We have complemented those investments with new tools to address the housing needs of middle-income Coloradans, including creating the Middle-Income Housing Authority through S.B. 22-232 and establishing the Middle-Income Housing Tax Credit through H.B. 24-1316. We also launched the first statewide Tenant Equity Vehicle (TEV) program in the U.S. to create wealth building opportunities for tenants and created a state public-private partnership office to help unlock opportunities for affordable housing, including on state-owned land.

Increasing housing supply also means increasing options for housing and removing red tape that prevents certain housing from being built. We've made historic progress to remove residential occupancy limits through H.B. 24-1007; allowed homeowners to build accessory dwelling units through H.B. 24-1152; allowed more homes near transit through H.B. 24-1313; eliminated unnecessary parking requirements through H.B. 24-1304; made it easier to build modular homes through S.B. 25-002; allowed for single-stair apartment buildings through H.B. 25-1273; and allowed schools, some non-profit organizations, housing authorities, and transit agencies to build homes on underutilized land through H.B. 26-1001. These policies are helping Colorado expand innovative approaches to housing construction and lower the cost of building the homes our communities need.

Opening Doors to Homeownership and Keeping It Affordable

Building more homes is only part of the solution. We also want more Coloradans to have the opportunity to own a home and build wealth for themselves and their families. Through our innovative Educator First program in partnership with the Colorado Housing and Finance Authority, we are helping more than 3,000 Colorado teachers with a down payment on a home, addressing one of the biggest barriers to homeownership for working Coloradans.

Helping Coloradans Find Stability

Our housing strategy also recognizes that some Coloradans need more intensive support to achieve housing stability. We have invested in homelessness prevention, supportive housing, and recovery services, including creating Sage Ridge at the former Ridge View Campus in Watkins to help Coloradans experiencing homelessness and addiction receive treatment, stabilize their lives, and move toward permanent housing and employment.

Keeping Homeownership Affordable

Making housing more affordable means addressing not only the price of buying a home, but also the rising cost of keeping one. In the wake of the Marshall Fire and other major wildfires, we enacted H.B. 23-1288 to create Colorado's FAIR Plan and ensure homeowners who cannot find coverage in the traditional insurance market still have access to insurance. Through H.B. 25-1182, we increased transparency so homeowners can better understand how insurers assess the risks to their homes and how investments in mitigation affect their premiums and coverage. Our work has helped improve the insurance landscape, with multiple insurance companies announcing they are expanding where they will write policies if consumers meet certain eligibility requirements like building to Wildfire Prepared Home standards. Most recently, S.B. 26-155 created a new home-hardening grant program targeting the number one cost driver of homeowners insurance - hail - to help Coloradans make their homes more resilient with hail-resistant roofs while improving the availability and affordability of insurance.

Together, these efforts have given Colorado more tools to address housing affordability. There is more work ahead, and we will continue working to ensure that more Coloradans can afford a home in the communities where they live and work.

Historic Advancements in Transportation

Over the past eight years, we have made historic investments in Colorado's transportation system, improving our roads and bridges while expanding transportation options for communities across the state. When I took office, Colorado faced growing transportation needs without the funding necessary to address them. Working with the General Assembly, we enacted S.B. 21-260 which created new transportation revenue streams that are projected to generate approximately $5.2 billion over ten years. This includes roughly $3.9 billion (~74 percent) for roads and $1.4 billion (~26 percent) for multimodal transportation. We built on that progress through S.B. 24-184 and S.B. 24-230, establishing additional resources for transit and passenger rail – all while continuing to improve our roads and highways. These investments have helped us complete major infrastructure projects like Central 70 and the I-25 South Gap as well as advancing improvements at Floyd Hill. Over the past eight years, the share of Colorado's interstate pavement in good condition has increased from 44.3 percent to 50.6 percent.

Expanding Passenger Rail

Passenger rail along the Front Range and into our mountain communities have been long anticipated. This Administration has taken important steps to turn those plans into reality. We secured a critical access agreement with Union Pacific for use of the Moffat Tunnel, laying the groundwork for year-round rail service between Denver and Granby and eventually Steamboat Springs and Craig. We also brought the Colorado Department of Transportation (CDOT), RTD and the Front Range Passenger Rail District together to advance initial service along the Front Range between Pueblo and Fort Collins. Our joint service agreement means we are moving closer to delivering a passenger rail system that will give Coloradans more ways to travel between our communities.

Modernizing and Expanding Transit

We have also worked to improve the transit services Coloradans rely on to get to work and navigate their communities. Through S.B. 25-161 and S.B. 26-150, in partnership with the Legislature we strengthened RTD's accountability, financial reporting, and strategic planning requirements while reforming its governance structure to better serve the region's transportation needs. We have also made transit more affordable through the Zero Fare for Better Air program which provided free transit during the summer months to encourage ridership, improve air quality, and save people money. At the same time, we expanded Bustang service across the state, more than tripling ridership over the past decade.



Connecting Transportation and Housing

Finally, we have worked to better connect transportation investments with our efforts to make housing more affordable. Through H.B. 26-1065, we created a new financing tool that allows communities to leverage future growth in state sales tax revenue around transit stations and mobility hubs to fund improvements that make transit better and easier to access and use. The legislation also provides $350 million in affordable housing tax credits near transit.

These accomplishments have strengthened Colorado's transportation infrastructure and established a basis for a better, multimodally connected state. We have made long overdue investments in our transportation system and given communities new tools to expand options that will benefit Coloradans into the future.

Building a Safer Colorado

Over the last several years, we have taken meaningful steps to make Colorado safer, combining investments in law enforcement with evidence-based strategies that prevent crime and address its root causes. These efforts are producing real results.

Reducing Auto Theft and Violent Crime

After motor vehicle theft increased sharply following the pandemic, our efforts have brought about a dramatic decline. Vehicle thefts fell 62 percent between 2022 and 2025, from 713 stolen vehicles per 100,000 residents to 271. We supported this progress by investing in the Colorado Auto Theft Prevention Authority (CATPA), including $5 million through S.B. 23-257 for multijurisdictional enforcement, improved tracking systems, dedicated prosecution, public education and victim support. In 2024, we built on this progress by securing $8.2 million in funding for auto theft prevention. We also enacted S.B. 23-097, making motor vehicle theft a felony regardless of the value of the vehicle. These efforts continued to pay off in 2026, with auto theft declining another 35 percent statewide through June compared with the same period the year before.

My proposed budget for FY 2027-28 requests $3.0 million annually from the General Fund to support CATPA and continue this vital and successful work.

We have also made progress reducing violent crime and aggravated assaults while strengthening the capacity of communities and law enforcement to prevent crime before it occurs. Violent crime declined 10.7 percent from 2024 to 2025, representing more than 3,000 fewer violent crimes, while aggravated assaults fell 9 percent, or more than 1,900 fewer assaults. Through S.B. 22-145 and H.B. 24-1421, we invested

$33 million in multidisciplinary crime prevention, law enforcement recruitment and retention, and a well-trained and diverse workforce. S.B. 22-001 invested another $10.3 million into safer streets and neighborhood design, helping communities identify ways to discourage crime through better lighting, cameras and other improvements. And H.B. 22-1003 invested $4.2 million over two years in youth delinquency prevention programs, including programs where participating young people had reoffense rates substantially below those of their peers.

Strengthening Law Enforcement and Preventing Violence

We have strengthened the tools available to law enforcement to address firearms crime and other threats to our communities. Through S.B. 24-003, Colorado gave the Colorado Bureau of Investigation authority and resources to investigate illegal firearms activity, including trafficking, illegal sales, ghost guns and other firearms offenses. With dedicated funding for investigators and forensic support, these efforts have helped remove more than 360 firearms connected with criminal activity from the streets and led to more than 80 arrests. Through S.B. 23-241, we created the Office of School Safety and invested over $17 million in school security and youth violence prevention. At the same time, S.B. 22-196 invested in community responses to behavioral health crises, recognizing that helping people get the services they need can prevent unnecessary involvement in the criminal justice system.

We also took decisive action to identify and prevent targeted violence in Colorado. H.B. 22-1077 created the Colorado Nonprofit Security Grant Program, which supports nonprofit organizations, including churches, mosques and synagogues, in improving their physical security. Between the original bill and our budget requests to the legislature, we have invested more than $5 million over the past five years to protect Coloradans from targeted violence in places of worship and other sites.

Additionally, I am pleased to report that Colorado will distribute $15 million to local law enforcement agencies in December 2026, making Colorado communities safer in accordance with voter-approved Proposition 130. This is the first round of distributions under Proposition 130, which established a $1 million death benefit for first responders who perish in the line of duty and committed to providing $350 million in funding to train and support peace officers statewide.

Protecting Coloradans from Destructive Wildfires and Natural Disasters

Keeping Coloradans safe also means preparing for the natural disasters that increasingly threaten our communities. We established Colorado's first Wildfire Resiliency Code, creating a statewide baseline for reducing the risk that homes will be destroyed by wildfire while allowing local governments to tailor standards to their communities. We strengthened the state's firefighting, detection and response

capabilities, including expanding aerial firefighting capacity and coordination. In July 2026 alone, state aviation resources flew more than 600 hours, dropped nearly 620,000 gallons of water and retardant, and identified and contained 167 new fires while actively managing eight state-responsibility fires.

We have also invested in reducing wildfire risk before fires start, with nearly $48 million awarded through the Colorado Strategic Wildfire Action Program (COSWAP) to support mitigation and training across 171 communities in 30 counties. With this and other funding, including Evaluation and Implementation Grants from OSPB, COSWAP has undertaken innovative new models of forest management. We currently provide an additional $6 million every fiscal year to the COSWAP program, alongside $10 million per year to the Colorado State Forest Service (CSFS) for forest management, fuel reduction, outreach and education, and other programs and grants that reduce wildfire risk across the state. We've created state partnerships, including across Serve Colorado, the Department of Natural Resources (DNR) and the Colorado National Guard to ensure these resources are used as efficiently as possible. Through the Colorado Public Utilities Commission, we have engaged key electricity providers in our efforts to improve wildfire safety across the state, unlocking significant private sector investment and partnerships that will also improve detection, mitigation and coordination across a number of sectors.

Through Executive Order B 2025 001, I created the Ponderosa Mountain Pine Beetle Task Force to address impacts from the growing pine beetle infestation with significant impacted areas across the Front Range Wildland-Urban Interface (WUI). This budget includes a legislative placeholder to carry out applicable near-term Task Force recommendations, which will be released on December 1, 2026.

We stand with all Coloradans as we recover from disasters. Following the Marshall Fire, we provided over $15 million in grants and loans to help families rebuild and incorporate mitigation to make their homes safer. We created a new dedicated office to coordinate our preparation for climate impacts and improve disaster recovery efforts across state agencies. We created resources to help disaster survivors navigate recovery, including the state's first disaster recovery navigation tool for survivors. We invested in watershed, wildfire, flood and landslide mitigation to reduce the damage from future disasters. We are coordinating with federal and local governments along with voluntary organizations to support our communities through the very challenging 2026 wildfire season, which has so far resulted in the loss of over 300 homes. Projects are already underway to reduce post-fire flooding risk and to remove debris on public and private lands to clear the way for rebuilding. We have also secured federal Small Business Administration assistance for individuals, homeowners, and small businesses.

Together, these efforts reflect a comprehensive approach to public safety: reducing crime, strengthening law enforcement, preventing violence, protecting communities from wildfire and helping Coloradans recover when disaster strikes. By making these investments today, we are building safer and more resilient communities for the future.

Responsibly Managing State Prisons

This budget includes $16.8 million to expand the clinical capacity of the Department of Corrections, allowing the state to hire additional nurses in critical positions at prisons across the state. This substantial investment will also increase the salaries for hard-to-fill clinical staff roles like dentists, psychologists, and health professionals. By committing resources to state prisons' medical clinics, Colorado will ensure that the Department of Corrections pays competitive salaries so we can recruit and retain clinical staff in these extremely demanding roles.

The state also continues to address our prison population. This budget includes $12.4 million to staff the Department's remaining unfilled state prison beds, and funding for a contract to reopen part of the private Huerfano Correctional Center. The growing prison population presents Colorado with difficult decisions. As the prison system reaches the upper bounds of its physical capacity, the state must expand bed capacity and maintain responsible staffing levels to avoid the health, life, and safety risks to staff, inmates, and the general public associated with overcrowding.

Saving People Money on Taxes

Over the last eight years, my Administration has put tax relief and saving people money on taxes at the forefront of our agenda. We made great strides to lower the income tax burden on all Coloradans through support of ballot initiatives that cut the income tax rate down to 4.4 percent from 4.63 percent when I took office, saving the median family around $250 per year on their income taxes. Additionally, we worked with legislative partners to support the most vulnerable Coloradans through the expanded Earned Income Tax Credit, and created the State Child Tax Credit and Family Affordability Tax Credit that provide resources for low- and middle-income families and children. Through these credits, we help ensure that stability and opportunity are afforded to all children and working families. And, combined with our nation-leading outreach efforts, we are making sure that every eligible family and child knows how to access these resources. These investments helped lower child poverty by 20 percent to one of the lowest rates in the nation.

My administration has also made property tax relief a primary focus. Through multiple special sessions, we lowered families' tax bills and developed a framework for lasting relief while continuing to support the gains made in education and local services. Not only did we ensure immediate savings for residential and non-residential property owners, including annual savings for the average residential homeowner of over $250; we also established a 5.5 percent annual cap on local revenue growth to force local mills lower and prevent one-time spikes in property tax bills like we saw over the pandemic.

Cutting Property Taxes

In response to significant increases in home values during COVID, my Administration worked with the Legislature to reduce the effective property tax rate through a series of cuts to assessment rates and increased exemptions that culminated in H.B. 24B-1001. That bill permanently lowered the residential assessment rate to 6.95 percent on mill levies for local governments. We also prioritized relief for businesses across the state, from increasing the exemption for business personal property to lowering non-residential assessment rates by 14 percent by tax year 2027. These cuts, along with the revenue growth caps provide a framework for durable property tax relief that balance the interests of our local governments that provide essential services to residents across the state, as well as taxpayers of all kinds who are struggling amidst rising costs and expenses stretching budgets. We did all of this to avoid a catastrophic cut advocated by some stakeholders that would have devastated local governments across the state.

My proposed budget requests the extension of portability for the Senior Homestead Exemption, which allows seniors who move after living in their home for at least 10 years to retain that property tax reduction at their new home. This transferability supports people making the right choices for their lifestyle and makes room and improves affordability for growing families in Colorado.

Providing Income Tax Relief

In addition to supporting broad based relief, we also leveraged the tax code to support needed investments across the state. We passed credits to save people money on energy costs and lay the groundwork for the green energy transition with the electric vehicle credit, heat pump credit, e-bike credits, geothermal credit, and others to reduce dependence on fossil fuels and make those investments more attainable for the average family. We've supported economic development across the state by bringing in advanced industries like quantum and aerospace, and supported workforce development to meet the talent needs of today and tomorrow through the Opportunity Now tax credit and the Colorado Promise tax credit, which provides

needed last-dollar support for middle and low income students attending a Colorado higher education institution. We've introduced pioneering credits and deductions to encourage, promote, and support employee-owned businesses helping them to be established and grow, here in Colorado. Lastly, we've ensured workers can afford to live in our beautiful state through affordable housing tax credits, middle income tax credits, and transit oriented housing credits including last session in H.B. 26-1065.

My budget for FY 2027-28 proposes to extend and further expand existing tax credits that support the economy, including CHIPS zones and the Opportunity Now tax credits, intended to accelerate investment and build our workforce in key sectors within advanced industries, as well as extending the Wildfire and Mountain Pine Beetle Mitigation credit to help homeowners address risk from fires and the mountain pine beetle. We are also looking into additional broad-based relief for the January budget letter. Lastly, we will look to extend and improve the Employer Provided Alternative Transportation Options credit to help lower people's transportation costs and support their choice in how they commute.

Saving People Money on Healthcare

This Administration remains deeply committed to making health care more affordable and accessible for all Coloradans. Through bold, targeted state policies, we have curbed out-of-control cost increases, constrained the rate of growth of health insurance premiums, and established nation-leading transparency across the health care market.

Expanding Access to Affordable Health Insurance

The Colorado Option, H.B. 20-1349, provides standardized health insurance plans offered by private insurers, designed to improve access to affordable health care across the state. The legislation establishes premium reduction targets to drive premiums down. The rate reduction targets were 5 percent below 2021 inflation-adjusted rates in 2023, scaling to 10 percent in 2024 and 15 percent in 2025. Beginning in 2026, rate increases are tied to medical inflation, with the Division of Insurance (DOI) holding statutory authority to conduct public hearings and fix hospital reimbursement rates if targets are missed.

During the 2026 open enrollment period, nearly 139,000 Coloradans selected a Colorado Option plan, capturing roughly 50 percent of Marketplace enrollments—a significant indicator of consumer demand for lower-cost, standardized benefits. Independent academic analyses, including studies by Mathematica and Health Affairs, demonstrate that the program exerts strong downward pressure on costs across the

entire individual market, saving Coloradans up to $100 per month on premiums compared to other states while reducing overall price structures in both participating and non-participating facilities.

