



Joint Budget Committee

Staff Budget Briefing FY 2026-27

Overview of FY 2026-27 Budget Requests

Prepared by:

Craig Harper, JBC Staff

November 12, 2025

Joint Budget Committee Staff

200 E. 14th Avenue, 3rd Floor

Denver, Colorado 80203

Telephone: (303) 866-2061

leg.colorado.gov/agencies/joint-budget-committee

Contents

Overview of FY 2026-27 Budget Requests2

 Submission of Budget Requests2

 Links to Access Each Department’s Budget.....2

 Introduction3

 Another Shortfall, Fewer Options.....3

 Proposed Changes for FY 2025-26.....7

 Requests for FY 2026-27 Operating Appropriations 10

Appendix A: Operating Appropriations A-1

Additional Resources

To find the online version of the briefing document search the General Assembly’s website for [budget documents](https://leg.colorado.gov/content/budget/budget-documents) (leg.colorado.gov/content/budget/budget-documents).

Overview of FY 2026-27 Budget Requests

Submission of Budget Requests

The Governor submitted his FY 2026-27 budget request on Friday October 31. The Governor's annual request is a comprehensive plan that consists of several elements:

- Amounts requested by Executive Branch agencies for ongoing operations, to be appropriated through the annual general appropriation act (the "Long Bill");
- Placeholders (assumptions) for amounts that will be appropriated for ongoing operations of the Legislative Branch, the Judicial Branch, and those Executive Branch agencies that operate under another elected official (the Departments of Law, State, and Treasury);
- Amounts the Governor is requesting to fund state facilities and infrastructure;
- Amounts that will be distributed or transferred pursuant to existing constitutional or statutory requirements; and
- Placeholders for amounts that the Governor is proposing be appropriated or transferred through separate legislation.

The Governor typically bases the budget request on the most recent revenue forecast prepared by the Office of State Planning and Budgeting (OSPB). The Governor used the September 2025 OSPB forecast as the basis for this year's request and balanced the General Fund budget against the revenues anticipated in that forecast.

Each of the Judicial Branch agencies, the Attorney General, the Secretary of State, and the State Treasurer all submit their own budget requests for the ongoing operations of their respective agencies. The OSPB does not review these agencies' requests. Instead, the Governor typically includes "placeholder" assumptions for changes to General Fund appropriations to those agencies. The actual requests generally differ from the Governor's placeholder assumptions.

Links to Access Each Department's Budget

The Governor's budget [submittal letter](#) includes a list of all of the "decision items" (also called change requests) included in Executive Branch departments' requests, along with placeholders for the Judicial and Legislative Branches and the Departments of Law, State, and Treasury. The Governor's [list of individual decision items](#) by department (Attachment 11) is available on the [OSPB website](#). The OSPB website also includes documents with more detail on individual decision items, requested changes related to prior year legislation and budget actions, and common policy requests.

Please note that the OSPB website only contains budget documents submitted by OSPB. The following hyperlinks provide access to the remaining Executive Branch departments' FY 2026-27 budget request:

- [Department of Law](#)
- [Department of State](#)
- [Department of Treasury](#)

For the Judicial Branch, each agency (Courts and Probation and each of the ten independent agencies) submits its own budget request. Where available, links to those requests are below.

- [Courts and Probation](#)
- [Office of the State Public Defender](#)
- [Office of the Alternate Defense Counsel](#)
- [Office of the Child's Representative](#)
- [Office of the Respondent Parents' Counsel](#)
- [Office of the Child Protection Ombudsman](#)
- [Independent Ethics Commission](#)
- [Office of Public Guardianship](#)
- Commission on Judicial Discipline (not available at time of publication)
- [Office of Bridges of Colorado](#)
- [Office of Administrative Services for Independent Agencies \(ASIA\)](#)

Introduction

JBC Staff has two major goals for this document as the Committee moves into the FY 2026-27 budget process.

- The first section provides context for the budget request, the balancing proposals submitted with the request, and the magnitude of the estimated shortfall for both the current year and the FY 2026-27 budget.
- The second section provides a broad overview of the FY 2026-27 budget requests from the Governor, the Judicial Branch, and the statewide elected officials in relation to the most recent revenue forecasts from Legislative Council Staff (LCS) and OSPB.

