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EXECUTIVE ORDER

Call for the First Extraordinary Session of the Seventy-Fifth General Assembly and Directing a Statewide Hiring Freeze

Pursuant to the authority vested in the Governor of the State of Colorado and, in particular, pursuant to Article IV, Section 2 and Article IV, Section 9 of the Colorado Constitution, and as recognized in Article V, Section 7, I, Jared Polis, Governor of the State of Colorado, hereby find that the following extraordinary occasions exist to convene the Seventy-Fifth General Assembly to meet in special session, and to take other actions including a hiring freeze, to address the fiscal crisis caused by recent federal action.

I. Background

On July 4, 2025, President of the United States Donald Trump signed H.R. 1 into law through the reconciliation process. H.R. 1 will cause an immediate and significant negative impact to State revenue – reducing State revenue by over $1.2 billion in the current Fiscal Year, and by approximately $700 million in Fiscal Year 2027 and Fiscal Year 2028.

While the General Assembly passed and I signed a balanced budget on April 28, 2025 for Fiscal Year 2026, because of federal tax changes for the current year that were subsequently passed by Congress but retroactively applied, the State budget is no longer balanced for the current year, no longer has a surplus under the Taxpayer's Bill of Rights (TABOR), and in fact faces a significant shortfall. The Office of State Planning and Budgeting (OSPB) projects the deficit for the current fiscal year to be $783 million. Changes to State law are needed immediately to ensure the State's financial solvency and to re-balance the State budget in order to protect basic services that Coloradans rely on, including education, transportation, health care, and public safety.

The loss of revenue to the State of Colorado is largely due to increased tax deductions for corporations; OSPB estimates 70% of the revenue loss is from corporate tax cuts. Colorado's revenues are linked to federal tax policy changes more than most states due to Colorado's use of Federal Taxable Income and a characteristic known as "rolling conformity," which means that federal tax changes are automatically adopted into the State's tax code.

H.R. 1 also imposes increased expenses on the State, largely by shifting costs from the federal government to Colorado. Programs most impacted include the Supplemental Nutrition Assistance Program (SNAP) and Medicaid, due to Provider Fee reductions, newly-imposed work requirements, and additional requirements imposed on State and local governments to redetermine eligibility for Medicaid recipients more frequently. These expenses are anticipated to be between $50-$100 million in Fiscal Year 2027 and grow to nearly $1 billion by 2032.

When accounting for the loss in federal funds due to H.R. 1's changes to Medicaid and SNAP, the impact on Colorado could total more than $3 billion.

State government must take a holistic view of costs and revenue impacts to the State from H.R. 1. As a result, the Governor's Office looked to tax expenditures which are demonstrably ineffective, uncommon among other states, are not meeting their legislative intent, have a low return on investment, or do not align with the pro-growth goals of Colorado tax policy. I am calling this extraordinary session to ask the Colorado General Assembly to take immediate and needed TABOR-compliant action in a number of crucial areas to address the financial challenges the State is facing due to H.R. 1, re-balance the State's budget to ensure proper financial management, and preserve, as much as possible, critical State services and benefits for Coloradans. I am also asking the General Assembly to take action related to preserving access to health services, tackling the growing cost of private health insurance on the individual market, and addressing the impending and costly implementation of artificial intelligence (AI) legislation.

At the same time as we ask the General Assembly to act, I am also ordering State agencies to take immediate action to reduce costs. This Executive Order directs State agencies to implement a hiring freeze, effective August 27, 2025, and extending through December 31, 2025.

This call for an extraordinary session of the General Assembly does not prescribe the specific form that the legislation should take; however, as required by Article IV, Section 9 and Article V, Section 7 of the Colorado Constitution, the business to be transacted at this special session shall be limited to the matters stated in Section III of this Executive Order.

II. Purpose and Need

H.R. 1's immediate impact on Colorado's budget and ability to provide essential government services is severe. The State faces an immediate, dire budget shortfall that must be addressed as soon as possible to avoid even more severe actions in the future. I urge the General Assembly to consider and pass legislation that honors the difficult budget balancing work that occurred last session and makes needed policy and programmatic changes to preserve funding for several of Colorado's most critical services while meeting our constitutional obligation to balance our State budget.