Fighting the High Cost of Prescription Drugs

We created the Prescription Drug Affordability Board (PDAB) in S.B. 21-175 to lower the cost of prescription drugs. PDAB evaluates high-cost prescription drugs and conducts affordability reviews; it possesses statutory authority to limit the cost of certain qualifying medications. Colorado's PDAB set a national precedent by conducting an affordability review for Enbrel in 2024 and subsequently instituting the nation's first upper payment limit in 2025, creating a state-level regulatory model to directly address rising drug costs

Reinsurance Program

Since its launch in 2020, Colorado's reinsurance program, H.B. 19-1168, has stabilized the individual health insurance market by absorbing high-cost claims and spreading financial risk. The latest approved health insurance carrier rate filings indicate the reinsurance program will reduce consumers' health insurance premiums by nearly $470 million in the upcoming plan year. Additionally, the program's success has enabled the state to draw down significant federal pass-through funds under Colorado's Section 1332 waiver to further subsidize individual market costs: resulting in a combined total of nearly $2.6 billion in savings between 2020 and 2026 from the programs.

The state's budget challenges are not limited to just the General Fund. The Health Insurance Affordability Enterprise (HIAE) needs over one hundred million dollars in additional funding for plan year 2028 to maintain current program impacts. In light of this, the General Assembly should examine all programs funded through the enterprise, including Reinsurance, the Colorado Premium Assistance program, and OmniSalud, and maximize dollars to decrease premiums for Coloradans who purchase insurance on the individual market.

Hospital Price Transparency

Coloradans should be able to understand what health care will cost before they receive it. We have strengthened hospital price disclosure requirements, H.B. 23-1226 and S.B. 23-252, and created new tools to help consumers compare prices and make informed choices. Colorado has established comprehensive state-level hospital price transparency infrastructure that expands beyond federal baseline mandates. State oversight includes rigorous auditing of hospital public price files, publishing

compliance ratings, enforcing mandatory Medicare rate disclosures, and penalizing non-compliant entities.

Protecting Our Environment and Expanding Outdoor Opportunities

Colorado's clean air, water, mountains, wildlife, and public lands are central to our quality of life and our economy. Since taking office, we have worked to protect these resources for future generations while expanding opportunities for Coloradans to enjoy the outdoors. We have accelerated Colorado's transition to clean energy, strengthened protections for our water, made historic investments in conservation, added new state parks and protected lands, and expanded access to outdoor recreation across our state.

Leading the Transition to 100 Percent Renewable Energy

As Governor, I set an ambitious goal for Colorado to achieve 100 percent renewable energy by 2040. Since then, we have worked to turn that goal into action across our economy. Through Colorado's Greenhouse Gas Pollution Reduction Roadmaps, we have established a comprehensive strategy to reduce pollution and accelerate the transition to clean energy, with state agencies completing or beginning 95 percent of the near-term actions identified in our first roadmap by the end of 2022 and continuing to advance the priorities in Roadmap 2.0.



We have also made it easier for Coloradans to choose cleaner ways to get around. We expanded incentives for electric and plug-in hybrid vehicles and invested in the charging infrastructure needed to make electric vehicles practical throughout Colorado, not just along the Front Range. Most recently, the Colorado Energy Office and Department of Transportation awarded $23.2 million to build 270 additional charging ports across the state, helping close remaining gaps in Colorado's fast-charging network.

In order to continue to support the build-out of clean energy and transmission infrastructure, as well as lower emissions

across the state, I convened a working group in June 2026 in partnership with the Chamber of Commerce, which brought together state agencies, businesses, and environmental and energy organizations to discuss solutions to streamline permitting for emissions reduction projects and transmission. This working group is set to provide a series of administrative and regulatory recommendations by the end of 2026 to guide future action.

We continue to take actions to accelerate development of geothermal energy production across Colorado. This budget includes a legislative placeholder for the recommendations, to be released on November 15, 2026, of the Energy and Carbon Management Commission (ECMC) pursuant to S.B. 26-142.

Improving Colorado's Air Quality

Clean air is essential to the health and well-being of Coloradans, and we have taken significant steps to reduce pollution from transportation, buildings, industry, and other sources. We have strengthened air quality standards, invested in cleaner technologies, and worked to reduce emissions that contribute to unhealthy ozone levels, particularly along the Front Range.

Reducing ozone pollution has been a major priority of this Administration. In 2023, I directed state agencies to strengthen efforts to reduce pollution from oil and gas operations, including nitrogen oxides that contribute to ground-level ozone. We built on that work through S.B. 24-229, which requires regulations to reduce nitrogen oxide emissions from oil and gas operations by 50 percent by 2030 compared with 2017 levels. The legislation also strengthened air quality monitoring and enforcement to better protect Colorado communities.

We have also made historic investments in cleaner transportation and buildings. Through S.B. 22-193, we invested more than $25 million to transition Colorado's school bus fleet from diesel to electric vehicles, $12 million to expand access to electric bicycles, and $25 million to help businesses and industries reduce emissions. Through S.B. 22-180, we invested $30 million to expand transit along major interstate corridors, $10 million to to help communities enhance active transportation along mainstreets, and $28 million to support free public transit during ozone season. In 2024, we invested an additional $10 million into the ozone season transit program, and expanded eligibility to also fund youth free fare transit grants. And through H.B. 22-1362, we strengthened building energy efficiency standards and invested $20 million to help reduce emissions through energy efficiency and electrification.

Another priority has been reducing methane emissions, a potent greenhouse gas released from landfills and other sources. Colorado adopted new landfill methane

standards to expand the use of systems that capture and control methane emissions. These standards are projected to reduce emissions by as much as 12.5 million metric tons of carbon dioxide equivalent by 2050. In September 2026, we launched a $14 million grant program to help landfill operators implement these improvements.

Together, these efforts are helping Colorado reduce harmful emissions, improve air quality, and build healthier communities while advancing our transition to a cleaner energy future.

Protecting Colorado's Water

Colorado's water resources have been foundational to the state's economic development, and their importance will only grow in the future. As federal protections for wetlands and streams were reduced, Colorado acted to protect waters that are critical to our communities, agriculture, wildlife, and economy. With bipartisan support, we enacted H.B. 24-1379, establishing first-in-the-nation state protections for Colorado waters and creating greater certainty about how those waters will be protected.

We have also dramatically increased Colorado's investment in our water future. Following voter approval of Proposition DD, which dedicated online sports-betting revenue to water projects, we grew the Colorado Water Plan Grant Program from no annual funding to $40 million annually in 2026. Those resources are now supporting water projects and communities across Colorado.

And we have strengthened Colorado's ability to protect our interests on the Colorado River. As the seven basin states and Tribes confront the challenge of managing a river that supports tens of millions of people, agriculture, communities, and ecosystems across the West, we created a dedicated Colorado River team and professionalized the position of Colorado River Commissioner. These investments have given Colorado additional expertise and technical capacity as we work with our neighboring states and the federal government to protect Colorado's water interests and the long-term future of the river.

My proposed budget for FY 2027-28 requests funding to protect and preserve Colorado's water rights and ensure that our state has the expertise and resources needed to manage our rivers responsibly. This budget strengthens the Division of Water Resources' capacity to administer interstate water agreements and protect Colorado's interests on the South Platte and Arkansas Rivers. This budget provides additional resources to strengthen our administration of the South Platte River, defend Colorado's water management practices, and ensure continued compliance with our interstate obligations. We are also expanding our capacity to manage the

Arkansas River Compact, where increasingly complex demands for water analysis require greater coordination with Kansas. These investments will help Colorado protect its water resources, meet its obligations to neighboring states, and safeguard the interests of Colorado communities and water users for years to come.

Protecting Colorado's Lands, Wildlife and Outdoor Experiences

Colorado's outdoors and ecosystems are part of what makes our state special, and they are an important part of our economy. Outdoor recreation contributed $65.8 billion to Colorado's economy in 2023 and supported 404,000 jobs, while tourism contributed another $28.5 billion to Colorado's economy in 2024. Protecting these resources is therefore both an environmental responsibility and an investment in communities across our state.

We have secured more than $120 million in additional conservation funding to protect Colorado's lands, waters, wildlife, and opportunities to experience these assets. The Keep Colorado Wild Pass is generating roughly $43 million annually to support our state parks and conservation efforts, while S.B. 24-230 established a new source of funding that can provide up to $50 million annually for ecosystem and wildlife conservation and climate resilience. Colorado's Born to Be Wild license plate, established by H.B. 23-1265, has generated over $1 million to fund non-lethal wolf management and S.B. 26-141 creates a dedicated funding source for wildlife crossings projects. We have also bolstered the tools available for private land conservation, including twice adjusting the conservation easement tax credit to a nation-leading status. We have also expanded the Outdoor Equity Grant Program and dedicated additional resources to outdoor recreation infrastructure so that all Coloradans can experience our outdoors while we better manage the places experiencing the greatest pressure from increased visitation.

We have paired those investments with a new statewide vision for conservation and outdoor recreation. Colorado's Outdoors Strategy brings together conservation, outdoor recreation, and climate resilience and uses science-based tools to help state, local, and federal partners identify where investments can have the greatest impact. Through our Outdoor Regional Partnerships, communities, recreation interests, conservation organizations, wildlife managers, and other stakeholders are working together to develop locally driven plans for the future of the state's outdoors. Great Outdoors Colorado has committed $50 million to help turn those plans into projects on the ground.

We also continue to improve our stewardship of state-owned lands under the purview of the State Land Board (SLB) to ensure long-term sustainability alongside the fiduciary mission of the SLB. This includes pursuing innovative projects on trust lands

within the renewable energy, conservation and recreational sectors. This year the SLB approved a lease for the largest solar energy installation on state lands in Colorado history. The project can power up to 36,000 homes. H.B. 25-1332 created the State Trust Lands Conservation and Recreation Work Group to study conservation and recreational opportunities on SLB lands. The recommendations of the working group were acted upon by the State Land Board at their October 2026 meeting. These efforts diversify and generate new revenue for our public school system and ensure we can continue to invest in our schools for generations to come. This year, the total value of the Public School Fund (PSF), supported by the SLB's investments and subsequent revenue growth, exceeded $2 billion for the first time in history. Our actions now can ensure continued growth of the PSF in the coming decades.

One of the accomplishments I am most proud of is expanding the places Coloradans can experience and enjoy. During my Administration, we have expanded Colorado's state park system by approximately 20,000 acres including the new Fishers Peak State Park, and through key management partnerships like Sweetwater Lake. We have also secured more than 70,000 additional acres of important wildlife habitat through expansions of our State Wildlife Areas and doubled the amount of state trust land available for public hunting, fishing, and wildlife recreation, from roughly 500,000 acres to nearly one million acres. More recently, we have created new recreational opportunities at Pikes Peak and North Sand Hills while stepping up to fill key management needs. At Pikes Peak, visitors will soon be able to enjoy new trails and campgrounds, which include improved access for visitors with disabilities, along with increased management, protections and key climate resilience outcomes. At North Sand Hills, CPW will leverage expertise in outdoor recreation management to enhance the location's off-highway vehicle and other recreational activities, taking pressure off other loved-to-death public lands.

We have protected key nationally significant landscapes as well. Alongside local and federal partners, my Administration secured the designation of Camp Hale National Monument and supported key protections for the Thompson Divide among many other federal-state conservation efforts that preserve the public lands on which Colorado communities, wildlife, and our outdoor recreation economy depend.

Improving Government Efficiency to Deliver for Coloradans

Delivering Better Services for Coloradans

Over the past eight years, we have held ourselves accountable to setting ambitious goals and publishing our progress on the Governor's Dashboard. In this year's budget, we close out many of those legacy priorities.

The Governor's Operational Agenda is my cross-cutting effort to reimagine how state government works and delivers better results for Coloradans. Through these efforts, we are saving money for Coloradans. For example, we have worked across state agencies to reduce unneeded office space and other physical footprint, reducing our footprint by more than 800,000 square feet with another 200,000 square feet projected for this year. We are also leading by example in terms of greening our government, with more than 1,000 EVs expected in the state fleet by the end of this fiscal year, among other initiatives. Finally, we have upheld our commitment to transparency on the quality and responsiveness of state digital services and call centers, publishing monthly data on customer satisfaction and how quickly we answer calls and help people across our most used state services. For example, we have reduced our average speed to answer in the Unemployment Insurance Benefit services call center from more than 36 minutes in January of 2025 to less than nine minutes today.

Building on our progress improving individual digital services and call centers, this year we launched a statewide initiative to create a unified statewide digital experience. Through this initiative, we are making it possible for Coloradans to login through MyColorado and then access all state services, reuse their data across multiple applications, and more easily handle things like income verification. We are also in the process of fully rebuilding the Colorado Benefit Management System to make it easier for residents to apply for benefits and county workers to administer them. A first-of-its-kind philanthropic partnership with the newly established Colorado Benefits Transformation Fund is helping to prototype new ways of building these technologies before state dollars are ever invested, de-risking this innovation. We have also invested nearly $50 million to improve accessibility of digital content, while this was primarily done to improve functionality for people with disabilities, it improves functionality and navigability for all users.

We are also committed to a better "customer" experience for those looking to invest or do business in Colorado. In Executive Order D 2026 013, I directed state agencies to pilot what can ultimately become a statewide portal through which applicants can see

the status of various permits, regardless of which agency they were submitted to, and receive tailored guidance on navigating state permitting for key industries. I have also directed agencies to modernize permitting systems, digitize analogue processes, and streamline regulatory structures where possible.

Strengthening the State Employee Workforce

Total compensation common policies include the state's salary adjustments, salary loading factors, and expenses for health care coverage. Although the requested 3.1 percent COLA was not funded for FY 2026-27, we were still able to fully fund Step Pay and are now putting forward a compensation request for FY 2027-28 that establishes a competitive compensation system necessary for a talented workforce. This FY 2027-28 budget includes a total investment of $262.3 million in Total Funds along with $169.3 million General Fund for salary increases and healthcare coverage. The FY 2027-28 budget requests the funding necessary to implement the renegotiated Partnership Agreement, which was signed on September 23, 2024. The renegotiated agreement includes essential improvements to employee compensation. First, a 1.25 percent cost of living salary adjustment for all state employees is included. Second, adjustments to the state's step system to recognize employees' time in occupation groups to reward similar service were made in Steps 2.0. Third, a service award for time with the state that increases over time. Lastly, the state has set aside funds to cover all of the increase to health care premiums. Total compensation common policies comprise the largest part of the broader common policy budget. In addition to the amounts held for Executive Branch agencies, the FY 2027-28 budget request holds an additional $10.5 million General Fund for institutions of higher education.

During this Administration we have invested close to $1.4 billion Total Funds and $0.7 billion General Fund in building and improving the state's qualified, competent workforce that delivers critical, high quality services to Coloradans. We also established an Americans with Disabilities Act (ADA) accommodations fund to ensure state employees with disabilities, and members of the public doing business with the state can get the accommodations they need to do their jobs well. Furthermore, I oversaw the official recognition of the state's first official labor union Colorado Workers for Innovative and New Solutions (COWINS) as well as the implementation of the state's innovative Step Pay Plan to address wage compression and provide stable pay increases over time. Together, with COWINS, we have worked to reduce turnover and improve recruitment within the state's workforce. As a result, we have made Colorado a better place to live and work for both state employees and Coloradans as a whole.

Conclusion

As Colorado celebrates 150 years of statehood, we have much to be proud of and much to look forward to. Over the past eight years, working together with the General Assembly and communities across our state, we have made historic progress in strengthening our schools, expanding opportunity, making Colorado more affordable, accessible to all, improving public safety, and protecting the natural resources that make our state special. These accomplishments reflect the same spirit of innovation, determination, and shared responsibility that has shaped Colorado throughout its history.

But our work is not finished, and we cannot take our progress for granted. The fiscal challenges facing Colorado are real, and addressing them will require difficult choices. This budget reflects my conviction that fiscal responsibility is not simply about balancing the budget for one year. It is about ensuring that Colorado can continue delivering the services our residents depend upon, protecting the investments we have made, and preserving the ability of future governors and General Assemblies to meet new challenges and pursue new opportunities. We owe future generations a state that is fiscally strong, resilient, and prepared for whatever lies ahead.

In the final year as governor, I am grateful for the partnership of the General Assembly and for the dedication of the public servants who work every day to make Colorado a better place to live. I look forward to working with the Joint Budget Committee and the General Assembly to enact a responsible FY 2027-28 budget that builds on our progress and puts Colorado on a sustainable path forward.

The generations of Coloradans who came before us built a state of extraordinary opportunity. Our responsibility is to ensure that the generations who follow us inherit that same promise—and the freedom and opportunity to build an even better Colorado.

Sincerely,



Jared Polis
Governor
State of Colorado

Complete details of all requests, including financial schedules, may be found on the OSPB website (link).

Attachments:

1. Economic Conditions and General Fund Overview
2. How We Balance
3. Legislative Placeholders
4. Capital Request Overview
5. Medicaid Sustainability
6. Marijuana Tax Cash Fund
7. Long-Range Planning
8. Evidence-Based Policy
9. Promoting a Colorado For All
10. Budget Tables (online only)
11. Decision Items by Department (online only)



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Attachment 1
Economic Conditions and General Fund Overview

The General Fund budget request for FY 2027-28 is $18.9 billion, of which $17.7 billion is subject to the reserve and $1.2 billion is exempt. The total requested General Fund represents an overall increase of 2.6 percent from the FY 2026-27 appropriated General Fund amount. The table below compares the FY 2026-27 appropriations from the Appropriations Report to the FY 2027-28 budget request.