Another Shortfall, Fewer Options

For the second consecutive year, Colorado faces a significant budget shortfall. The Committee closed a gap of more than \$1.0 billion for the initial FY 2025-26 appropriation and balanced the FY 2025-26 General Fund budget based on the March 2025 OSPB forecast. Based on the General Assembly's actions in the 2025 regular session, JBC Staff projected in the [FY 2025-26 Appropriations Report](#) that the General Fund would end both FY 2024-25 and FY 2025-26 above the 15.0 percent statutory reserve requirement (by \$20.1 million in FY 2024-25 and \$9.6 million in FY 2025-26). That outlook has changed since the session with FY 2024-25 ending below the reserve requirement and a larger shortfall projected for FY 2025-26.

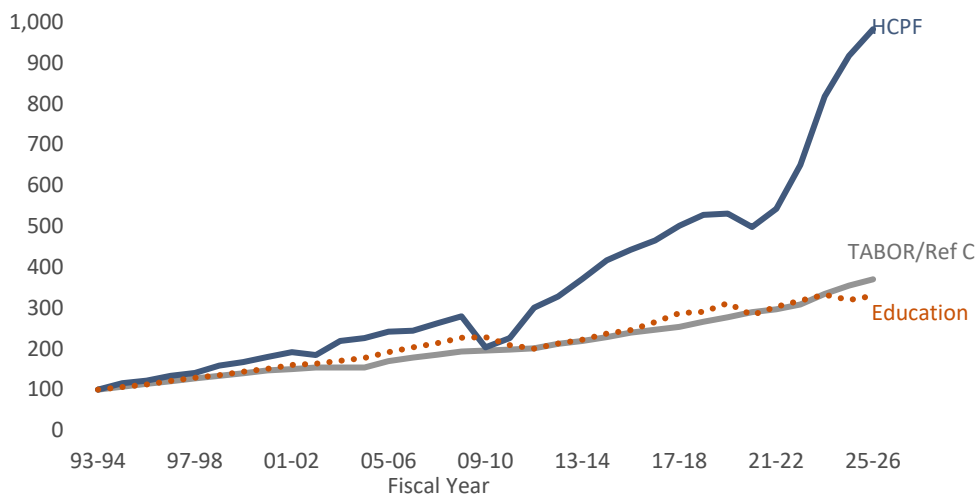
As the Committee discussed at length during the FY 2025-26 budget process, a combination of factors drove the shortfall for FY 2025-26:¹

- Depletion of one-time funds that had allowed appropriations to exceed annual revenues from FY 2021-22 through FY 2024-25.

¹ For a more extensive discussion of the drivers during the FY 2025-26 budget process, see the [JBC Staff Overview of the FY 2025-26 Budget Request](#).

- An underlying “structural deficit” where the State’s ongoing costs exceed annual revenues.² Caseload costs, particularly in Medicaid, are growing faster than revenues will allow without crowding out other uses of General Fund. For example, the following graph shows the growth rate of General Fund costs for Medicaid in the Department of Health Care Policy and Financing (HCPF) and the Department of Education (the second largest recipient of General Fund appropriations in the current year) relative to the growth rate of the TABOR/Referendum C limit. General Fund appropriations for Medicaid have generally grown faster than the TABOR revenue limit since the TABOR limit began in FY 1993-94. The difference grew after FY 2009-10 and has been more pronounced since FY 2021-22.

General Fund appropriations for Health Care Policy and Financing (HCPF) are growing faster than the TABOR/Referendum C limit



Comparing to inflation alone gives another view. Since FY 2018-19, General Fund appropriations for Medicaid have grown far faster than inflation. Appropriations to most departments have roughly kept pace with inflation. The chart on the following page shows the change in General Fund appropriations since FY 2018-19 in constant FY 2025-26 dollars.³ The Committee should note:

- The change for HCPF dwarfs the changes in all other departments. General Fund appropriations to HCPF have grown by \$1.7 billion (a 42.9 percent increase) over that period even in inflation-adjusted dollars. That level of growth clearly restricts the General Fund available for other uses.
- Higher Education has the second largest amount of growth at \$378.3 million (29.0 percent) after adjusting for inflation.
- The change for Human Services is understated because significant funding was relocated to the new Department of Early Childhood during this period. Early Childhood is not reflected in the chart because it did not exist in FY 2018-19 – but the growth rate for the programs remaining in Human Services would be higher than is reflected in the chart.
- The decrease in inflation adjusted terms for the Department of Education has been possible because the State has used one-time funding in the State Education Fund to mitigate growth in General Fund