Current statute addresses the impacts when the State is facing a significant revenue shortfall; it delineates that if the State would use more than half of the reserve, the Governor must submit a plan to keep the State from using more of the reserve. Historically, the reserve was 4%. Over the past 14 years, the General Assembly has recognized the need for a stronger reserve to protect critical State services during an economic downturn. The reserve currently sits at 15%, but the statute has not been updated, meaning that the State would need to spend $1.22 billion to meet the current threshold. OSPB anticipates a 50% likelihood of a recession in the coming year. Joint Budget Committee staff estimates that in the face of a moderate recession, the State would need an 18% reserve to weather the storm for two years. The General Assembly must take action to ensure the statute reflects the changing reserve and ensure that the State remains fiscally solvent in the face of a potential recession.

H.R. 1 makes significant changes to the structure and funding of SNAP. SNAP provides needed benefits to Colorado's most vulnerable populations and a significant economic impact to the State as a whole. It provides benefits to low-income families to supplement their grocery budget so they can afford nutritious food for their health and well-being. SNAP is distributed to participants in Colorado through the Electronic Benefits Transfer (EBT) system, which sends money to benefit cards that participants can use for SNAP-approved groceries at participating retailers. Prior to the passage of H.R. 1, over $120 million in SNAP benefits provided to Coloradans each month were 100% federally funded. In addition, the federal government covered 50% of Colorado's administrative costs for SNAP.

With the changes to SNAP in H.R. 1, the federal administrative cost-sharing match will be reduced from 50% to 25%, creating a budget impact of nearly $50 million annually. Additionally, beginning in October 2025, the federal government will begin a one-year measurement period to calculate Colorado's Payment Error Rate. This Payment Error Rate will be used to determine the State's share of funds that must be contributed to SNAP, meaning the federal government will likely no longer fund 100% of Colorado's SNAP benefits. The General Assembly must take immediate action during this extraordinary session to find avenues to continue funding this crucial program that helps low-income families afford groceries.

H.R. 1 negatively impacts health care as well. The targeted cuts to Medicaid will create more health care deserts in rural Colorado and raise insurance rates for everyone. H.R. 1 prohibits a federal match for services delivered to I.R.C. § 501(c)(3) nonprofit organizations that are classified as essential community providers that are primarily engaged in family planning services, reproductive health, and related medical care; provide for abortions beyond Hyde Amendment exceptions; and received more than $800,000 in Medicaid payments in 2023. Coloradans who depend on these essential community providers, not only for reproductive health care but also to receive cost-saving preventative care and cancer screenings, will lose critical access to health care services. At the state level, we can amend State statutes to ensure Medicaid beneficiaries can continue to access care at these essential community providers. This is an immediate need and a simple fix to ensure all Coloradans have access to affordable health care, despite the federal government picking and choosing which providers can receive Medicaid payments for high-quality covered services.

In addition, Congress's failure to extend enhanced Health Insurance Premium Tax Credits, established by the American Rescue Plan Act of 2021 (ARPA) and extended by the Inflation Reduction Act of 2022 (IRA), in concert with the 2025 Marketplace Integrity and Affordability Final Rule and individual market changes set forth in H.R.1, will have a significant impact on health insurance rates in Colorado's individual health insurance market, as well as broader market impacts. July 2025 rate filings by insurance carriers with the Colorado Division of Insurance are, on average, 28% higher than 2025 rates with some requested rate increases on Colorado's Western Slope of almost 40%. While the State cannot extend federal premium tax credits, we can add funds to Colorado's Health Insurance Affordability Enterprise (HIAE) in order to mitigate the impact of these extraordinary individual health insurance requested rate increases on individuals and families across the State. Without this additional support, projected coverage losses will be devastating for families and the health care system.