Table 1: General Fund overview

Description	FY 2026-27*	FY 2027-28	$ Change	% Change
General Fund Obligations - Subject to the Reserve	$17,053,894,808	$17,720,559,554	$666,664,746	3.90%
General Fund Obligations - Not Subject to the Reserve	$1,407,587,714	$1,220,337,635	-$187,250,079	-13.30%
Total Requested General Fund	$18,461,482,522	$18,940,897,189	$479,414,667	2.60%
Reserve Requirement	$2,175,756,325	$2,271,283,022	$95,526,697	4.40%
Total General Fund Obligation	$20,637,238,847	$21,212,180,211	$574,941,364	2.80%

Reserves

This budget is balanced while making incremental progress on the statutory reserve to 13.05 percent. Maintaining such a reserve for a future rainy day is critical to helping the state weather the next major downturn and prevent significant cuts to education, public safety, social safety net programs, and other core government services. Though the current targeted reserve is below the recent 15 percent target, this budget assumes that 50 percent of the net benefit from the conversion of Pinnacol would further restore the reserve target. It is expected that future budget submissions will gradually continue to restore the 15 percent General Fund reserve balance.

Non-Discretionary Expenses

Caseload and non-discretionary expenses are consuming a considerable and rapidly growing amount of General Fund available for appropriation in the FY 2027-28 budget. In Table 2 below, non-discretionary expenditures include caseload adjustments, annualizations of previous appropriations or special bills, and changes in common policy allocations (e.g., total compensation and operating common policies).

Table 2: Non-Discretionary Expenditures in the FY 2027-28 Budget Without Offsets

Description	Amount	% of Available GF
Caseload	$1,109,589,682	172.90%
Annualizations	-$10,409,107	-1.62%
Common Policies	$189,630,317	29.55%
Total	**$1,288,810,892**	**200.83%**

Caseload Expenditures

Caseload expenditures include line items driven by demographic, inflationary, or other rule-based, statutory funding changes. This includes Medicaid caseload, K-12 Total Program, Corrections caseload, Higher Education cost growth, employee compensation, and common policies, among other line items. This budget contends with high growth rates in existing caseload drivers, particularly within Medicaid caseload, that crowd out discretionary spending.

Economic and Revenue Conditions

This section discusses economic conditions for Colorado as well as General Fund and State Education Fund revenue based on the OSPB September 2026 forecast. The General Fund is the state's main source for funding its core programs and services, such as education, health and human services, and public safety. It also funds the majority of capital construction and maintenance needs for state facilities in addition to transportation projects.

The largest revenue sources for the General Fund are income and sales taxes paid by individuals and businesses in the state, which are heavily influenced by the performance of the economy. In addition to the General Fund, some state programs and services are funded from cash funds and federal government funds. Cash funds receive revenue from certain taxes, user fees, and charges that are generally designated for specific programs. The State Education Fund is a cash fund that receives one-third of one percent of taxable income from Colorado taxpayers with the revenue directed for the purpose of supporting K-12 education.

Income and Sales Taxes are the Largest Sources of General Fund Revenue

Based on the OSPB September 2026 forecast, income tax revenue from individual and corporate sources combined is the largest contributor to the state General Fund for FY 2027-28, at an expected 65.3 percent after accounting for the income diversions to the State Education Fund (including the Kids Matter Account diversion), Proposition

123, and Healthy School Meals for all add-back. Sales and use tax revenue is the second largest source at a projected 27.3 percent of General Fund revenue in FY 2027-28. Income, sales, and use make up more than 90 percent of General Fund revenues.

General Fund Revenue Diverted to the State Education Fund

The State Education Fund (SEF) receives one-third of one percent of total taxable income under the Colorado Constitution. Therefore, a portion of revenue from income is diverted from the General Fund to the SEF every year. Because this revenue comes from taxable income, it generally follows trends in the state's individual and corporate tax revenue collections. The Amendment 23 diversion is forecast at $1,230.3 million in FY 2027-28, a 2.2 percent increase from the current fiscal year. In addition to the Amendment 23 diversion in the Colorado Constitution, legislation in the 2025 regular session (H.B. 25-1320) enacted an additional diversion to the Kids Matter Account within the State Education Fund on an annual basis. In FY 2027-28, $239.9 million is anticipated in non-exempt General Fund revenue dedicated to the Kids Matter Account for K-12 School Finance costs.

General Fund Revenue Diverted to Affordable Housing Programs

Per Proposition 123, one-tenth of one percent of total taxable income is diverted to affordable housing programs at the Department of Local Affairs and the Office of Economic Development and International Trade on an annual basis. This diversion is projected to be $369.1 million in FY 2027-28, a 2.2 percent increase from the current year's expected $361.3 million. Note that per H.B. 26-1360, $130 million of the $356.1 million diversion in FY 2025-26 was transferred to the General Fund to support maintaining a 13 percent reserve.

General Fund Revenue Diverted to Support Healthy School Meals for All

In November 2025, voters approved Proposition LL, which retained all Proposition FF revenue as well as Proposition MM, which further reduces the add-back thresholds from $12,000 to $1,000 for single taxpayers and from $16,000 to $2,000 for joint filers earning more than $300,000 per year. In FY 2027-28, OSPB anticipates $178.3 million in Proposition FF revenue, while the state is able to retain $95 million of the anticipated $120.4 million in revenue. That said, this budget submission proposes a legislatively referred ballot initiative to retain the expected revenue above $95 million for existing purposes.

Economic Conditions Affect Revenue to the General Fund and State Education Fund

General Fund revenue collections are heavily influenced by the performance of the economy. State tax revenue grows when more people earn and spend money, and

businesses experience increased sales. Conversely, state revenue usually declines during economic slowdowns, sometimes by large amounts as income and spending levels weaken.

The most significant economic headwind is the current geopolitical engagement in the Middle East that risks broadening and extending into next year. The resulting elevated energy prices, when combined with cost pressures from elevated trade barriers, risk elevated price growth that would negatively impact household finances and consumer demand. In addition to a potential slowdown in consumer spending, elevated inflation growth would likely leave monetary policy in restrictive territory for the short term outlook, putting downward pressure on business investments and potential for economic growth. Additionally, vulnerabilities in the financial system could lead to an equity bubble. OSPB is concerned about this possibility given that the majority of spending is currently driven by higher income households, and a stock market correction could limit perceived wealth, leading to a pullback in spending that could negatively impact the broader state and national economy.

Current Economic Conditions

The OSPB economic outlook anticipates stable but decelerating economic growth. U.S. real GDP growth in 2026 is projected to match 2025 at 2.1 percent. Consumer spending has remained more durable than previously anticipated, driven by higher-income households, and business investments have helped to offset headwinds from trade policy volatility and geopolitical conflict. This resilience has led to upward revisions to growth in 2027 and 2028, although OSPB's forecast still anticipates a deceleration to 1.4 percent growth in 2027 and is still below external forecasters we track. The aggregate macroeconomic picture appears to be concealing concentrated risk across income, industry and demographic groups, with economic success becoming increasingly dependent on efficiency gains from technology adoption, labor demand largely limited to the health care sector, and consumer spending by high-income households. As such, OSPB maintains a recession risk of 40 percent in the next 12 months based on perceived cracks in the economy at the disaggregated level.

The outlook is constrained by mixed labor market performance. Despite a stable and healthy unemployment rate, jobs growth is weak as labor force participation has declined, and wage and personal income growth are expected to remain below long-run averages. Inflation has accelerated in 2026, driven by substantially higher energy prices associated with the Iran conflict that are expected to pass through into goods, food, and services inflation categories in the months to come, leading to expected further increases in inflationary growth. Though spending currently remains broad-based and relatively strong, OSPB expects that sustained, elevated price

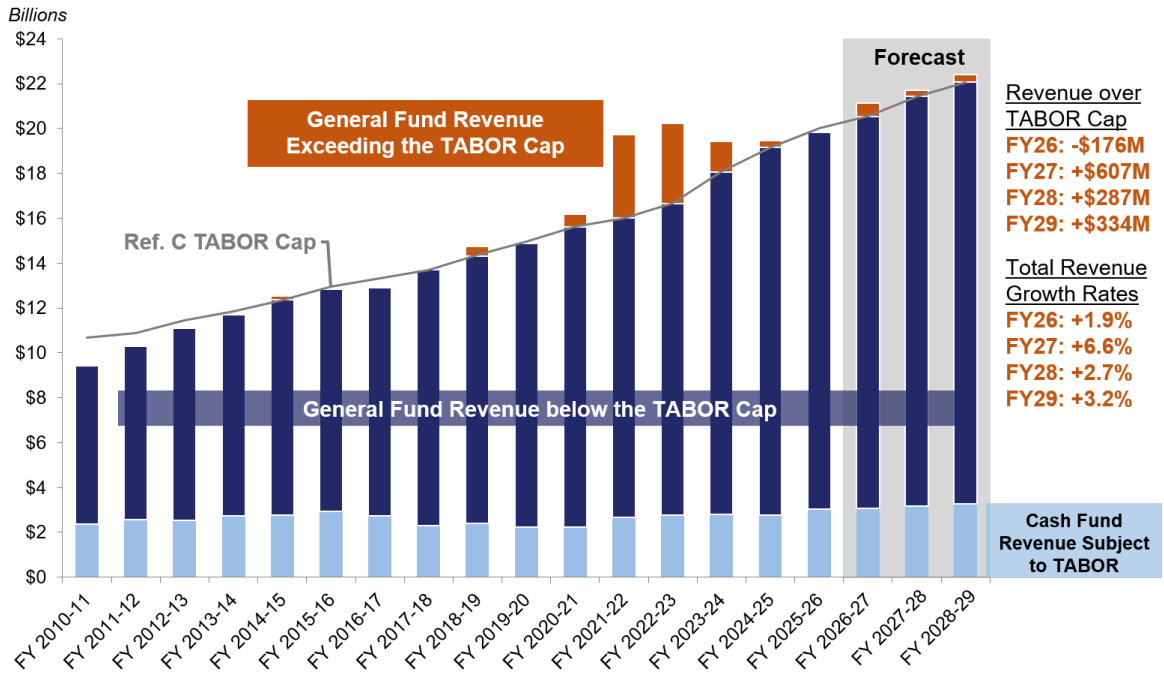
growth will result in more households pulling back and prioritizing spending on necessities. As a result, OSPB expects below average retail spending ahead as well.

Forecast for General Fund Revenue

General Fund revenue in FY 2025-26 grew by 0.3 percent to $17,233.7 million with strong growth in individual income tax collections offset by a precipitous decline in corporate income tax revenue, with the corporate decline largely driven by federal tax policy changes that were enacted in July 2025 through H.R. 1. General Fund revenue growth is projected to accelerate by 7.5 percent in FY 2026-27 due to the unavailability of revenue-conditional tax credits (Family Affordability and Expanded Earned Income tax credits), leading to increasing individual income tax revenue alongside a rebound in corporate income tax revenue, as much of the H.R. 1 corporate tax policy fiscal impacts were front-loaded and will wane in coming fiscal years. Slow revenue growth of 2.8 percent is forecast in FY 2027-28 with consumer spending and wage growth projected to decelerate.

OSPB has recently made upward revisions to revenue estimates over FY 2026-27 and FY 2027-28 as economic growth continues to outpace expectations; however, despite these upward revisions, state revenue is projected to narrowly exceed the TABOR cap over those years. After revenue fell below the TABOR cap in FY 2025-26 by $175.9 million primarily due to new federal tax provisions in H.R. 1, revenue is estimated to exceed the TABOR cap by $607.4 million in FY 2026-27 per the September 2026 OSPB forecast before declining to a $286.9 million TABOR surplus in FY 2027-28. These surpluses reflect 1 to 3 percent of all TABOR revenue, meaning that a small downside forecast error could place state revenue below the TABOR cap again. Additionally, when accounting for H.B. 26-1419 (Over-Refund of Excess State Revenues) alongside prior-year over-refunds, actual TABOR refunds are estimated to be lower in those fiscal years at $244.4 million in FY 2026-27 and $198.9 million in FY 2027-28. This places excess state revenue expectations over this budget cycle hovering around the Homestead obligation of approximately $200 million with significant risk of falling below that obligation.

Figure 1: TABOR Revenue Collections by Fiscal Year



Individual Income Tax Revenue

Income tax paid by individuals is by far the largest source of tax revenue for the state, representing around 60 percent of all General Fund revenue prior to diversions. Individual income tax collections can be volatile during periods of economic change or changing state or federal tax policy. Individual income tax is paid on most sources of household income, such as wages, investments, and royalties. Fiduciaries and business income from sole proprietorships are also represented in this revenue source.

After individual income tax revenue declined by 0.5 percent in FY 2024-25 to $9,997.9 million, it rebounded with growth of 13.2 percent in FY 2025-26 to $11,320.4 million, driven by the unavailability of the revenue-conditional Family Affordability and Expanded Earned Income tax credits in Tax Year 2026 leading to more realized revenue alongside durable personal income growth. This elevated growth rate took place despite federal tax provisions within H.R. 1 that lowered individual income tax collections, though not in as substantial a way as corporate taxes. In FY 2026-27, strong individual income revenue growth of 9.2 percent to $12,363.4 million is estimated due to resilient economic expectations and the unavailability of the revenue-conditional tax credits over both Tax Years 2026 and 2027. Finally, slow growth of 1.0 percent to $12,483.9 million is forecast in FY 2027-28 due to slowing wage and non-wage income expectations.

Corporate Income Tax Revenue

C-corporations, S-corporations, and partnerships collections are categorized as corporate income tax revenue. Corporate income tax revenue is the most volatile source of a major General Fund revenue stream due to business-specific filing considerations, the economic environment, and the structure of the corporate income tax code. It is projected to represent around 10 percent of General Fund revenue over this budget cycle, prior to diversions.

Following four consecutive years of elevated growth, corporate income tax revenue declined by 6.3 percent to $2,619.5 million in FY 2024-25 before recording an accelerated decline of 40.9 percent to $1,549.0 million in FY 2025-26 due to changing federal tax policies in H.R. 1 leading to reduced corporate tax liability in Tax Year 2025. This decline in corporate income tax revenue comes as corporate profits growth is healthy, with growth of 7.7 percent in 2025 and soaring growth of 16.0 percent over the first half of 2026. In response to strong corporate profits and some of the initial negative revenue impacts from H.R. 1 rolling off, corporate income tax revenue is projected to rebound in FY 2026-27 by 21.9 percent to $1,888.1 million with sustained forecast growth of 10.8 percent in FY 2027-28 to $2,092.3 million.

Sales and Use Tax Revenue

The state's sales and use tax collections comprise around one-quarter of total General Fund revenue. Most consumer goods and a small number of services are subject to these taxes, with both households and businesses paying sales and use taxes. Sales and use tax grew by 3.2 percent in FY 2025-26 to $4,586.8 million with retail spending remaining largely durable despite inflationary pressures from gasoline and diesel prices over the latter portion of the fiscal year. Revenue growth is projected to accelerate to 4.2 percent in FY 2026-27 due to a combination of resilient real consumer spending alongside elevated inflation leading to higher nominal growth. Slowing growth of 3.6 percent is forecast in FY 2027-28 with the expectation that consumer spending will tighten as sustained inflation weighs on household balance sheets.

Other General Fund Revenue

Several smaller sources contribute to all other General Fund revenue. These include excise taxes on cigarette, tobacco, liquor products, and the special sales tax on marijuana, which combined to total $530.4 million in FY 2025-26. These revenue sources are generally projected to remain flat or decline over FY 2026-27 and FY 2027-28, outside of Proposition EE revenue, which will see a statutory tax increase in FY 2027-28. Other General Fund revenue includes taxes paid by insurers on premiums,

pari-mutuel wagering, interest income, and fines and fees. In FY 2025-26, other General Fund revenue declined by 10.4 percent to $792.9 million largely due to a decline in insurance revenue of 7.1 percent and interest revenue of 14.6 percent. Other General Fund revenue is expected to grow by 6.2 percent in FY 2026-27 due to an expected rebound in insurance revenue before recording slow growth of 0.9 percent in FY 2027-28 of 0.9 percent to $848.9 million.

Attachment 2
How We Balance

Path to Balancing

In last year's budget submission, the Executive Branch addressed two primary concerns that were causing a significant budget deficit for the FY 2026-27 budget. Those two primary drivers were the revenue impacts caused by the passage of the federal H.R. 1 (also known as the One Big Beautiful Bill Act) and the increasing demands of non-discretionary budgetary expenses. These factors remain a critical part of the state's overall budget position, and while the 2026 legislative session culminated in the passage of a balanced budget, much work needs to be done to curb the asymmetrical growth of non-discretionary expenditures, especially the state's Medicaid budget, while balancing the revenue losses and cost-shifting measures put in place by the federal H.R. 1. These factors, taken together with the regular cost increases incurred by all organizations, mean the rate of increase of the state budget needs to be reduced by $1.5 billion General Fund so that it increases by inflation plus population growth.

The state's Medicaid caseload and expenditure forecast continues to outpace the growth of TABOR and the program is still projected to crowd out much of the rest of government expenditures over the course of the next decade. This budget submission includes reductions that aim to reduce the long-term fiscal obligations of these programs while maintaining the critical care and services Coloradans need. With an eye toward reducing expenditures while maintaining or improving outcomes, this budget includes more than $600 million in Medicaid offsets that are critical to the long-term solvency of the state. Without these adjustments, subsequent budget submissions will require severe reductions to state expenditures and the detrimental impact will expand well beyond the state's Medicaid population.

This FY 2027-28 budget includes balancing measures that reduce the financial footprint of every agency and branch in the Colorado state government. All executive Branch agencies were asked to dig deeper into their discretionary operating budgets and submit requests that targeted an overall four percent discretionary expenditure reduction. By and large, agencies met their reduction submission targets, and each proposal was evaluated and incorporated into this request as appropriate. After accounting for current law and the annualization of previously approved fiscal impacts, this budget also assumes a similar reduction for agencies led by elected officials, as well as the Judicial and Legislative Branches.