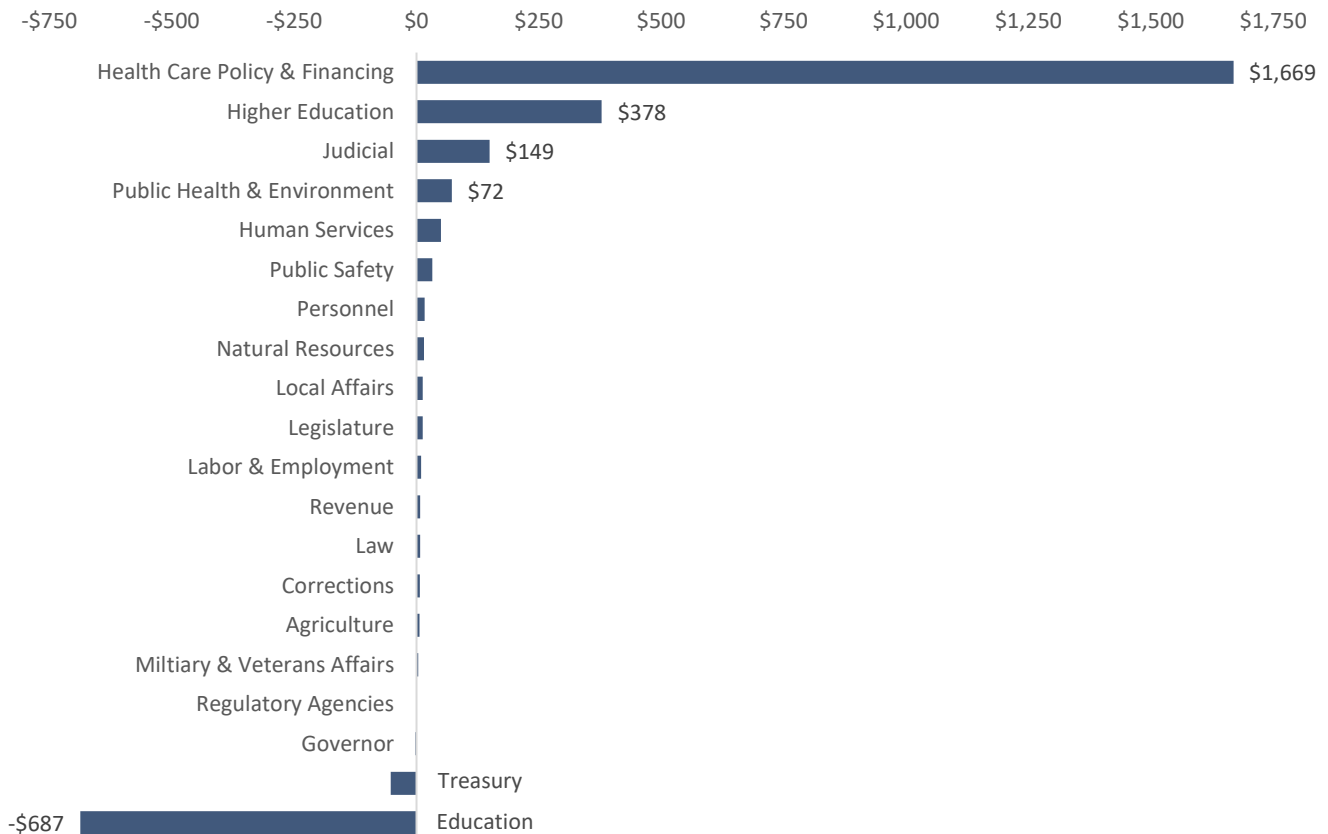
² Legislative Council Staff and JBC Staff presented a [joint memorandum](#) on budget sustainability on February 12, 2025.

³ Staff has excluded the Department of Early Childhood because it did not exist in FY 2018-19 and the Departments of State and Transportation because they did not receive General Fund appropriations in one or both years.

appropriations. Barring other changes, General Fund appropriations will have to rise much faster beginning in FY 2027-28.

- Finally, the Committee will see in subsequent departmental briefings that some of the Departments showing small increases on this chart have grown much faster in percentage terms. For example, General Fund in the Department of Agriculture has grown by \$6.1 million in constant dollars but that represents a 42.3 percent increase. Similarly, a \$9.7 million increase in Labor and Employment equates to a 38.3 percent increase.