As a result of H.R. 1, in addition to the areas outlined above, we must look at all cost burdens statewide and ensure our State agencies can continue to provide critical and necessary services to Coloradans. This moment requires the State to ensure efficiencies and reduce burdens wherever possible. SB24-205, "Consumer Protections for Artificial Intelligence," rightly intended to focus on unwanted bias in certain AI-driven decision-making. Unfortunately, it has become increasingly clear that the application of SB24-205 inadvertently imposes high costs on the State, local governments, and covered businesses. Across State agencies, the estimated fiscal impact for implementation of SB24-205 is near $5 million annually, which will otherwise require supplemental appropriations for this fiscal year due to the law's February 1, 2026 effective date. I was pleased to work together with the sponsor and the Attorney General on a joint letter indicating our shared commitment to ensuring this AI law works for Colorado, but these changes haven't happened yet and time is running short. Given the widespread agreement that changes need to be made and the short timeline between the start of session and the implementation date, I am asking the General Assembly to work toward solutions that reduce the fiscal and negative economic impact, and streamline the requirements of SB24-205 so that it meets the objectives of consumer protection and anti-discrimination while being simpler and less expensive to implement, and to consider providing additional time for implementation.

As the State faces budgetary pressures, it is my goal to continue to deliver critical services to Coloradans while implementing cost saving measures. In recognition of this Executive Order's request to the General Assembly to act, I am also taking executive action by ordering State agencies and departments managed by Governor-appointed executives to reduce costs by implementing a hiring freeze, effective August 27, 2025, and extending through the end of this year.

III. Proclamation

I, Jared Polis, Governor of the State of Colorado, with this proclamation find extraordinary occasions exist to convene the Seventy-Fifth General Assembly of this State and summon the members of the Seventy-Fifth General Assembly to meet in Special Session at 10:00 AM on August 21, 2025, at the State Capitol, in the City and County of Denver, and designate the following specific subjects for consideration, appropriate legislative action, and funding:

A. **Fiscal**

1. Concerning changes to C.R.S. § 24-2-102 and 24-75-201.5 regarding revenue shortfalls and insufficient revenue.

2. Concerning allowing the State to sell tax credits, including insurance premium tax credits, to certain taxpayers.

3. Concerning extending decoupling through an add back of the qualified business income deduction in C.R.S. § 39-22-104.

4. Concerning adjustments and reductions to the Home Office and Regional Home Office Rate Reduction in C.R.S. § 10-3-209.

5. Concerning expanding the foreign listed jurisdictions in C.R.S. § 39-22-303 to ensure companies are paying appropriate taxes in Colorado.

6. Concerning adjustments and reductions to the Sales Tax Vendor Fees in C.R.S. § 39-26-105.

7. Concerning decoupling through an add back of the federal Foreign-Derived Intangible Income (FDII) deduction.

B. **Health Care**

1. Concerning amendments to ensure access to services delivered by providers banned by H.R. 1 from federal Medicaid financing; and amendments to C.R.S. § 25.5-5-329 to ensure availability of Medicaid services to eligible individuals.

2. Concerning adjustments to the Health Insurance Affordability Enterprise (HIAE) to facilitate a reduction in premium increases and avoid health insurance coverage loss for those in the individual market and those unable to purchase health insurance through Connect for Health Colorado.

C. **Food Security**

1. Concerning adjustments to the referred measures in HB25-1274 (Healthy School Meals for All Program) regarding the uses of the Healthy School Meals for All cash fund to include Supplemental Nutrition Assistance Program costs, and related statutory provisions.

D. **Artificial Intelligence**

1. Concerning adjustments and reductions to the fiscal and implementation impacts of SB24-205 on covered businesses and State and local governments.

IV. Directives

A. In order to implement further cost control measures required to stabilize the State budget, I hereby order that all State agencies and departments managed by Governor-appointed executives institute a hiring freeze.

B. Effective on August 27, 2025, I order State agencies to cease posting for new job opportunities with start dates in 2025, notwithstanding:

   1. Positions that are fully funded through TABOR-exempt funding sources are excluded; and

   2. The Governor's Office shall issue a directive outlining which positions will be exempt from this hiring freeze, including those necessary to ensure public safety and the safe and continuous operations of facilities in which people are in the care and custody of the State, and to implement changes to safety net programs required by H.R. 1.

C. Additionally, I urge all other elected officials in the executive branch to implement a hiring freeze in their agencies to ensure that State government fulfills its obligations to reduce costs in our control and to further reduce the need for more disruptive cost-saving measures that will impact Coloradans.

D. This Section IV shall take effect on August 27, 2025, and remain in effect until December 31, 2025, subject to the exemptions listed in Section IV.B, unless modified or rescinded by future Executive Order of the Governor.

GIVEN under my hand and the
Executive Seal of the State of
Colorado this sixth day of August, 2025.

Jared Polis
Governor