Last year's legislative session saw the passage of H.B. 26-1363, which reduced the state's statutory General Fund reserve target to 13.0 percent in FY 2026-27, down from its original target of 15.0 percent. This budget proposes a small incremental increase in the state's General Fund reserve target to 13.05 percent, as well as a path to re-establish a 15 percent General Fund reserve by FY 2032-33.

Starting Point

OSPB estimates that all budgetary impacts included in the 2026 legislative session, the overexpenditures in the state's Medicaid program, and normal operating activity will cause the state to end FY 2026-27 more than $80 million below the General Fund reserve balance.

The following table provides an estimate of the General fund available for appropriation in FY 2027-28 from the September 18, 2026 OSPB Economic Forecast (link to PDF). This table presents the General Fund detail without any additional revenue or expenditure activity otherwise accounted for in this budget request.

Table 1. FY 2027-28 General Fund Available (Current Law)

Description	Amount
FY27: GF Ending Balance	$2,240,950,520
(+) FY28: GF Revenue + Transfers	$19,083,104,752
(-) FY28: GF Appropriations from FY27	$17,053,894,808
(-) FY28: Spending Outside the Limit	$1,111,570,748
(-) FY28: GF Reserve Requirement	$2,516,834,221
(=) FY28: Available General Fund	**$641,755,495**

This budget submission requests or assumes a number of actions in FY 2026-27 and FY 2027-28 that impact the revenue, expenditure, and General Fund balances used to calculate the state's overall budget position. The FY 2027-28 actions are described in this budget submission. Proposals that are addressed in separate documents include department and priority numbers - please see those documents for a description of the proposal. Changes that are not addressed elsewhere are described in this section of the budget proposal. Note that changes to the FY 2026-27 position are almost exclusively related to estimated cost increases in the Medicaid budget, as well as offsets that will be proposed in the FY 2026-27 supplemental budget, due in early January.

Changes in Available General Fund

This budget includes requests that are estimated to change the amount of General Fund available for appropriation in FY 2027-28. To the extent that any proposal includes an impact on the FY 2026-27 budget, it has been included in this budget proposal to most accurately reflect its impact, if adopted. These types of proposals break into two categories, and they are: 1) Sweeps, Transfers, and Refinances, and 2) unique balancing proposals that impact the General Fund revenue. The following sections include tables and brief descriptions of the proposals, unless they are otherwise addressed in a change request submitted with this budget.

Sweeps, Transfers, and Refinances

The table below provides detail on sweeps, transfers, and refinances that will impact the overall General Fund available for appropriation. A sweep is an action that moves resources between cash funds or between cash funds and the General Fund. Proposals that are categorized as transfers are modifying statutory obligations to transfer resources to or from the General Fund. Finally, refinances swap the source of funding used to support an operation of the state.

Table 2. FY 2027-28 Changes in Available General Fund (Table GFXfer - 1)

Department	Title	Request #	FY 2027-28 General Fund
Human Services	Communication Services for People with Disabilities	R-01/Leg-01	$294,383
Local Affairs	Housing Affordability Through Land Use Reform	R-01	$3,800,000
OIT	OIT Technology Risk Prevention and Response Sweep	R-03	$4,000,000
Revenue	License Plate Cash Fund Transfer	R-05	$1,000,000
Statewide	Shift to Proposition EE Transfers	Statewide R-07	$5,000,000
Transportation	Repeal Moffat Tunnel Cash Fund	R-02	$371,480
Grand Total			$14,465,863

Shift to Proposition EE Transfers

Proposition EE was a ballot measure adopted by the voters in the 2020 general election. The measure created a tax on nicotine products and directed the additional revenue to support various health and education programs. One such program, the Tobacco Education Program at the Department of Public Health and Environment, receives an annual transfer of Prop EE revenues to provide educational programs and opportunities with the goal of preventing or reducing nicotine usage. That program is

currently meeting its operational and programmatic goals. This proposal seeks to redirect funding from that program and increase the transfer into the General Fund by $5 million.

Changes Impacting General Fund Transfer Obligations

As shown in Table 4 below, this budget proposal seeks adjustments to General Fund transfers obligations in FY 2027-28. Some changes are also estimated to impact the FY 2026-27 budget, but those will be requested in the Governor's supplemental budget request in early January of 2027.

Table 3. Proposals Impacting Transfers (Table GFNSTR - 2)

Department	Title	Request #	FY 2027-28 General Fund
Local Affairs	Critical Operations Funding for 2030 Decennial Census	R-03	$179,419
Local Affairs	Housing Affordability Through Land Use Reform	R-01	$4,386,383
Local Affairs	Transformational Affordable Housing Loan Reduction	R-08	-$2,315,880
Statewide	Advanced Industry Transfer Cap	Statewide R-08	-$4,591,000
Statewide	Repeal Business Personal Property Tax Exemption Reimbursement	Statewide R-06	-$16,300,000
Grand Total			-$18,641,078

Critical Operations Funding for 2030 Decennial Census

The United States conducts a decennial census at the beginning of each new decade. This budget request includes resources for the Department of Local Affairs' (DOLA's) State Demography Office to provide technical assistance, outreach, and educational activities for the 2030 census. This request will require a cash fund transfer and a new cash fund.

Housing Affordability Through Land Use Reform

DOLA requests new funding to continue the successful implementation and administration of S.B. 24-174, plus a one-time GF transfer in FY 2027-28 to fund legislatively mandated close-out activities associated with H.B. 24-1152 and H.B. 24-1313.

Reduction to TAHL

DOLA requests to transfer interest accrued within the Transformational Affordable Housing Loan program to the General Fund for FY 2027-28 through FY 2030-31 in order

to support statewide balancing. The Department requests a transfer of $2.3 million of interest in FY 2027-28, and an ongoing transfer of $1.8 million from FY 2028-29 through 2030-31, providing a total savings to the General Fund over five fiscal years of $9.5 million.

Advanced Industries Bioscience Transfer Cap

Currently, the General Fund is required to make an annual transfer from the Bioscience Income Tax to the Advanced Industries Accelerator Cash Fund, which is a function of the amount of withholdings from that industry. This proposal caps the annual transfer at $20 million in the first year, and allows the transfer to grow at the rate of inflation in subsequent years.

Eliminate Business Personal Property Tax Exemption Reimbursement

Currently, the state reimburses local governments for revenue losses due to the state's business personal property tax exemption. This proposal eliminates the reimbursement to local governments, thereby saving approximately $16.3 million annually.

Cash Fund Changes that Impact General Fund Obligations

In 1992, Colorado adopted the Taxpayer Bill of Rights (TABOR). Because TABOR limits the growth of the available state revenues by capping year over year revenue increases to the sum of inflation and population growth, and that limitation applies to General Fund and cash fund revenues, the state must factor in non-exempt cash fund revenues into its calculation of available General Fund. For years that are projected to include a TABOR revenue surplus, the increase or decrease in the state's cash fund revenues has a direct and opposite impact on the amount of General Fund available for appropriation. The proposals outlined in Table 5 below, and described later in this section, include such an impact on the available General Fund.

Table 4. Proposals Impacting TABOR Obligations (Table GFNSTR - 1)

Department	Title	Request #	FY 2027-28 Cash Funds
Regulatory Agencies	4.0% General Fund Reductions (DOI/GF Offset)	R-03b	-$567,312
Statewide	Update Driving Under the Influence Surcharge	Statewide R-02	$632,069
Grand Total			$64,757

4.0 Percent General Fund Reductions at the Department of Regulatory Agencies

The Department of Regulatory Agencies requests a reduction in appropriations, as well as non-exempt TABOR revenue, for the Division of Insurance's Personal Services line item. Because the request will reduce non-exempt TABOR revenue, more General Fund will be available for appropriation.

Updated DUI Surcharge

This request seeks an increase to the Driver Under the Influence surcharge, which is a fee levied against drivers convicted of driving under the influence. The fee is requested to increase from $75 to $115. Because this revenue is not exempt under TABOR, the increased revenue will reduce the amount of General Fund revenue available to the state for appropriation if there is a TABOR surplus as projected. The funds will be used to support additional FTE and operating costs in the Colorado Department of Public Health and Environment and Colorado Bureau of Investigation labs, as well as help replace equipment that is vital to the successful operation of this program.

Expenditure Updates and Balancing Proposals

The following sections describe expenditure obligations in the FY 2027-28 budget, as well as budget proposals that are meant to offset these obligations. This section includes three main categories of expenditures: non-discretionary expenditures, expenditures for elected officials and other branches of government, and standard operating expenditures.

Non-Discretionary Expenses

Caseload obligations, and particularly those generated through the state's Medicaid program, and other non-discretionary expenses continue to squeeze this budget. Aside from caseload expenditures, the non-discretionary budget includes annualizations of previous appropriations or special bills that impact the operating budget, as well as changes to common policies (e.g., total compensation obligations pursuant to the State's Partnership Agreement and operating common policies).

In previous years, non-discretionary expenditures for other statewide elected officials and the other branches of state government were not specifically held in the budget. Rather, an all-encompassing General Fund growth target was allotted to each and included in balancing. This submission specifically holds these non-discretionary increases for each entity, and includes a balancing target equivalent to those required of executive branch agencies. These are shown in the non-executive placeholder table discussed later in this section.

Table 5. Non-Discretionary Expenditures in the FY 2027-28 Budget Without Offsets

Description	Amount	% of Available GF
Caseload	$1,109,589,682	172.90%
Annualizations	-$10,409,107	-1.62%
Common Policies	$189,630,317	29.55%
Total	**$1,288,810,892**	**200.83%**

Caseload

The table below provides the General Fund impact of the state's total caseload obligations. The impact of the Federal H.R. 1 and the caseload obligations outlined below continue to put extreme pressure on the state's General Fund budget. The volatility of caseload obligations makes them extraordinarily difficult to forecast and revisions to the caseload obligations outlined in the table below will be revised in subsequent budget submissions. The Executive Branch continues to work towards identifying ways to reduce current and long-term costs in its Medicaid programs, and $331 million in as-yet identified reductions (see Placeholders section below) are held as balancing offsets in the FY 2027-28 budget request.

Table 6. Caseload Obligations (Before Offsets)

Department	Amount
Health Care Policy & Financing	$917,813,741
Education	$125,000,000
Human Services	$6,057,667
Corrections	$43,550,742
Higher Education	$16,897,926
Behavioral Health Administration	$269,606
Total	**$1,109,589,682**

Please note that the $1.1 billion caseload obligation outlined above is the General Fund component of the overall expenses. For FY 2027-28, the state estimates that approximately $1.6 billion in Total Funds will be allocated to address the state's growth in caseload expenditures, before offsets.

Annualizations

The annualizations included in the FY 2027-28 budget reduce the overall General Fund obligations by approximately $10.4 million. This amount is anomalous to typical budget submissions as the impact of annualizations typically increases General Fund

need, year-over-year. In fact, were it not for the annualized reductions taken in the Department of Health Care Policy & Financing, this budget would have required an additional $60 million in General Fund for annualizations alone.

Common Policies

Common policy expenditures include a number of internal services provided by central service agencies to all state agencies, and are broken into two broad categories: operating common policies and total compensation common policies. Operating common policies include billings for state-owned leased space, support for the central financial system, administrative law judge services, and fleet management, to name a few. In this year's budget, operating common policies comprise a relatively small portion of the overall increase for common policies, at $15.9 million in General Fund.

Total compensation common policies include the state's salary adjustments, salary loading factors, and expenses for health care coverage. The FY 2027-28 budget requests the funding necessary to implement the renegotiated Partnership Agreement, which was signed on September 23, 2024. The agreement was amended further as a result of a working group that was established to re-examine and negotiate further changes to the state's system. Those recommendations included modifications to compensation components, and now requires the budget include funding for:

- The calculation of years of service that count towards step-pay progression are based on years in an occupational group (as opposed to the previous years in job series)
- A cost of living adjustment (COLA) of 1.25 percent
- Funding for Total State Service (TSS) Awards, which are one-time compensation for reaching anniversaries of employment.

All other economic articles remain in effect for the duration of the current contract and partnership agreement. The current agreement expires on July 31, 2027, and the state will enter into negotiations on the new agreement in early 2027.

Total compensation common policies comprise the largest part of the broader common policy budget. In addition to the amounts held for common policies (shown below), the FY 2027-28 budget request holds an additional $10.5 million General Fund for classified employees in institutions of higher education. The funding for non-executive branch agencies is also shown in the non-executive placeholder, discussed later.

Table 7. Common Policy Expense for All Agencies

Common Policy Type	Amount
Total Compensation	$173,793,327
Operating Common Policies	$15,836,990
Total	**$189,630,317**

Non-Executive Placeholders (Including Elected Officials)

As outlined above, this budget holds specific amounts for non-discretionary expenditures at non-executive branch agencies as well as elected official offices in the Executive Branch. Detail on each of these adjustments is included in the table below. For the FY 2027-28 submission, this budget proposal includes a general 4 percent budget reduction target for all non-executive branches and offices of elected officials of $12.7 million. This excludes non-discretionary expenses, to the extent they could be identified, from the allocable base in order to offer similar alignment to the calculation of executive branch agency reductions. This budget does not attribute portions of this reduction to specific entities as an independent evaluation of their overall budgets could not be conducted.

Table 8. Non-executive Placeholder (Table GFSTR - 2)

Department	Title	Request #	FY 2027-28 General Fund
Judicial	Judicial Operating Common Policies & NPs	-	$1,382,445
Judicial	Judicial Total Compensation	-	$46,862,902
Law	CORE	-	$2,760
Law	Fleet	-	-$8,297
Law	Law Total Compensation	-	$2,312,949
Law	Legal Services	-	-$134,120
Law	OIT	-	-$41,241
Law	Risk	-	$65,411
Law	WC	-	-$1,342
Legislature	Legislative Common Policies & SPB NP	-	-$794,949
Legislature	Legislative Total Compensation	-	$4,133,036
State	TA-23 Statewide Indirect Cost Recoveries Common Policy Adj	-	**-$318,157**
Statewide	4% Operating Reduction for Non-Execs	How We Balance	-$12,681,538
Treasury	CCLS Common Policy Adj.	TA-05	-$12,343
Treasury	CORE Common Policy Adj.	TA-09	$151,148

Department	Title	Request #	FY 2027-28 General Fund
Treasury	Legal Services Common Policy Adj.	TA-06	$40,845
Treasury	Payments to OIT Common Policy Adj.	TA-04	$1,114
Treasury	State Personnel Board	NP-01	$408
Treasury	Statewide Training System	NP-02	$1,109
Treasury	Total Comp Common Policy Adj.	TA-08	$255,224
Treasury	Workers Comp Common Policy Adj.	TA-07	$33,463
Grand Total			$41,250,827

Operating and Balancing Proposals

The FY 2027-28 budget proposal required a number of additional balancing actions to meet the Governor's Constitutional obligation to submit a balanced budget by November 2, 2026. The table below shows specific proposals, some of which will also be submitted for consideration in the January supplemental budget submission.

Table 9. Operating & Balancing Proposals (Table GFSTR - 3)

Department	Title	Request #	FY 2027-28 General Fund
Health Care Policy & Financing	Medicaid Balancing Offsets		-$330,657,874
Statewide	Adjust Victim Compensation Administrative Funding	Statewide R-03	$1,350,000
Statewide	Expenditure Hold for Incoming Administration	How We Balance	$15,000,000
Statewide	Personal Services Reduction of One Percent	Statewide R-10	-$9,026,516
Statewide	Reduction of the ULAP Contribution Rate by One Percent	Statewide R-09	-$17,425,866
Statewide	Support Civic Center Safety	Statewide R-04	$1,175,206
Grand Total			-$339,585,050

Medicaid Balancing Offsets

As discussed in the Caseload section above, this budget holds $331 million in Medicaid caseload obligation offsets that are yet to be identified. The Governor's Office and the Department of Health Care Policy & Financing continue to work diligently towards identifying offsets that will bend the curve on overall Medicaid expenditures, and set the state on a sustainable path in the near future. To the extent that any of these

offsets can be leveraged to create additional savings in FY 2026-27, the January budget submission will include that additional detail.

Additional 1 percent Personal Services Reduction ATB

This budget includes a proposed 1 percent reduction to Personal Services budgets, enacted through the Health, Life, and Dental (HLD) appropriation at each state agency.

Adjust Victim Compensation Administrative Funding

This request seeks a $1.4 million correction to the General Fund backfill mechanism put in place by S.B. 26-042. The intent of that bill was to hold district attorneys (DAs) and court executives harmless from the loss of administrative funding borne by the reclassification of crime victim compensation (CVC) funds. Before that legislation took effect, DAs and court executives took a percentage of the CVC revenues for their operations. A miscalculation in that bill reduced the funds provided to DAs and court executives for administration by 40 percent.

Expenditure Hold for Incoming Administration

On November 3, 2026, the state will hold its General Election and a new Governor will be elected. The new administration will have a set of priorities that it is charged with implementing, many of which will require General Fund to do so. Even in the context of such a tight budget, the FY 2027-28 budget request holds $15 million in General Fund for the next administration's priorities.

Reduce Unfunded Liability Amortization Payments

This budget holds a reduction of more than $17 million General Fund for a one-time reduction to the Unfunded Liability Amortization Payments. These payments help the state decrease PERA's unfunded liabilities, but a one-time 1 percent reduction to these annual payments is not anticipated to disrupt any paydown of the unfunded liability to any serious degree. This funding will annualize back into subsequent appropriations for all state agencies.