Major growth relative to inflation has been focused in a handful of departments since FY 2018-19, with HCPF growing by \$1.7 billion in constant dollars. (FY 2025-26 \$ in millions)



The Committee’s stated goal in balancing the FY 2025-26 budget was to make progress toward long-term balancing and create a “soft landing” to address the ongoing structural issue over a period of several years. The balancing actions for FY 2025-26 included a mix of ongoing and one-time changes to both reduce General Fund obligations and make additional General Fund available (largely through a combination of ongoing adjustments to the TABOR refund obligation and one-time transfers from a variety of cash funds).

While the FY 2025-26 budget remained balanced at the end of the regular 2025 session under the March 2025 OSPB forecast, projections deteriorated for both FY 2024-25 and FY 2025-26 after the conclusion of the regular session. Those changes compound what was already going to be a challenging budget climate for FY 2026-27. As an overview to begin the analysis of the request, staff offers the following points to consider:

- The State used a lot of one-time balancing actions (e.g., cash fund transfers) for FY 2025-26 that are not available for FY 2026-27. The Committee faces yet another shortfall for FY 2026-27 but with fewer options available.

- Looking beyond FY 2026-27, addressing the structural issues will require significant ongoing reductions to spending and/or increases in revenue.
- The request includes measures to reduce costs across nearly all departments, including a large number of cuts in Medicaid. However, one-time changes are critical to the overall proposal (e.g., \$400 million assumed for the conversion of Pinnacle Assurance) and preliminary projections show another large shortfall in FY 2027-28 because the structural issues remain.
- The request proposes to reduce the statutory reserve requirement from 15.0 percent to 13.0 percent for FY 2025-26 and FY 2026-27 and then gradually increase back to 15.0 percent over five years. Reducing the reserve would add risk if the State experiences a recession, revenues fall farther, or costs continue to increase more than anticipated.

The following sections summarize the current outlook for FY 2024-25, FY 2025-26, and FY 2026-27.

FY 2024-25

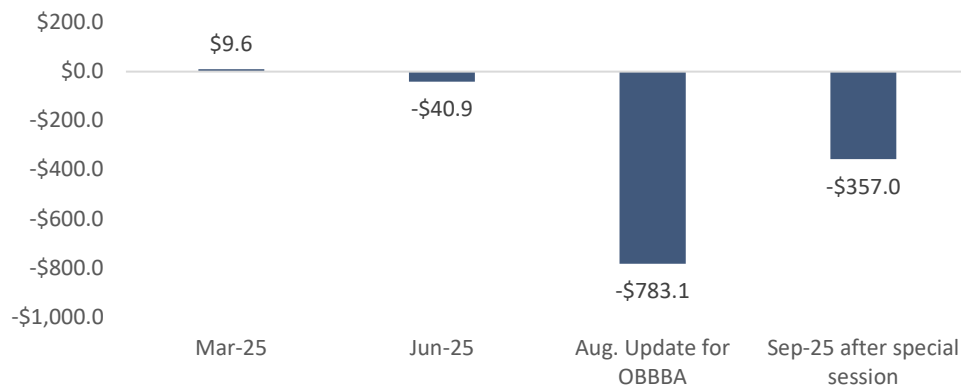
According to the September 2025 revenue forecasts, the General Fund ended FY 2024-25 approximately \$94.8 million (0.5 percent) below the 15.0 percent reserve requirement (rather than \$20.1 million above based on the March OSPB forecast). The most important change relative to the March forecasts for FY 2024-25 was a net overexpenditure of \$68.6 million for Medicaid expenses in HCPF. **Falling \$94.8 million below the reserve requirement in FY 2024-25 meant that the State started FY 2025-26 “in the hole” by that amount. In addition, the issue compounds in FY 2025-26 because the unanticipated Medicaid costs are ongoing.**

FY 2025-26

The outlook for FY 2025-26 shifted much more dramatically. Under current law (reflecting the 2025 regular and special sessions but not the Governor’s subsequent executive order), both of the September 2025 forecasts project that the General Fund would end the current year more than \$300.0 million below the 15.0 percent reserve requirement (\$306.7 million for LCS and \$357.0 million for OSPB).

The following chart shows the projected year end General Fund “excess reserve” balance (the amount above or below the reserve requirement) under current law from the OSPB forecasts from March 2025, June 2025, the August 2025 OSPB update incorporating the federal One Big Beautiful Bill Act (OBBBA), and September 2025 (including the Special Session). As shown in the chart, the August update including the OBBBA showed a shortfall of \$783.1 below the 15.0 percent reserve requirement. After the special session, OSPB projected a shortfall of \$357.0 million in the September forecast.