Support Civic Center Safety

This budget proposal holds $1.2 million in General Fund to support public safety in the Civic Center area. The Civic Center's adjacency to the Capitol Complex and its importance as a gathering place for demonstrators suggest a role for the state in ensuring its safety. The state is proposing to use these General Funds as a

pass-through to the City and County of Denver for their operations supporting public safety surrounding the Capitol.

No Provider Rate Increases for Non-HCPF Departments

Given the tight fiscal situation, the FY 2027-28 budget proposal does not include any provider rate increases for providers that serve non-Medicaid populations. The Executive Branch estimates that a 1 percent provider rate increase for these providers would have required an additional $12.2 million in General Fund for FY 2027-28.

The Path to Balancing

This section summarizes the impact of all requested expenditures and balancing actions requested in the FY 2027-28 budget package. The following table incorporates information into an overall reconciliation table that also shows the General Fund reserve requirement under the assumptions and balancing proposals deployed in this budget.

Description	FY 2026-27 Enacted Appropriation	FY 2026-27 Supplementals & GF Reversions	FY 2026-27 Adjusted Total	FY 2027-28 Request	Change from FY 2026-27 Adjusted Total	% Change from Enacted
Total General Fund Available for Appropriation	$20,709,908,040	$14,138,187	$20,724,046,227	$21,197,864,598	$473,818,371	2.3%
Additional General Fund from Proposals				$14,465,863	$14,465,863	
Total General Fund Available for Appropriation			$20,724,046,227	$21,212,330,461	$488,284,234	
General Fund Expenditures						
Expenditures Subject to the Reserve	$17,053,894,808	$147,803,858	$17,201,698,666	$17,720,559,554	$518,860,888	3.0%
Expenditures Exempt from the Reserve	$1,415,062,715	-$7,475,000	$1,407,587,715	$1,220,337,635	-$187,250,080	-13.3%
Total General Fund Expenditures	$18,468,957,523	$140,328,858	$18,609,286,381	$18,940,897,189	$331,610,808	1.8%
Ending General Fund	$2,740,950,517		$2,114,759,846	$2,271,433,272	$156,673,426	7.4%
Required/Requested Reserve %	13.00%		13.00%	13.05%		
Required/Requested Reserve Amount	$2,175,756,325		$2,194,970,827	$2,271,283,022	$76,312,195	3.5%
Above/(Below) Reserve Level	$565,194,192		-$80,210,981	$150,250	$80,361,231	

Attachment 3
Legislative Placeholders

The November 1 budget request includes a total of $13.8 million total funds (TF), $6.5 million General Fund (GF) in legislative placeholders, $2.0 million GF of which is one-time. The legislative placeholders, inclusive of a 13.05 percent reserve, total $7.3 million GF. The legislative placeholders are summarized in the tables below.

Table 1. Legislative Placeholders

Placeholder	*Department*	TF	GF
Transition Advisory Committee (H.B. 26-1317)	CDHE	$4,718,021	$4,718,021
Adult High School Program	CDE	$1,200,000	$1,200,000
Hit and Run Driver Penalties	DPS	$379,619	$298,384
Address Marijuana Tax Issues	DOR	$100,000	$100,000
Homestead Exemption Portability	DOLA	$60,000	$60,000
State Charitable Contribution Deduction	DOR	$50,000	$50,000
Pass Through Entity Reforms	DOR	$50,000	$50,000
Space Flight Property Sales Tax Exemption	DOR	$25,000	$25,000
ROAD Enterprise Funding	CDOT	$5,600,000	$0
Pine Beetle Task Force	DNR	$0	$0
H.B. 26-1207 Resources	State	$117,052	$0
Geothermal Development (S.B. 26-142)	DNR	$0	$0
Executive Functioning Assessment	CDE	$1,500,000	$0
Delay Ad Valorem Credit Changes	DOR	$0	$0
Grand Total		**$13,799,692**	**$6,501,405**

Additional details on select legislative placeholders are provided below.

• Transition Advisory Committee (H.B. 26-1317) (CDHE), $4,718,021 TF/$4,718,021 GF: Align post-secondary education with Colorado's workforce needs more closely based on November 30, 2026 Transition Advisory Committee (TAC) recommendations. This may involve strategic change management, integrating parts of CDLE and CDE into CDHE, and integrating CDHE into the state's IT system and classified employee system.

• Adult High School Program (CDE), $1,200,000 TF/$1,200,000 GF: Extend the adult high school program put in place by S.B. 23-003 for four more years to meet Colorado learners where they are with high-quality education at every age and stage.

• Hit and Run Driver Penalties (DPS), $379,619 TF/$298,384 GF: Broaden hit and run suspension from the Department of Revenue (DOR) to those who commit a hit and run with no serious bodily injury (SBI). Current law allows for an officer to complete an affidavit for driver's license suspension to the DOR only when the driver is suspected of hit and run involving SBI or death.

• Address Marijuana Tax Issues (DOR), $100,000 TF/$100,000 GF: Prevent inappropriate taxation by creating a credit and rate reduction scheme that accounts for new categories of AMR created by DOR that may increase the likelihood of certain products being subject to double taxation under the excise tax, as well as certain non-marijuana input costs being subject to tax.

• Homestead Exemption Portability (DOLA), $60,000 TF/$60,000 GF: Extend the existing portability of the homestead exemption from S.B. 24-111, an important part of making housing more affordable by removing the disincentive for seniors to downsize their homes. Under current law, the benefit expires after Tax Year 2026, but this would extend the provision by 8 years for senior homeowners who previously qualified but moved after 2020. Costs included here are for implementation given that the OSPB forecast assumes that FY 2027-28 homestead costs would be paid with FY 2026-27 TABOR refunds.

• State Charitable Contribution Deduction (DOR), $50,000 TF/$50,000 GF: Repeal the state charitable contribution deduction for non-itemizers in response to the federal government expansion of a similar deduction to prevent double dipping by taxpayers.

• Pass Through Entity Reforms (DOR), $50,000 TF/$50,000 GF: Improve tax filing efficiency and create clear rules for pass through entities claiming refundable tax credits to minimize department and taxpayer burden and confusion, as well as permit lower partnership tiers to report SALT deduction to higher partnership tiers to improve filing efficiency.

• Space Flight Property Sales Tax Exemption (DOR), $25,000 TF/$25,000 GF: Reevaluate the pause of the space flight sales and use tax exemption enacted in H.B. 26-1289. According to the fiscal note, the fiscal impact of the exemption is de minimis. While space launches occur in other states like Florida, California, and Texas, these space technology companies bring their space equipment back to Colorado for refurbishment and repair. This Colorado-based work puts critical space equipment back into use for future space missions. There are several Colorado

companies that do this exact work here in Colorado, which importantly creates jobs and economic activity critical to communities across the state. Re-establishing the space flight sales and use tax exemption will help Colorado maintain our national leadership in the space economy.

• ROAD Enterprise Funding (CDOT), $5,600,000 TF/$0 GF: Improve state highway system roadway surfaces by adjusting Oversize Overweight (OS/OW) fees collected by the road enterprise (created by H.B. 26-1430) to align with the purchasing power of when they were implemented in 2009 and appropriately reflect infrastructure impacts. The revenue collected is TABOR exempt.

• Pine Beetle Task Force (DNR), $0 TF/$0 GF: Support Mountain Pine Beetle Task Force recommendations in December 1, 2026 report. TF amount will be updated to reflect Colorado State Forest Service cash fund amounts after December 1, 2026.

• H.B. 26-1207 Resources (State), $117,052 TF/$0 GF: Ensure EEO-1 forms are maintained by the Secretary of State while not being automatically published as part of a business's public filing record. This includes following the same confidentiality restrictions under the Colorado Open Records Act as apply to these documents under the Freedom of Information Act at the federal level. The Governor's H.B. 26-1207 signing statement included that the budget would hold 1.0 FTE in SOS for this purpose.

• Geothermal Development (S.B. 26-142) (DNR), $0 TF/$0 GF: Support recommendations from the November 15, 2026 S.B. 26-142 report, which is intended to encourage the safe and effective development of geothermal resources.

• Executive Functioning Assessment (CDE), $1,500,000 TF/$0 GF: Implement an executive functioning assessment across all kindergarten classrooms in Colorado that measures key skills like working memory and cognitive flexibility, which strongly predict future academic success in reading and math. The one-time initiative is estimated to cost approximately $1.5 million from the SEF, which covers the assessment for over 57,000 students and comprehensive professional development for educators.

• Delay Ad Valorem Credit Changes (DOR), $0 TF/$0 GF: Delay implementation of the timing and calculation change of severance tax ad valorem credits from occurring in Tax Year 2028 to Tax Year 2030, similar to H.B. 23-1272 and S.B. 25-040. This is due to considerable uncertainty around the negative revenue impact of the credit change. Instead, delaying any changes to the ad valorem structure allows for greater certainty and predictability in an already volatile revenue stream and provides time for additional fiscal analysis.

Attachment 4
Capital Request Overview

Capital Construction

The FY 2027-28 request includes the Governor's prioritized capital and IT capital construction requests. In total, OSPB received 60 regular Capital Construction requests and 13 IT Capital Construction requests from across the state. Agency requests for regular Capital Construction exceeded $482 million in total funds, while Institutions of Higher Education requests for Capital Construction exceeded $746 million total funds for a total request for Capital Construction exceeding $1.2 billion. IT Capital Construction requests sought more than $85.2 million in total funds.

Capital Construction

To evaluate the capital construction requests, the Executive Branch applies an evaluation rubric that includes the following criteria:

- Impact on health, life, and safety;
- Total loss of use;
- Cost;
- Project status;
- The Governor's Bold 5 priorities; and
- Input from legislative stakeholders from last year's session.

After evaluating each proposal, the Executive Branch has prioritized eight regular Capital Construction projects in this year's budget, with a total General Fund request of $113 million.

The FY 2027-28 budget request scales back on the number of recommended projects. Controlled Maintenance (CM) Level 1 has been prioritized with a score up to 76 reducing CM level I by $13.9 million and funding $89 million for 42 projects. This includes institutions of higher education for a total of $56.1 million for 26 projects and a total of $32.9 million for agencies for 16 projects. The prioritized list includes funding for two continuation projects including the Department of Corrections and Department of Human Services.

We plan to include in the January 2nd budget a proposal to open the parking garage located at 1255 Broadway and attached to History Colorado to public parking, potentially through an enterprise. The parking structure is currently managed by the Judicial Branch and is severely underutilized. History Colorado is spearheading this request to provide public access to the garage and is hopeful that the Judicial branch

will help guide this request to ensure the garage is deployed to its highest and best use. This request may require capital construction appropriations for upgrades.

Please see Tables 1 and 2 below for detail on the FY 2027-28 Prioritized Capital Construction projects.

Table -1 FY 2027-28 Prioritized State Funded Capital Construction Projects

Agency/ Ranking	Project Name	TF	CCF/GF	CF	FF
DPA/OSA-01	Controlled Maintenance Level 1	$89,055,336	$89,055,336	$0	$0
DOC- 01	Colorado State Penitentiary Electronic Security System Replacement- Phase 2 of 2	$6,449,036	$6,449,036	$0	$0
CDHS	Campus Utility Infrastructure Upgrade, CMHHIP	$17,215,501	$17,215,501	$0	$0
DOLA-01	Fort Lyon Campus Economic Viability & Long-Term Utilization Plan 2050	$500,000	$500,000	$0	$0
Total Prioritized FY 2027-28 Requests		$113,219,873	$113,219,873	$0	$0

Table 2- FY 2027-28 Prioritized Cash Funded Capital Construction Projects

Department / Ranking	Project	TF	CCF/GF	CF	FF
CDHS- 03	Depreciation Fund Capital Improvements	$1,041,306	$0	$1,041,306	$0
DMVA- 02	Pueblo West Field Maintenance Shop	$3,060,000	$0	$0	$3,060,000
DMVA- 03	HAATS Aircraft Maintenance Hangar Expansion	$3,371,000	$0	$0	$3,371,000
DMVA- 04	Buckley CERFP Organizational Storage Building	$957,000	$0	$0	$957,000
DNR-01	Property Acquisition and Improvements	$12,100,000	$0	$12,100,000	$0
DNR-02	Infrastructure and Property Maintenance	$17,447,000	$0	$17,447,000	$0
DOC- 13	Correctional Industries Spending Authority	$2,900,000	$0	$2,900,000	$0

Department / Ranking	Project	TF	CCF/GF	CF	FF
HC-01	Multiple Buildings, Repair Historic Structures, Statewide	$700,000	$0	$700,000	$0
HC-02	History Colorado, Modernize Building Infrastructure, Denver	$4,300,000	$0	$4,300,000	$0
HC-03	Monument Preservation Trust Fund Spending Authority	$185,000	$0	$185,000	$0
Total Cash Funded FY 2027-28 Requests		$46,061,306	$0	$38,673,306	$7,388,000

IT Capital Construction

The Executive Branch uses three guiding principles to evaluate the IT Capital Construction projects submitted by state agencies. The three principles are:

1. Prioritize continuation funding over funding for new projects, especially those are in mid-implementation with a high probability of successful completion;
2. Prioritize projects that are critical to state operations and/or regulatory compliance requirements; and
3. Fund projects that leverage cash funds and sources of funds besides the state General Fund.

As a result, the FY 2027-28 budget request includes 3 prioritized IT Capital Construction projects for a total General Fund cost of $14.1 million. Of the 3 projects, one is solely funded with cash funds.

Please see Tables 3 and 4 below for detail on the FY 2027-28 Prioritized IT Capital Construction requests.

Table 3 - FY 2027-28 Prioritized State Funded IT Capital Construction Projects

Agency/ Ranking	Project Name	TF	CCF/GF	CF	RF	FF
HCPF-01	Reimagining CO's Benefit Eligibility System	$58,678,939	$13,305,800	$1,681,703	$5,722	$43,685,714

Agency/ Ranking	Project Name	TF	CCF/GF	CF	RF	FF
DOC-01	Multi-Factor Authentication	$817,535	$817,535	$0	$0	$0
Total Prioritized State Funded Requests		$59,496,474	$14,123,335	$1,681,703	$5,722	$43,685,714

Table 4 - FY 2027-28 Prioritized Cash Funded IT Capital Construction Projects

Agency/ Ranking	Project Name	TF	CCF/GF	CF	RF	FF
DPA-02	Replacement of CARS	$502,050	$0	$502,050	$0	$0
Total Prioritized Cash Funded Requests		$502,050	$0	$502,050	$0	$0

Attachment 5
Medicaid Sustainability

The Department of Health Care Policy and Financing (HCPF) is taking proactive administrative steps and proposing strategic budget adjustments to address the unsustainable expansion of Medicaid expenditures in FY 2026-27 and FY 2027-28. Throughout this process, HCPF remains steadfast in safeguarding the health, safety, and overall well-being of Medicaid members. The Department's efforts to ensure long-term financial sustainability and fiscal responsibility are anchored by several core principles:

- Protect health coverage for as many Coloradans as possible
- Address rapid growth in the utilization of certain services while maintaining member health and safety
- Drive administrative efficiencies
- Align benefits and services to maximize impact and value
- Ensure program integrity and fiscal accountability
- Maximizing federal and non-General Fund resources

The tables that follow detail specific expenditure reductions proposed for FY 2026-27 and FY 2027-28.

FY 2026-27 Forecast

Medicaid expenditures in FY 2026-27 are projected to significantly exceed the amounts appropriated during the 2026 legislative session. As presented by OSPB and HCPF at the September 17, 2026 Commission on Medicaid meeting, preliminary forecasts indicated spending would outpace appropriations by approximately $442 million GF.

Since then, HCPF has implemented measures to align forecasted spending with available appropriations. The Department initiated immediate administrative actions, detailed in the table below, to curtail operating costs and refine service delivery. For instance, HCPF is implementing steps in FY 2026-27 to slow expenditure growth in long-term services and supports; while initial savings may materialize this fiscal year, the exact amount remains uncertain and is excluded from the FY 2026-27 table. These administrative efficiencies are expected to reduce General Fund expenditures by roughly $30 million compared to preliminary estimates.

The table also highlights participation in the federal GENEROUS Model (GENErating cost Reductions fOr U.S. Medicaid), which provides an avenue for prescription drug

savings by benchmarking lower net drug prices internationally. Initial savings could begin in FY 2026-27, with more substantial impacts realized in FY 2027-28. However, because ultimate savings depend on manufacturer participation, negotiated price structures, and potential utilization shifts, HCPF cannot establish a definitive fiscal estimate at this time.

Furthermore, HCPF refined its forecasting models, lowering the projected General Fund shortfall by $78 million compared to the September 2026 baseline. Combined with targeted administrative reductions, identified adjustments will reduce spending by at least $110 million GF.

HCPF will continue identifying administrative efficiencies and developing proposals for the January 2, 2027 supplemental budget package. Incorporating input from the Commission on Medicaid, these combined efforts aim to bring the projected FY 2026-27 General Fund overspend down to approximately $174 million GF, establishing a lower baseline for FY 2027-28.

FY 2026-27 Actions and Proposals

Item	Total Funds (in millions)	General Funds (in millions)	Mechanism	Focus Area
Executive Director Directive for a hiring, compensation, travel and discretionary spending freeze	-$3.9	-$1.6	HCPF administrative authority; supplemental	Driving administrative efficiencies
Additional administrative efficiencies including negotiating program partner contract reductions and elimination of non-essential and rarely read reports	-$2.0 to -$4.0	-$0.8 to -2.0	HCPF administrative authority; supplemental	Driving administrative efficiencies
HCPF actions resulting in forecast refinements (Behavioral Health, Private Duty Nursing, Long Term Home Health)	-$196.6	-$77.6	Forecast	Driving administrative efficiencies and Ensuring program integrity and fiscal accountability

Item	Total Funds (in millions)	General Funds (in millions)	Mechanism	Focus Area
Provider and network management (provider revalidation; terminating providers with fraud, waste, abuse concerns; enrollment moratoriums for certain provider types)	TBD	TBD	HCPF administrative authority; supplemental	Driving administrative efficiencies and Ensuring program integrity and fiscal accountability
Operational contract reductions	-$0.7	-$1.3	HCPF administrative authority; R-06	Driving administrative efficiencies
Administrative spending authority true up	-$2.0	-$0.7	R-06	Driving administrative efficiencies
MMIS reduction	-$5.8	-$1.5	R-06	Driving administrative efficiencies
Delay CHP+ Health Services Initiatives	-$9.9	-$3.5	R-06	Driving administrative efficiencies
Reduce Accountable Care Collaborative Program Payments	-$19.8	-$6.7	R-06	Aligning benefits and services to maximize impact and value
Eliminate Behavioral Health Incentive Payments	-$66.4	-$15.7	R-06	Aligning benefits and services to maximize impact and value

Item	Total Funds (in millions)	General Funds (in millions)	Mechanism	Focus Area
Targeted utilization limits	TBD	TBD	Supplemental	Aligning benefits and services to maximize impact and value
Rx GENEROUS	TBD	TBD	Supplemental	Driving administrative efficiencies and Maximizing federal and non-general fund resources
Total reductions	-$307 to -$309	-$109 to -$111		

FY 2027-28 Forecast

We are proposing multiple actions that will slow the growth of Medicaid spending in FY 2027-28 to an increase of 4.3 percent (the projected TABOR growth rate) relative to HCPF's FY 2026-27 appropriations. This amounts to FY 2027-28 spending in HCPF's forecast lines of roughly $6.02 billion GF, a year-over-year increase of about $250 million in additional forecasted health care spending.

However, as described in the September 17, 2026 meeting of the General Assembly's Commission on Medicaid, the Department's preliminary forecast projected $6.63 billion GF in FY 2027-28, which exceeds its 4.3 percent growth target by over $600 million.

The table below outlines various actions and proposals designed to align Medicaid spending with the 4.3 percent growth target, identifying nearly $300 million in projected savings. Additional steps remain necessary, and collaboration with the Commission on Medicaid will continue as it concludes its work in December. HCPF will introduce further reductions informed by the Commission on Medicaid's work; these proposals will be incorporated into a package of supplemental and budget amendment requests on January 2, 2027.

FY 2027-28 Actions and Proposals

Item	Total Funds (in millions)	General Funds (in millions)	Mechanism	Focus Area
Administrative efficiencies including negotiating program partner contract reductions and elimination of non-essential and rarely read reports	-$2.0 to -$4.0	-$0.8 to -2.0	HCPF administrative authority; to be reflected in supplemental	Driving administrative efficiencies
HCPF actions resulting in forecast refinements (Behavioral Health, Private Duty Nursing, Long Term Home Health)	-$138.3	-$26.1	Forecast	Driving administrative efficiencies and Ensuring program integrity and fiscal accountability
Long term services and supports reductions	-$171.7	-$85.9	HCPF administrative authority; reflected in Nov. 1 forecast and Feb. 15 forecast	Aligning benefits and services to maximize impact and value
Provider and network management (provider revalidation; terminating providers with fraud, waste, abuse concerns; enrollment moratoriums for certain provider types)	TBD	TBD	HCPF administrative authority	Driving administrative efficiencies and Ensuring program integrity and fiscal accountability

Item	Total Funds (in millions)	General Funds (in millions)	Mechanism	Focus Area
Reduce HCPF Operating	-$0.5	-$0.2	R-06	Driving administrative efficiencies
Reduce General Professional Services & Special Projects Contracts	-$2.1	-$1.2	R-06	Driving administrative efficiencies
Reduce MMIS Operating	-$5.8	-$1.5	R-06	Driving administrative efficiencies
Delay CHP+ Health Services Initiatives	-$9.9	-$3.5	R-06	Driving administrative efficiencies
True Up and Reduce All Payer Claims Database Payments	-$1.5	-$1.1	R-06	Driving administrative efficiencies
True Up Administrative Spending Authorities	-$1.8	-$0.6	R-06	Driving administrative efficiencies
Reduce Accountable Care Collaborative Program Payments	-$33.0	-$11.3	R-06	Aligning benefits and services to maximize impact and value
End Shared Savings Payments for Maternity and Prescriber Tools	-$0.2	-$0.1	R-06	Aligning benefits and services to maximize impact and value
Reinstate Behavioral Health Prior Authorization Requirements	-$65.0	-$14.5	R-06	Aligning benefits and services to maximize impact and value

Item	Total Funds (in millions)	General Funds (in millions)	Mechanism	Focus Area
Align Interdisciplinary Clinical Care and Supportive Services	-$169.1	-$37.8	R-06	Aligning benefits and services to maximize impact and value
Eliminate Behavioral Health Incentive Payments	-$78.8	-$18.6	R-06	Aligning benefits and services to maximize impact and value
Reduce Hospital Medical Education Payments	-$87.7	-$25.4	R-06	Aligning benefits and services to maximize impact and value
Maximize funds for the Primary Care Fund for children and families to replace Cover All Coloradans	$2.1	-$10.1	R-06	Aligning benefits and services to maximize impact and value
Eliminate Adult Dental Coverage and Increase Primary Care Fund Payments	-$214.8	-$39.8	R-06	Aligning benefits and services to maximize impact and value
Eliminate Home Health PT/OT/ST for Adults	-$2.9	-$0.8	R-06	Aligning benefits and services to maximize impact and value
Eliminate Senior Dental, Pediatric Specialty Hospital, and SBIRT Programs	-$16.7	-$6.8	R-06	Aligning benefits and services to maximize impact and value

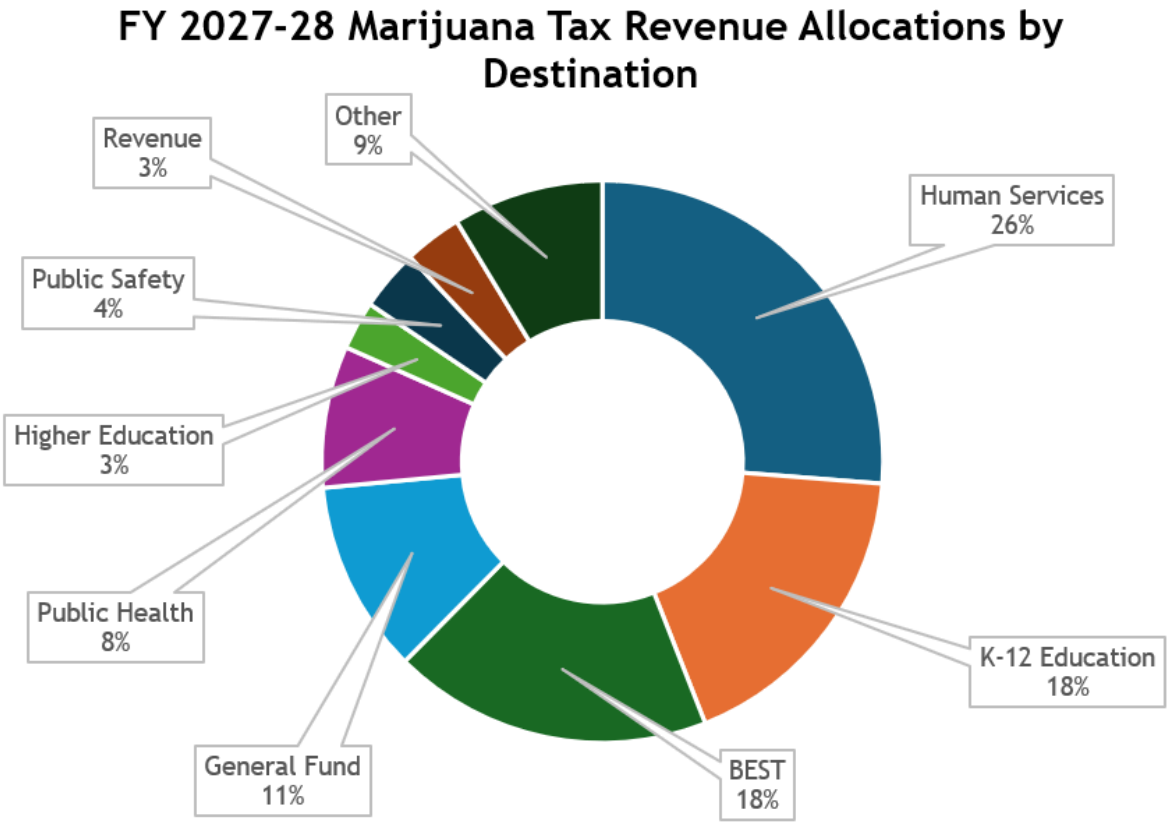
Item	Total Funds (in millions)	General Funds (in millions)	Mechanism	Focus Area
Increase Primary Care Rates	$22.9	$6.9	R-06	Aligning benefits and services to maximize impact and value
Behavioral Health Secure Transportation Reduction	-$1.3	-$0.3	R-11B	Aligning benefits and services to maximize impact and value
Increase School Health Services Federal Funds Withholding	$0.0	-$7.3	R-06	Maximizing federal and non-general fund resources
340(B) Drugs at acquisition cost	-$1.2	-$0.3	R-09	Maximizing federal and non-general fund resources
Additional FTE to Assist in Detecting, Preventing, and Recovering Funds Related to FWA	-$6.1	-$1.7	R-07	Ensuring program integrity and fiscal accountability
HCPF Appeals Staffing to Reduce Backlog and Continued Benefits Costs	-$0.9	-$0.5	R-08	Ensuring program integrity and fiscal accountability
Targeted utilization limits	TBD	TBD	Supplemental	Aligning benefits and services to maximize impact and value

Item	Total Funds (in millions)	General Funds (in millions)	Mechanism	Focus Area
Modify and align payment policy (align with Medicare, actual costs, adjust manually priced items)	TBD	TBD	Supplemental	Aligning benefits and services to maximize impact and value
Rx GENEROUS Model	TBD	TBD	Supplemental	Driving administrative efficiencies and Maximizing federal and non-general fund resources
Total reductions	-$986 to -$988	-$289 to -$290		

Attachment 6
Marijuana Tax Cash Fund

FY 2027-28 Total Estimated Marijuana Revenue Allocation: $214,482,150

Figure 1. Marijuana Tax Revenue Allocation by Destination for Fiscal Year 2027-28



Introduction

Marijuana revenue stems from an excise tax and taxes charged on recreational and medical marijuana sales across the state. Despite stable demand, a range of factors including competition of alternative products and loss of marijuana tourism have led to prices trending lower. OSPB expects that price dynamics will lead to lower marijuana revenue during the three-year forecast period relative to FY 2025-26. That said, revenue expectations over the forecast period are expected to be relatively stable after a volatile set of years leading up to and following the COVID pandemic. As medical and recreational marijuana sales increased precipitously during the height of the pandemic, revenue to the Marijuana Tax Cash Fund (MTCF) grew to a record high

of $201.9 million in FY 2020-21, up 17.3 percent over FY 2019-20 levels. Revenue fell in FY 2021-22 by 11.2 percent to $179.2 million and by an additional $29.8 million to $149.0 million in FY 2022-23 as demand fell from its peak, resulting in oversupply and depressed prices. The trend in lower prices has continued through FY 2025-26, while demand for adult-use marijuana (AUMJ) has stabilized. Special sales tax collections have been on a steady decrease falling an average of 9.3 percent annually between FY 2020-21 and FY 2025-26. Comparatively, medical marijuanas (MMJ) demand continues to decline, as revenue from the 2.9 percent tax on medical marijuana has declined an average of 30.4 percent annually since FY 2020-21.

Declines in both AUMJ and MMJ related revenue have impacted collections to the MTCF. According to the September 2026 OSPB forecast, FY 2026-27 revenue collections are expected to continue the downward slide of marijuana tax revenues. This fiscal year is anticipated to be the bottom of revenue collection and the beginning of the stabilization of the revenue stream, though FY 2027-28 and FY 2028-29 total marijuana revenue is expected to remain below FY 2025-26 levels. Note that the September 2026 LCS forecast anticipates higher total marijuana revenue across the forecast period, with approximately $6.5 million more revenue anticipated in FY 2026-27 and an additional $6.2 million in FY 2027-28. However, the Marijuana Tax Cash Fund is anticipated to experience year-over-year growth driven by legislative changes, not real marijuana revenue growth. Due to a stabilizing marijuana market and legislative changes, OSPB forecasts a modest growth in FY 2026-27 to $128.4 million (a 0.5 percent increase) in MTCF revenue, followed by $129.5 million of collections in FY 2027-28, which is still significantly below FY 2022-23 revenue levels. The out-year forecast estimates modest growth of 1.2 percent to collections of $131.0 million in FY 2028-29. Despite trends of stagnation for total marijuana revenue, MTCF distribution growth beginning in FY 2025-26 is largely driven by the updated statutory distribution formula of the 15 percent special sales tax, from S.B. 25-268 Changes to Money in the Marijuana Tax Cash Fund and H.B. 26-1409 Marijuana Tax Cash Fund Distributions. The updated distribution formula decreases and then eliminates the local share of the special sales tax and allocates more revenue to the MTCF and Marijuana Cash Fund (MCF).

Figure 2. State Marijuana Revenues, FY 2017-18 through FY 2028-29 Forecast

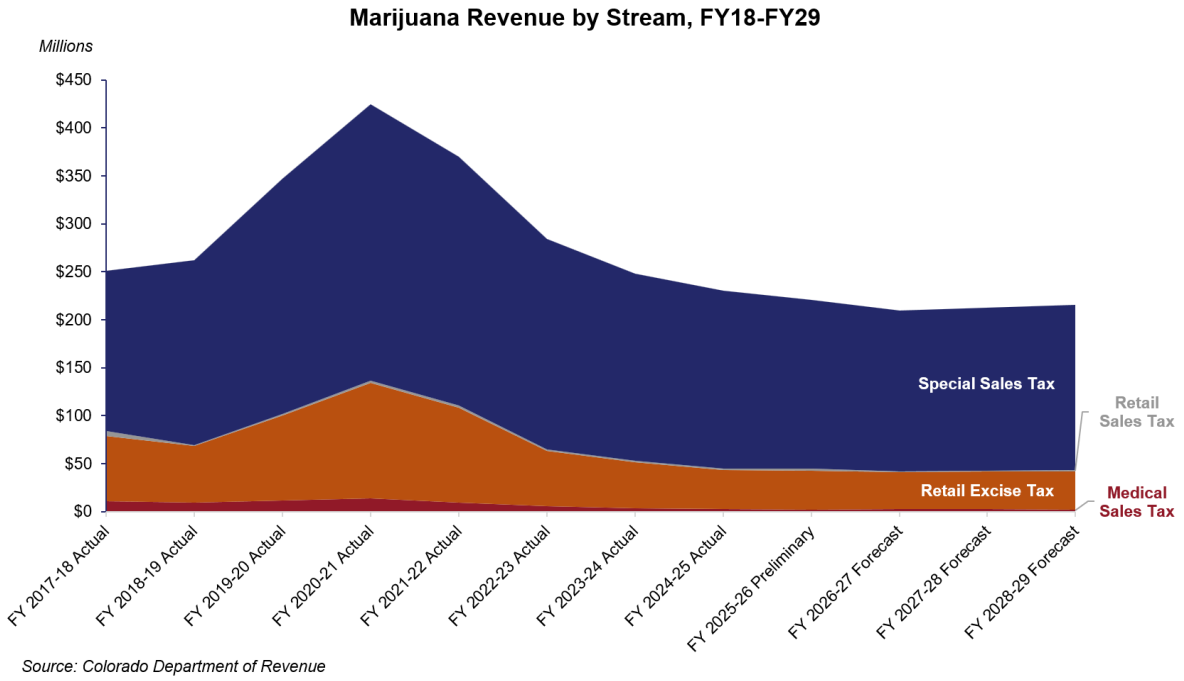


Figure 3. State Marijuana Revenues, FY 2022-23 through FY 2027-28 Forecast

Tax Type (millions)	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Preliminary	FY 2026-27 Forecast	FY 2027-28 Forecast
Medical 2.9% Sales Tax	$5.6	$3.9	$3.0	$2.2	$2.7	$2.5
Retail 15% Excise Tax	$57.8	$47.9	$40.2	$40.7	$38.2	$39.5
Retail 2.9% State Sales Tax	$1.1	$1.2	$1.5	$2.0	$1.1	$1.0
Retail 15% Special Sales Tax	$219.9	$195.0	$185.6	$175.9	$167.7	$169.9
Total (Not Including Interest)	$284.4	$248.0	$230.3	$220.8	$209.7	$212.9
Portion of Total to the Marijuana Tax Cash Fund (including interest)	$152.1	$135.5	$124.5	$124.7	$126.5	$127.9

Allocation of Marijuana Tax Revenues

The tax revenue from marijuana is allocated across state agencies via the Marijuana Tax Cash Fund, the General Fund, and into various funds for schools.