OSPB's "current law" projections of the FY 2025-26 General Fund excess reserve deteriorated after the 2026 regular session but improved following the August special session.
(\$ in millions)



The Committee should note that these figures do not include \$116.0 million in estimated General Fund reductions from the Governor's August and October executive orders. They also do not include the \$147.9 million in cash fund transfers proposed with the executive orders. Both of those changes would reduce the shortfall. On the other hand, the September forecast also did not account for caseload cost increases now expected for Medicaid and assumed in the FY 2026-27 request. The Medicaid cost increases make the shortfall worse. As with FY 2024-25, any shortfall in FY 2025-26 adds to the challenge of balancing for FY 2026-27.

FY 2026-27

Because there is not yet an appropriation for FY 2026-27, the shortfall is harder to quantify. For illustrative purposes, "**Scenario B**" in the [September 2025 LCS Revenue Forecast](#) (which estimates the cost of maintaining current levels of service while accounting for caseload changes and cost pressures) estimated a shortfall of **\$841.1 million below the 15.0 percent reserve target**. That shortfall accounted for reductions assumed in the Governor's August executive order but not the proposed cash fund transfers. And again, updated Medicaid caseload costs in the FY 2026-27 request are higher than the assumptions in Scenario B – which would add to the shortfall.

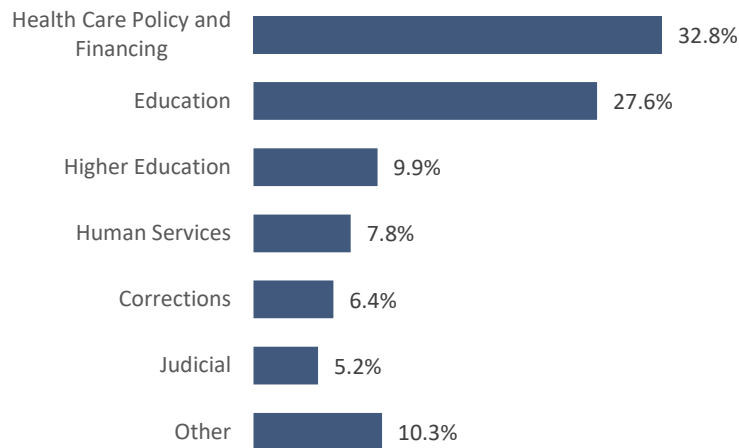
Proposed Changes for FY 2025-26

Current FY 2025-26 Appropriations

The existing FY 2025-26 operating budget (excluding capital construction but including appropriation changes from the August 2025 special session) includes a total of \$16.9 billion in General Fund appropriations. That represents an increase of \$1.1 billion (6.4 percent) above the final \$15.9 billion appropriation for FY 2024-25. Total appropriations from all fund sources increased by \$1.8 billion (3.8 percent) from FY 2024-25 to FY 2025-26.

As illustrated in the following graphic, nearly 90 percent of current General Fund appropriations are concentrated in six of the 23 departments (often referred to as the "Big Six"). Two of those departments (HCPF and Education) account for 60.4 percent, with HCPF receiving 32.8 percent. The Committee should also note that Medicaid costs are expected to increase at mid-year.

The Department of Health Care Policy and Financing represents nearly one-third of total FY 2025-26 General Fund appropriations.

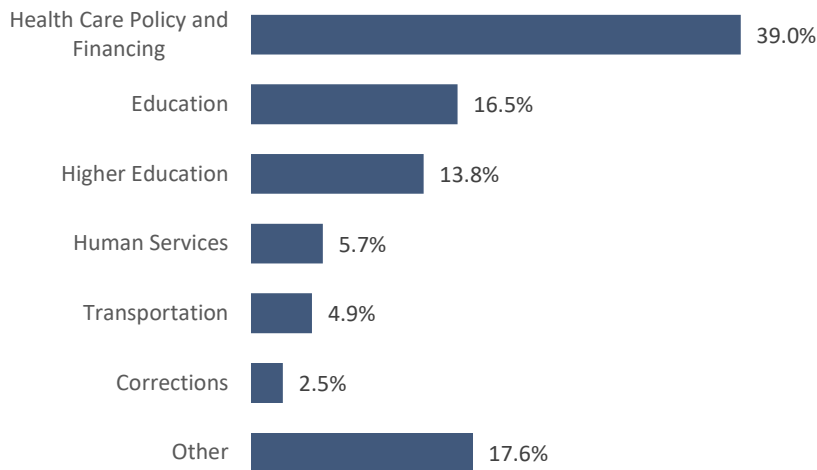


Based on the FY 2025-26 appropriation.