- **15 percent Special Sales Tax:** As of July 1st, 2026, 100 percent is retained by the state, and 0 percent is distributed to local governments. Of the state share, 73.17 percent is directed to the MTCF. The other 27.8 percent is distributed to the Public School Fund (11.33 percent), Marijuana Cash Fund (1.5

percent), and to the General Fund (14.0 percent). This updated distribution, per H.B. 26-1409 was first implemented in FY 2026-27.

- **15 percent Excise Tax:** The Colorado Constitution requires that the first $40 million in excise taxes be deposited into the Building Excellent Schools Today (BEST) Fund. The remaining revenue from this tax is subject to statutory distribution and has gone to various destinations over the years. Prior to FY 2017-18, revenues above the first $40 million were directed to the Public School Permanent Fund trust fund. In FY 2018-19, the portion sent to BEST was increased to 90 percent of total excise tax collections, with the remainder going to the Public School Permanent Fund. Beginning in FY 2019-20, statute was changed to direct all excise taxes to BEST, except during FY 2020-21 when all revenues above the first $40 million were diverted to the State Public School Fund. This diversion was a temporary measure to defray cuts made to public school operating budgets during the pandemic-induced state revenue contraction. Since FY 2021-22, all marijuana excise tax revenue has been directed to BEST, and this budget proposes to continue doing so in FY 2027-28. That said, OSPB's September 2026 forecast anticipates the excise tax to collect slightly less than $40 million in FY 2026-27 and FY 2027-28.
- **2.9 percent Medical Sales Tax:** 100 percent of the medical sales tax is allocated to the Marijuana Tax Cash Fund.
- **2.9 percent Retail Sales Tax:** 100 percent of the retail sales tax captured in dispensaries on non-marijuana products is distributed to the Marijuana Tax Cash Fund.

Figure 4. State Marijuana Tax Distribution (as updated by H.B. 26-1409)

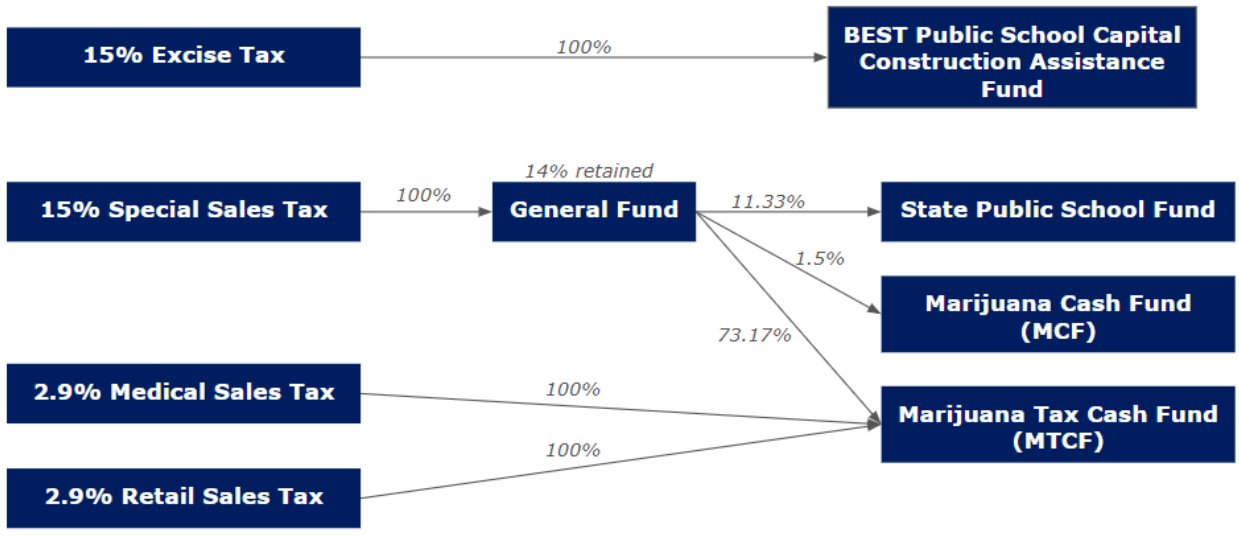


Figure 5. State Marijuana Revenue Distribution (millions), FY 2023-24 through FY 2028-29 Forecast (OSPB September 2026 Forecast)

Fiscal Year	Total Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Fund	MTCF	MTCF Nonexempt Interest	MTCF Exempt Interest	MCF
FY 2023-24 (Actual)	$252.30	$19.50	$27.30	$47.87	$22.09	$135.53	$0.16	$4.12	
FY 2024-25 (Actual)	$233.95	$18.64	$26.10	$40.17	$21.01	$124.47	$0.13	$3.42	
FY 2025-26 (Preliminary)	*$220.13*	*$6.17*	*$25.10*	*$38.91*	*$19.53*	*$124.69*	*$0.10*	*$2.96*	*$2.68*
FY 2026-27 (Projected)	*$211.61*	*$0.00*	*$23.48*	*$38.20*	*$19.00*	*$126.50*	*$0.10*	*$1.80*	*$2.52*
FY 2027-28 (Projected)	*$214.48*	*$0.00*	*$23.78*	*$39.46*	*$19.25*	*$127.85*	*$0.10*	*$1.50*	*$2.55*
FY 2028-29 (Projected)	*$217.23*	*$0.00*	*$24.13*	*$40.02*	*$19.53*	*$129.37*	*$0.10*	*$1.50*	*$2.59*

Marijuana Tax Cash Fund

In recent fiscal years, the MTCF has experienced budget constraints due to declining marijuana revenue allocated to the fund. In order to maintain the statutorily required 15 percent reserve requirement, budget balancing measures have been made in the past five fiscal years. Despite anticipated stabilization of marijuana revenue in future years, there is still a need to take budgetary actions to ensure future fiscal stability and meet the statutory reserve requirements. The Governor's Budget looks to continue funding for crucial programming while maintaining fiscal responsibility.

In FY 2024-25, the MTCF was forced to dip into the statutorily required reserve due to revenues coming in significantly below expectation. According to the OSPB September 2026 Forecast, FY 2026-27 is expected to be marginally above the 15 percent reserve. Additionally, the FY 2027-28 budget is anticipated to be above the reserve limit, without further budget action.

For FY 2026-27, the budget assumes a conservative $1.0 million in reversions to the fund across all Department expenditures, which would represent approximately 0.8 percent of unexpended funds compared to the total appropriation. The fund is anticipated to be balanced in FY 2026-27 and FY 2027-28, without further budget balancing measures. However, the Governor's budget proposes further stabilizing actions, as well as reasonable investments from the fund.

Governor's Request for the Marijuana Tax Cash Fund

The Governor's FY 2027-28 MTCF budget and legislative agenda is firmly aligned with the intended uses of the Fund and creates financial sustainability during a time of uncertain revenue collections by one-time refinancing of MTCF appropriations and minimal new commitments of the fund. Overall, the Governor's request includes a net-total decrease of $0.8 million, with appropriation reductions and restoring appropriations cut in prior fiscal years. The $2 million in reductions at the Colorado Department of Higher Education (CDHE) below is ongoing, as well as the restoration of certain appropriations. This will maintain the Fund's better position if revenue collections continue to stagnate while making reasonable investments of the fund. New items requested include the following:

- Eliminate the $2.0 million appropriation on an ongoing basis within the Colorado Department of Higher Education appropriation for the CU School of Public Health for the Regulation of Marijuana Concentrates.
- Restore the appropriation to the Institute of Cannabis Research at CSU Pueblo. This would increase the appropriation by $725,000, bringing it to a total of $3.8 million.
- Restore the appropriation for the Colorado Department of Transportation's (CDOT) Marijuana Impaired Driving Program. This increase of $500,000 will increase the total amount of funding to CDOT to $950,000.
- The Colorado Department of Public Safety's FY 2027-28 R-02 Request is for a net-zero reallocation of the existing Marijuana Tax Cash Fund (MTCF) appropriation, originally intended for the expired Enhanced School Safety Incident Response (ESSIR) grant program, to the School Security Disbursement (SSD) Program appropriation. This move effectively continues the ESSIR grant's purpose by ensuring that these funds continue to support non-profit organizations that provide essential incident response training to law enforcement officers.
- This budget incorporates the intent of the Joint Budget Committee to eliminate funding for the Governor's Special Policy Advisor on Cannabis (Gov R-01). In the most recent legislative session, the Joint Budget Committee cut this funding in half for FY 2026-27 to ensure the advisor position would remain through the current administration. This would eliminate this $0.1 million in funding ongoing.

Figure 6. Statewide Marijuana Tax Cash Fund: Appropriations and Request

Department	FY 2024-25 Appropriation	FY 2025-26 Appropriation	FY 2026-27 Appropriation	FY 2027-28 Request
Agriculture	2,177,759	2,139,550	2,247,864	2,265,619
Early Childhood	991,266	1,007,612	1,002,929	1,027,989
Education	22,206,415	17,241,398	18,918,840	18,942,044
Governor's Office	1,911,848	934,346	1,444,337	1,353,812
Health Care Policy and Financing	1,500,000	1,500,000	1,000,000	1,000,000
Higher Education	10,950,000	7,225,000	7,225,000	5,975,000
Human Services	60,103,114	58,799,990	55,505,084	56,346,915
Judicial Branch	2,734,691	2,734,691	2,734,691	2,734,691
Law (Attorney General)	1,709,553	1,709,553	1,814,193	1,814,193
Local Affairs	2,243,268	1,347,314	1,125,719	1,080,986
Public Health and Environment	23,769,434	17,475,848	17,536,144	17,536,144
Public Safety	7,652,371	7,490,190	7,875,912	8,548,473
Regulatory Agencies	202,807	120,807	126,007	126,007
Revenue	4,608,680	4,559,855	4,559,855	4,559,855
Transportation	950,000	450,000	450,000	950,000
Transfers in	0	0	0	0
Transfers out	1,598,000	3,828,000	598,000	598,000
Total	145,309,206	128,564,154	124,164,575	124,859,728

The MTCF line-by-line document (link to spreadsheet) provides budget request details as well as historical budget and expense detail by department.

Attachment 7
Long-Range Planning

Introduction

Executive Branch agencies prepare Long Range Financial Plans alongside their annual budget submissions to provide additional context and information to the General Assembly for the purposes of:

- Strategically planning for future contingencies;
- Supporting departments' annual budget requests;
- Informing the General Assembly and broader public of departments' perspectives on long-range trends that influence their costs and revenues; and
- Informing effective resource allocation.

The FY 2027-28 plans describe departmental cost and revenue drivers, their expected trends, and the potential effects of legislation, federal policy, ballot measures, and other contingencies. They reflect departmental planning assumptions rather than a consolidated statewide forecast or final Governor's budget recommendations and may change as submissions are finalized and economic and policy conditions evolve.

The plans identify continuing pressures from health care costs, correctional capacity, compensation and benefits, construction inflation, aging infrastructure, and demand for housing and other assistance. Federal policy changes present additional risks through reduced funding, revised eligibility and administrative requirements, and shifts in costs and service demand to state and local programs. Volatile revenues, restricted funding sources, and expiring temporary support further limit departments' flexibility. Certain ballot measures on the November 2026 ballot could have significant fiscal implications related to long-range fiscal planning, with more information regarding those measures below.

Key Statewide Budget Drivers

<u>Economic Conditions, Revenue, and TABOR Implications for Long Term Planning</u>

Economic uncertainty, state and federal tax policy changes, trade policy, slower consumption, housing affordability, and slowing population growth pose risks to revenue and service delivery. An economic downturn can increase demand for public assistance, unemployment benefits, workforce services, and housing support while reducing tax collections, consumer-dependent cash fund revenues, and local matching resources.

The principal planning challenge is aligning ongoing commitments with sustainable revenue and available spending capacity. Health care utilization, correctional caseloads, labor costs, construction prices, and statutory requirements can increase spending needs faster than (a) the inflation and population growth measures underlying TABOR limits, and/or (b) recent and projected revenue growth performance.

Revenue growth also does not necessarily provide greater spending flexibility if state revenue is above the TABOR cap. Further, many cash funds are restricted to specific purposes, while income tax diversions dedicate revenue to education and housing alongside robust state tax credits that lead to significant unrealized income tax revenue. Long-term planning must therefore consider both the amount of available revenue and its allowable uses.

Inflation, Compensation, and Statewide Operating Costs

Elevated inflation and tariffs continue to increase the cost of supplies, equipment, construction, and contracts. The September 2026 OSPB forecast projects Colorado inflation of 4.0 percent in 2026, followed by 2.4 percent in 2027, and 2.3 percent in 2028. Slower inflation would moderate future cost growth but would not reverse previous price increases or eliminate sector-specific pressures.

Construction costs remain a particular constraint. The Colorado Department of Transportation (CDOT) reports average annual construction cost growth of 5.27 percent since 2022, which has outpaced overall consumer inflation over the same period, while the Department of Local Affairs (DOLA) reports renewed construction cost acceleration in 2026. Higher costs reduce the infrastructure and housing that fixed appropriations can support, potentially requiring project delays, scope reductions, or additional funding.

Workforce pressures extend beyond annual salary adjustments to step pay, health insurance, leave utilization, workers' compensation, and competition for specialized staff. Recruitment and retention challenges can increase overtime, contract staffing, training costs, and service delays. Rising compensation and centrally allocated operating costs can also constrain discretionary spending even when staffing levels remain stable.

Federal and State Policy, Legislative Items, and Ballot Measures

H.R. 1 changes Medicaid eligibility, coverage, administration, and financing through community engagement requirements, more frequent eligibility reviews, and changes to immigrant eligibility, retroactive coverage, cost sharing, hospital provider fees, and state-directed payments. The Department of Health Care Policy & Financing (HCPF)

expects these changes to reduce enrollment and federal funding. Reduced hospital provider fee capacity also poses a financing risk for the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) by limiting fee revenue and associated federal matching funds.

For SNAP, the federal share of administrative costs fell from 50 percent to 25 percent on October 1, 2026, reducing federal support by approximately $50 million annually. Beginning in October 2027, Colorado could also be required to contribute to benefit costs depending on its payment error rate. Meanwhile, losses of Medicaid and private insurance coverage may increase demand for Behavioral Health Administration safety-net and crisis services.

Federal funding risks extend beyond H.R. 1. The Colorado Energy Office (CEO) reports terminated grants totaling $160.7 million that are under litigation, including Solar for All. Other departments identify risks from changing grant conditions, reduced funding opportunities, and interrupted support. Higher education institutions face additional exposure through federal research funding, student aid, borrowing limits, and international enrollment.

Recent state legislation both contains costs and creates ongoing responsibilities. Changes to school finance, child welfare, behavioral health, competency pathways, public assistance administration, licensing, and tax systems carry implementation costs and potential long-term efficiencies. Departments must account for both in their planning.

November 2026 ballot measures could also change tax policy, TABOR retention, revenue dedication, and criminal penalties. These ballot measures remain contingencies rather than enacted policy, and their effects on departmental operations and out-year budgets are dependent upon voter approval. Measures adopted at the ballot box will be included in the January budget letter.

Demographic Trends, Caseloads, and Service Capacity

An aging population increases demand for long-term care, adult protective services, veterans assistance, and accessible health care and housing. Departments also report greater service complexity and medical needs, including among older inmates. These trends increase costs through both the number of people served and the intensity of care required.

HCPF projects average annual total budget growth of 8.5 percent over the next three years under baseline assumptions, largely driven by Medical Services Premiums. Utilization is the largest cost driver, but enrollment, provider rates, eligibility

changes, and financing rules also all influence this growth and its distribution among funding sources. As the department with the largest General Fund appropriation, the trajectory of HCPF's budget in the coming years holds outsized importance in the state's long-range fiscal outlook. Recent HCPF budget growth has significantly outpaced TABOR limit growth and General Fund revenue growth, and current HCPF projections forecast this to continue. This dynamic has the potential to continue exacerbating the state's structural deficit and weaken its long-range fiscal outlook.

Correctional capacity presents another significant outyear pressure. The Department of Corrections (DOC) anticipates prison population growth that will strain available capacity, compounded by staffing shortages, increasing private prison rates, and aging facilities. All options related to increasing prison capacity require a significant state investment.

While school enrollment has been on a declining trend, Amendment 23 inflationary increases, implementation of the new school finance formula, student characteristics (at-risk, special education, etc.), and local property tax collections continue to shape state costs. Healthy School Meals for All expenditures likewise depend on participation, reimbursement rates, inflation, and federal eligibility rules—not solely on enrollment.

Other programs face growing participation or unmet demand. The Department of Early Childhood (DEC) anticipates increased participation and service costs across preschool, child care assistance, and Early Intervention. The Department of Higher Education (DHE) identifies pressure on caseload-driven financial aid, while the Colorado Department of Labor and Employment (CDLE) reports a vocational rehabilitation waitlist exceeding 3,000 people at the beginning of FY 2026-27. Program eligibility, participation, and service intensity can therefore increase costs even as population growth slows.

Slowing population growth and declining net in-migration also constrain labor supply. The Office of Economic Development and International Trade (OEDIT) and Colorado Department of Agriculture (CDA) emphasize workforce development and retention, particularly where an aging workforce and high housing or land costs limit recruitment. Housing affordability consequently affects not only assistance needs but also business competitiveness and the state's ability to staff essential services.

Cash Fund Sustainability and Restricted Revenues

Several departments identify dedicated revenues that may not keep pace with operating costs. Revenue shortfalls, volatility, depleted reserves, legislative transfers, and statutory distribution limits can weaken cash fund sustainability. Fee adjustments

may help where possible and authorized, but declining transaction or licensing activity can limit revenues while minimum staffing and enforcement obligations remain.

Climate, Energy, Natural Resources, and Emergency Response

Wildfires, drought, floods, severe weather, animal disease outbreaks, and public health emergencies can increase response costs, disrupt operations, and create long-term recovery or remediation obligations. Simultaneous incidents pose particular challenges when staffing and federal assistance are constrained. Emergency management funding is therefore exposed to both unpredictable service demand and changing federal support.

Transportation financing also faces structural pressures as fuel efficiency improves and electric vehicle adoption changes the revenue mix. Restricted revenues, debt service, off-the-top Highway Users Tax Fund appropriations, and federal matching requirements limit the flexible funding available for operations and maintenance.

Capital Projects, Deferred Maintenance, and Technology

Aging buildings, transportation assets, equipment, and information systems increase maintenance and replacement needs. Deferring investment can reduce near-term spending but increase emergency repairs, service disruptions, and future costs. These needs compete with ongoing programs for limited funding.

DOC identifies 81 projects totaling approximately $988.8 million within its five-year capital plan, with substantial additional needs beyond that period. CDOT emphasizes preventive maintenance and asset management, while CDA's State Fair master plan and History Colorado's collections storage needs illustrate the longer planning horizons associated with specialized facilities.

The Office of Information Technology (OIT) estimates statewide technology debt at approximately $382 million. Legacy systems, unsupported equipment, deferred replacement cycles, cybersecurity requirements, and digital accessibility needs create continuing costs and risks across agencies.

Available State Budget Balancing Tools

Departments identify several responses to revenue losses and expenditure pressures, including reprioritizing services, managing vacancies, containing costs, adjusting authorized fees, using reserves, and pursuing alternative funding. These tools differ in legal availability, timing, and long-term consequences and must be evaluated alongside revenue forecasts, reserve policy, and program requirements.

Ongoing and One-Time Budget Decision Impacts

One-time transfers, accumulated balances, temporary grants, and short-term spending reductions can close a current-year gap but do not provide recurring funding. When temporary resources support ongoing commitments, costs may shift to the General Fund or other state funds as those resources expire.

Budget decisions should distinguish temporary relief from structural improvements. Recurring savings and sustainable financing can improve the outyear balance, while deferred maintenance, reduced matching funds, and depleted reserves may shift costs and risks forward.

Reduce State Spending

Departments can reduce discretionary grants, reprioritize operations, hold vacancies, contain provider or subsidy costs, and limit program expansion. These actions may also reduce service capacity, lengthen waitlists, or increase costs elsewhere.

Entitlements, court orders, maintenance-of-effort requirements, and essential regulatory duties limit administrative spending reductions. Changes to mandated benefits or program scope may require legislation or federal approval.

Reduce Reserves

Reserves help absorb revenue declines, higher service demand, and emergencies. Their use should be accompanied by an assessment of downside risk and a replenishment strategy. Depleted or declining program reserves may limit the state's ability to rely on this tool during future downturns.

Transfers to the General Fund

Cash fund transfers can provide General Fund relief, subject to legal restrictions and legislative authority. Decisions should account for existing commitments, operating needs, revenue volatility, federal match, and future service capacity. Transfers may address one budget pressure while reducing resources available for another priority.

Refinance Expenditures and Maximize Available Federal Funding

Where legally available, alternative cash funds, enterprise and special purpose authority revenues, federal reimbursements, and other resources can replace General Fund spending. These opportunities depend on eligibility, implementation capacity, approvals, and matching funds.

Potential grants or philanthropic support should not be treated as replacements for recurring funding until awards and allowable uses are established. Preserving state

matching funds can protect a larger federal investment, while reductions can magnify program funding losses.

Conclusion

The FY 2027-28 Long Range Financial Plans identify a persistent challenge of rising service and operating costs alongside constrained or uncertain funding. Caseloads, demographic changes, workforce needs, infrastructure, emergencies, and policy shifts affect both expenditure growth and departments' ability to manage it.

Maintaining a balanced budget will require aligning ongoing commitments with sustainable revenues, prioritizing essential services, and distinguishing recurring solutions from temporary relief. Decisions that preserve near-term balance should also account for their effects on future costs, service capacity, and fiscal resilience.

Attachment 8
Evidence-Based Policy

It is the intent of the Governor that state budget and policy decisions be made using data, research, and evidence, and to invest in activities that allow the state to continually monitor, evaluate, and support its priorities. Evidence on the impacts of state programs and activities should be an integral part of the budget development process and ongoing performance management. OSPB has required evidence-related information in budget proposals since FY 2017-18. OSPB's budget development processes also adhere to provisions in Section 2-3-210, C.R.S., Evidence-Based Designations for Budget.

Key Elements of Section 2-3-210, C.R.S.

Budget proposals that include information on the impacts or effectiveness of the proposed changes must use a specific set of "Evidence Designations" to characterize the methodological rigor of the best available research evidence relating to a budget proposal, when appropriate. The Evidence Designations are (1) Evidence-Informed, (2) Promising, (3) Proven, (4) Harmful, and (5) Insufficient Evidence. (Section 2-3-210(3)(a), C.R.S.) "Best available research evidence" is defined in statute as "the weight of the research evidence from the most rigorous and relevant studies available regarding a program or practice, which studies are identified using a systematic process." (Section 2-3-210(2)(a), C.R.S.).

The statute narrows the scope of budget proposals to which an Evidence Designation would apply. (Section 2-3-210(3)(a.5), C.R.S.) Specifically, Evidence Designations are used only when a budget proposal pertains to a "Program or Practice," which is newly defined in statute. (Section 2-3-210(2)(d), C.R.S.) If the budget request does not meet the definition of a program or practice, an Evidence Designation is "not applicable" for that budget proposal.

<u>Program or Practice</u>

There are three criteria for assessing whether a budget proposal relates to a program or practice as defined in statute:

- The proposal is hypothesized to improve specific outcomes. This is commonly articulated through a theory of change, logic model, and/or other conceptual frameworks.

- The proposal has a defined target population. Generally, this refers to an identifiable group of people with certain characteristics (e.g., low income) or that share experiences (e.g., road users), or a target area (e.g., wildlife in a particular habitat).

- The proposal has defined and replicable elements. This may include program manuals, fidelity tools, process documentation, and/or training materials.

This statutory definition of program or practice effectively limits the budget proposals for which the best available research evidence should be included. Examples of proposals that typically will not meet the definition of a program or practice include: technical requests, such as adjustments to the organization of Long Bill lines that have no impact on resource allocation; FTE disconnected from a program or practice (e.g., administrative assistant to a deputy director); and software for managing daily operations.

It is important to emphasize that budget proposals may have significant value regardless of whether they are determined to pertain to a program or practice. To the extent possible, budget proposals should describe the value associated with the budget proposal even if it is not a program or practice as defined in statute.

Outcomes vs. Outputs

The distinction between outputs vs. outcomes relates to whether the best available research evidence measures solely the activities of the program/practice vs. the impacts on the target population. For example, for a program whose purpose is to increase the number of students attending college, output measures would be the number of students receiving a scholarship, number of students assisted in completing college applications, number of students assisted in filling out financial aid applications, and number of outreach events. Outcome measures typically reflect the objective of a program or practice and how it impacts the target population, such as increasing college graduation rates.

Evidence Designations

Evidence Designations are used in budget proposals if they pertain to a program or practice and if there are outcomes data available. The five Evidence Designations consist of the following:

- Evidence-Informed: The best available research evidence supports the effectiveness of the program or practice based on “at least one quality evaluation that shows improvement over time.” Pre-post studies that compare

the outcomes observed for the study population before and after the intervention would typically fit this Evidence Designation.

- Promising: The best available research evidence supports the effectiveness of the program or practice based on "at least one quality evaluation with a strong comparison group." The key element here is the use of a strong comparison group that controls for potentially confounding factors and better enables the researcher to tease out the impacts of an intervention. Quasi-experimental study designs would generally satisfy this level of methodological rigor. Other observational study designs, such as difference-in-differences models, may also be considered if the study design controls for potentially confounding differences between the control and intervention groups (e.g., matching on relevant baseline characteristics and the use of propensity scores). In contrast, study designs that weakly control for differences between groups would more appropriately have an Evidence Designation of Evidence-Informed.

- Proven: The best available research evidence supports the effectiveness of the program or practice based on "at least one quality randomized controlled trial or at least two quality evaluations with a strong comparison group." Randomized controlled trials (RCTs) are not appropriate or feasible for many programs and practices. This is why having at least two studies using other types of strong comparison group designs is essential. For example, two quality quasi-experimental design studies would satisfy.

- Insufficient: The best available research evidence "is not yet robust enough to achieve" one of the other four Evidence Designations. This should be used when the evidence includes an evaluation(s) of program outcomes, but the best available research evidence provided is, for example: (a) not clearly connected to the program/practice; (b) the studies cannot be considered "quality" because they suffer from significant methodological weakness; and/or (c) the available research evidence includes several quality studies that directly disagree with one another so that no clear balance on effectiveness can be established.

- Harmful: The best available research evidence shows that the program or practice "is associated with harm, as demonstrated by at least one quality evaluation that shows harm over time."

Advancing the Use of Evidence in Colorado

Colorado continues to be a leading state in the use of data and evidence in the budget process, building on successes over the past ten years to embed the evidence mindset in every level of government.

Results for America (RFA), a non-profit organization devoted to helping governments use evidence and data to make better decisions, has recognized Colorado as a leading state in its annual Invest in What Works State Standard of Excellence. In 2025 and 2026, RFA gave Colorado a "platinum" certification — its highest designation — as one of the top states in the nation for building and using evidence and data to drive taxpayer dollars toward proven solutions. RFA has recognized Colorado for its use of evidence and data every year since 2018.

Colorado continues to partner with multiple organizations to build capacity and expertise, including the University of Denver's Colorado Evaluation and Action Lab, the National Conference of State Legislature's Governing for Results Network, and the National Association of State Budget Officers.

OSPB also advances evidence-based practices through its Implementation and Evaluation Grant, an annual appropriation that funds departments to perform evaluations and build evidence on state programs. Since FY 2017-18, OSPB has annually awarded grants to support state programs seeking to implement or evaluate program outcomes.

For FY 2026-27, OSPB has awarded a grant to the Department of Human Services (DHS) to support evidence-building for the public benefits delivery transformation contemplated in H.B. 24-1428. Colorado operates a state-supervised, county-administered public benefits system. H.B. 26-1429 would make significant changes to how public and medical assistance programs are administered across the state. The bill codifies developing a transition plan for a future cohort-based public benefits delivery model, including performance-based contracts, monthly performance monitoring, continuous quality improvement (CQI), public performance reporting, centralized member integrity services, an array of shared services, and a transition plan. These changes are intended to improve consistency, timeliness, accuracy, client experience, accountability, and administrative efficiency. They also create an important opportunity for structured learning. Because multiple changes may occur over overlapping timelines, the state will not only need to understand whether performance is changing, but also what changed, where, when, and why. Routine monitoring can show what is happening. Thus, this project will help the Department (CDHS) use that information to understand implementation risk, identify

early warning signs, evaluate whether supports are improving performance, and prepare for a future evaluation of the broader public benefits delivery system transformation.

The specific goals of the project are to identify baseline performance patterns and implementation risks using existing administrative data, develop a measurement framework and implementation milestone tracker for H.B. 26-1429, and design a rapid-cycle evaluation of continuous quality improvement (CQI) and technical assistance for performance improvement, with launch support if operational conditions allow during FY 2026-27.

OSPB also awarded a grant to the Office of Economic Development and International Trade (OEDIT) to evaluate the employment impact of the Opportunity Now grant beginning in FY 2024-25. This evaluation project is expected to continue until FY 2026-27. Opportunity Now supports industry partners in creation of new training and credentialing opportunities for their potential workers. The evaluation project would collect and analyze job placement and wage data to identify the impact of grantee training and credentialing services on participant outcomes. One of the FY 2024-25 deliverables of the OEDIT project was a framework for an evaluation of the newly created Opportunity Now tax credit. Upon delivery of that framework, OSPB has awarded an additional grant to OEDIT for FY 2025-26 to include the Opportunity Now tax credit into this evaluation project as well. Subject to continued appropriation to OSPB for these grants, OSPB expects to support this evaluation project through FY 2026-27.

Additionally, one previously awarded grant, for the Colorado Strategic Wildfire Action Program in the Department of Natural Resources (DNR), has ended in FY 2025-26, and the outcome of the evaluation conducted by the Colorado Forest Restoration Institute (CFRI) at the Colorado State University (CSU) has now been published by the CFRI.

OSPB will be evaluating applications for new grants for FY 2027-28 in the first half of calendar year 2027, subject to continued appropriation for the program.

Attachment 9
Promoting a Colorado For All

The state budgeting process is a powerful tool to create a Colorado for All. Fiscal Year 2027-28 is the fourth budget cycle in which the Governor's Office formally required that departments consider the impact that every budget request would have on communities. Departments are required to categorize each request as either:

- Positive impacts,
- Negative impacts,
- Mixed impacts, or
- Neutral impacts on in-need groups.

A goal of these efforts is to identify positive impacts on either an in-need group or across communities within Colorado, identify disparities, and categorize the impact on those communities.

Departments can identify the impacts of a request by answering the following questions:

- Which populations do you anticipate may be disproportionately affected by this request, either positively or negatively? Provide quantitative estimates where possible.
- How is any disproportionate impact consistent with federal and state law?
- How does this request benefit all Coloradans?
- Does the request risk creating new disparities?
- How does this request narrow opportunity gaps for in-need populations in line with the Colorado for All policy?
- If there is a risk of negative impacts on in-need populations, what operational solutions will the Department implement to mitigate those negative impacts?
- If the request is characterized as having negative impacts on in-need populations, how do the net impacts of the request outweigh the negative impacts on those populations?
- If the request is identified as being neutral in its impact, why? How was this determined?

The Governor's Office worked diligently with departments to identify if a request was impact negative. This involved evaluating whether any request submitted to maintain a balanced budget was due to low utilization of a program, reorganizes a program to

improve cost-efficiency, or requests a program to be downsized without significant disruption to services.

Advancing Colorado for All through the Governor's FY 2027-28 Budget

While maintaining a balanced budget, the Governor's budget makes crucial investments in programs for some of Colorado's most in-need residents and communities as a whole. Through investments in early childhood enrollment, clean water access and disparities in education, the budget will improve opportunities for all Coloradans. The following provides a sampling of ways in which our budget will advance Colorado for All impact.

Behavioral Health Administration

This budget includes a request to support building service availability for the implementation and continuation of the crisis component of the Colorado System of Care (CO-SOC) program. The CO-SOC program supports an equitable approach to whole-person care by ensuring that children, youth, and families covered by Medicaid receive coordinated, high-quality care tailored to their needs in the least restrictive setting possible, which reduces service gaps and improves long-term outcomes. Implementation of this request will have a positive impact on the well-being of all children and youth with high acuity behavioral health needs.

Department of Early Childhood

This budget includes a proposal to ensure families across Colorado have access not simply to preschool, but to high-quality preschool that prepares children to succeed. This budget invests funding to build on the program's quality foundation, helping ensure that children and families have access to high-quality providers across the state. Per statute, UPK provides additional hours for low-income children who are most at risk. The Department has and will continue to place increased priority on children living in poverty together with other low-income families that meet other qualifying risk factors. Funding this request ensures Coloradans who are most vulnerable have access to high-quality preschool.

Department of Local Affairs

This budget includes a request to create sustainable funding for the Decennial 2030 Colorado census, as well as invest in continuation of housing affordability efforts. Census collection is critical for counting "Hard-to-Count" communities, whose impact on state efforts will increase with accurate census numbers. Accurate census collection is important for determining Medicaid coverage which has a direct impact on underserved communities, as well as for determining unknown disparities within

communities, and fair representation. This request also proposes to continue investment in accessory dwelling unit development and housing near transit centers, which will increase housing affordability for multiple Colorado communities.

Department of Human Services

This budget includes a request to restore financial assistance for non-certified kinship foster care homes. Children do best when they can remain connected to family whenever it is safe and appropriate. Relatives are often the best and least disruptive placement for children who enter the child welfare system, but recent legislation eliminated financial assistance for non-certified kinship foster homes. This budget invests $6.1 million, including $5.5 million General Fund, to restore assistance at 30 percent of the foster care rate, helping relatives meet children's immediate needs while they complete the foster-care certification process.

Department of Health Care Policy and Financing

This budget includes funding to support the early implementation of the Colorado System of Care (CO-SOC). The ongoing funding will support Medicaid members under age 21 with complex behavioral health needs who require intensive behavioral health services to remain in their homes and communities. This includes children and youth who are at risk of emergency department utilization, inpatient hospitalization, residential treatment, out-of-home placement, out-of-state placement, juvenile justice involvement, child welfare involvement, or deeper involvement across multiple child-serving systems. The investment will sustain the Workforce Capacity Center, support implementation of new services, and establish CANS technology database.

Conclusion

As stated in Executive Order D 2020 175 (link to PDF), "We will only reach our potential as a state when all Coloradans can live, work, learn, play, and thrive..." The intentional incorporation of Colorado for All principles throughout this balanced budget builds on this Executive Order, moving our state towards a better future for all Coloradans. We look forward to continued partnership with the JBC, JBC Staff, and General Assembly to further incorporate Colorado for All based considerations into state budget decisions.

Attachment 10
Budget Tables (online only)

Budget Tables are only available online (link to spreadsheet).

Attachment 11
Decision Items by Department (online only)

Decision Items by Department are only available online (link to document).



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