Including other fund sources (primarily cash and federal funds) both increases the total (to \$46.7 billion reflected in current appropriations) and changes the distribution.

- HCPF accounts for 39.0 percent of total statewide appropriations, and Education falls to 16.5 percent. However, it is important to note that local tax revenues provide significant support for education funding statewide, and local education revenues are not reflected in the state budget.
- The Department of Transportation moves up to fifth in total appropriations because of the large amount of cash and federal funds in that department, representing 4.9 percent of the total budget. Corrections and Judicial, which have relatively little funding other than General Fund, both slip lower. The Judicial Branch falls to seventh and is captured in the “Other” category in the following figure.

Health Care Policy and Financing represents 39 percent of *total* state appropriations in FY 2025-26.



Based on the FY 2025-26 appropriation.

Mid-year Changes to FY 2025-26 Appropriations, Revenues, and Reserve

Appropriations

The Governor and the independent agencies will submit official supplemental request in January and February 2026. However, to date, the Committee has approved five interim supplemental requests impacting General Fund appropriations. In total, those requests authorize an additional \$30.8 million General Fund (see Table 1). Based on those approvals, the Committee is committed to introduce supplemental bills carrying those appropriations in 2026. Staff anticipates additional information regarding whether the full amounts have been necessary for requests related to the federal government shutdown (for the Food Assistance Grant Programs in Human Services and the Women, Infants, and Children Program in Public Health and Environment).

Table 1: FY 2025-26 Interim Supplemental General Fund Increases

Item	FY 2025-26 Increase
Human Services - Food Assistance Grant Programs (SNAP related)	\$10,000,000
Personnel - Employee Benefit Fund solvency	9,801,682
Public Health and Environment - WIC Program	7,500,000
Corrections - private prison caseload	2,778,484
Public Health and Environment - lab renewal	703,262
Total	\$30,783,428

In addition to the interim supplementals, the FY 2026-27 request includes a number of specific proposals and placeholders (anticipating future requests) for changes to the current year budget, including:

- A placeholder for a net increase of \$112.9 million in General Fund appropriations through supplemental bills in addition to the \$33.8 million approved for interim supplementals. The request anticipates significant reductions to some appropriations, including \$116.0 million identified in the Governor's [October 31 Executive Order](#). But anticipated supplemental increases (largely in Medicaid) more than offset those reductions and result in a net increase of nearly \$113 million.
- An increase of \$8.2 million associated with a legislative proposal related to the Relative Guardianship Assistance Program in the Department of Human Services.

Revenues

In order to assist with balancing, the request proposes \$199.4 million in additional transfers and diversions to the General Fund in FY 2025-26 (Table 2). The largest is a diversion of \$110.0 million in Proposition 123 funds from the Office of Economic Development and International Trade to the General Fund. JBC Staff assumes that the Committee will take up these requests as part of the supplemental and/or figure setting processes for the impacted departments in 2026.

Table 2: FY 2025-26 Cash Fund Transfers Assumed in FY 2026-27 Request

Item	FY 2025-26 Transfer Amount
OEDIT - Diversion of Proposition 123 Funds	\$110,000,000
OEDIT - CLIMBER Fund	15,000,000
Local Affairs - Local Government Severance Tax Fund	13,305,993
Higher Education - CollegeInvest Administration Fund	9,200,000
Discretionary Account of ARPA Refinance State Money Cash Fund	5,400,000
Public Health and Environment - Community Impact Cash Fund	5,162,373

Item	FY 2025-26 Transfer Amount
Labor and Employment - Disability Support Fund	5,000,000
Natural Resources - Severance Tax Perpetual Base	4,152,996
Natural Resources - Severance Tax Operational Account	4,152,996
Public Health and Environment - School and Child Care Clean Drinking Water	4,000,000
Public Health and Environment - Mobile Home Park Water Quality	3,000,000
Placeholders for Future Items	21,000,000
Total	\$199,374,358

Reserve Requirement

Making the changes assumed in the request would leave the General Fund roughly \$300 million short of the current 15.0 percent reserve requirement under both of the September revenue forecasts (\$288.4 million short under the LCS forecast and \$338.8 million under OSPB). **Facing that shortfall, the request proposes to reduce the statutory reserve requirement from 15.0 percent to 13.0 percent for FY 2025-26 and FY 2026-27.** The request proposes to begin a gradual increase in the reserve requirement beginning in FY 2027-28 to build back up to a 15.0 percent reserve over five years.

Requests for FY 2026-27 Operating Appropriations

Table 3 summarizes the current (total) operating budget for FY 2025-26 and the change requested by each department for FY 2026-27, resulting in the total operating appropriations requested for the coming year. The Committee should note that this table includes all requests submitted as decision items. **This table does not reflect legislative placeholders identified by the Governor but not submitted as decision items.**

Staff has sorted the table based on General Fund change, from the largest dollar increase (Health Care Policy and Financing) to the largest decrease (Public Health and Environment). Table 3 focuses on requested incremental changes. See Appendix A for the total request for each department for FY 2026-27.

**Table 3: Requested Changes in Appropriations for FY 2026-27, by Department and Fund Source
Sorted by Incremental General Fund Change**

	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2025-26 APPROPRIATION:						
Total	\$46,709,922,360	\$16,941,614,180	\$12,898,989,852	\$2,899,091,508	\$13,970,226,820	67,277.8
FY 2026-27 Requested Appropriation						
FY 2025-26 Appropriation	\$46,709,922,360	\$16,941,614,180	\$12,898,989,852	\$2,899,091,508	\$13,970,226,820	67,277.8
Health Care Policy and Fin.	2,357,463,220	434,529,053	454,959,208	790,014	1,467,184,945	18.5
Judicial	98,948,805	79,089,022	23,290,397	-3,430,614	0	124.7
Corrections	58,180,556	60,931,957	421,611	167,991	-3,341,003	29.2
Education	181,665,811	42,493,881	136,759,297	861,569	1,551,064	-0.9
Human Services	-14,426,617	37,921,532	-11,846,863	-10,551,712	-29,949,574	13.4
Public Safety	42,229,049	13,360,053	26,259,311	2,264,704	344,981	15.2
Treasury	111,340,238	13,171,568	97,381,433	787,237	0	7.0
Revenue	17,522,658	7,913,646	9,004,888	604,124	0	30.5

	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Personnel	9,918,080	6,041,530	11,009,665	-7,133,115	0	25.9
Legislative	4,714,540	4,714,540	0	0	0	0.0
Law	12,181,080	4,326,311	1,085,432	6,532,050	237,287	4.8
Early Childhood	9,361,263	3,652,836	8,817,322	-211,692	-2,897,203	21.9
Natural Resources	-34,530,933	3,145,282	-38,858,890	992,884	189,791	33.3
Governor	10,881,662	2,757,160	-3,432,443	12,313,938	-756,993	-11.2
Higher Ed.	92,791,921	1,827,286	92,115,955	-1,158,523	7,203	1.3
Agriculture	1,550,803	243,547	1,128,134	5,363	173,759	0.6
Regulatory Agencies	6,067,390	155,818	5,692,404	284,713	-65,545	-2.0
State	-1,389,777	0	-1,389,777	0	0	1.9
Transportation	-2,245,368	0	39,213,547	-2,450,000	-39,008,915	1.2
Military and Veterans Affairs	463,683	-317,843	-134,755	0	916,281	0.9
Local Affairs	14,475,461	-527,771	8,156,320	6,447,811	399,101	-2.1
Labor and Emp.	20,582,479	-1,714,036	10,116,708	-99,375	12,279,182	13.8
Public Health and Env.	17,739,467	-3,538,109	19,808,640	1,016,123	452,813	27.5
Total FY 2025-26 Request	\$49,725,407,831	\$17,651,791,443	\$13,788,547,396	\$2,907,124,998	\$15,377,943,994	67,633.2
Increase/Dec.	\$3,015,485,471	\$710,177,263	\$889,557,544	\$8,033,490	\$1,407,717,174	355.4
Percent Change	6.5%	4.2%	6.9%	0.3%	10.1%	0.5%

The request for FY 2026-27 (including the independent agencies) represents an increase of \$3.0 billion total funds (6.5 percent) and \$710.2 million General Fund (4.2 percent).

- The increase for **Health Care Policy and Financing** (\$434.5 million) represents 61.2 percent of the *total* General Fund increase statewide. That increase is extremely forecast/caseload driven. The five forecast-related division items (R1 through R5) represent an increase of \$631.4 million General Fund. The rest of the Department's decision items represent a net decrease of \$217.6 million General Fund and offset a portion of the forecast increase. HCPF's budget request will be discussed in more detail in Staff Briefing documents presented by Emily Pope (Dec. 5), Eric Kurtz (Dec. 10) and Tom Dermody (Dec. 15).
- The **Judicial Branch** is requesting an increase of \$79.1 million General Fund. The Governor's budget assumed an increase of \$51.0 million for the Judicial Branch for balancing purposes. The actual request is \$28.1 million above that amount. Total compensation is a major driver for the increase, including \$24.1 million for salary survey and \$14.8 million for health, life, and dental insurance increases. Staff briefing documents by Scott Thompson (Dec. 8) and Amanda Bickel (Dec. 11) will discuss the Judicial Branch agencies' budget requests in greater detail.
- The **Department of Corrections** is requesting a net increase of \$60.9 million General Fund. That amount includes \$14.9 million for salary survey increases, \$14.5 million for private prison per diem increases, \$13.8 million associated with caseload, and \$7.9 million for health, life, and dental insurance increases. Justin Brakke is scheduled to present the JBC Staff briefing on Dec. 19.
- The Department of **Education's** proposed increase of \$42.5 million is driven by a \$50.0 million increase for school finance that is partially offset by other changes. Amanda Bickel and Andrea Uhl are scheduled to present the briefing documents on the Department of Education on Nov. 19 and Dec. 2, respectively.

- The Department of Human Services is requesting an increase of \$37.9 million. The biggest driver is a request associated with Supplemental Nutrition Assistance Program Administration. Emily Pope and Tom Dermody are scheduled to present briefing documents on the Department of Human Services on Nov. 21 and Dec. 5.

Finally, staff has highlighted below two of the significant statewide common policies that are reflected in departments' requests for FY 2025-26:

- **Total Compensation:** The total compensation (salary and benefits) request includes an increase of \$290.7 million total funds and \$112.0 million General Fund for FY 2026-27. The Governor is proposing \$66.4 million General Fund for salary increases for state employees, including a 3.1 percent across-the-board salary increase and additional funding for step increases. In addition, the request includes significant increases for health, life, and dental insurance expenses (including increases of more than 20.0 percent in some departments). The health, life, and dental request adds \$39.9 million General Fund. Mitch Burmeister will discuss compensation common policies in more detail in the briefing document scheduled for Nov. 18.
- **Provider Rates:** The Governor is requesting zero increase in common policy provider rates and is proposing targeted reductions to certain provider rates in HCPF. Therefore, any provider rate increases would require additional reductions elsewhere to balance the budget. The Committee is scheduled to hear from the Medicaid Provider Rate Review Advisory Committee (MPRRAC) on Nov. 18.

Overall, the request includes 368 decision items that impact appropriations (including non-prioritized items that are shown in one department but actually driven by decisions in a separate department). Of that total, 140 propose increases to General Fund appropriations and 118 propose decreases. That count is deceptively low, however, as a single decision item may include multiple components. One request (HCPF R6) proposes a reduction of \$196.1 million General Fund for FY 2026-27 – and includes more than 30 separate components.

General Fund Overview Under September OSPB Forecast

The Governor based the October 31 budget request on the September 2025 OSPB revenue forecast. Given that, and that the two September forecasts are very similar (more money is actually available under the September LCS forecast), this section of the document only addresses alignment with the OSPB forecast. Updates later in the budget process will include comparisons to both forecasts for decision-making purposes.

General Fund Balancing

Using the assumptions in the *Governor's* request, the request is nearly balanced to the proposed 13.0 percent reserve requirements for both FY 2025-26 and FY 2026-27. However, as noted above, the actual Judicial Branch request is \$28.1 million higher than the Governor had assumed. The Department of Law request also exceeds the Governor's assumptions by \$2.4 million.

After those adjustments and minor changes to assumptions for FY 2025-26, **JBC Staff estimates that the total request would fall \$5.0 million short of the proposed 13.0 percent reserve requirement in FY 2025-26 and \$37.4 million short in FY 2026-27 (Table 4 below).**

- As with FY 2025-26, the request proposes reducing the reserve requirement to 13.0 percent for FY 2026-27. JBC Staff estimates that implementing the full request (including Judicial, etc.) would require a reduction to 12.8 percent. With a 15.0 percent reserve requirement for FY 2026-27, the shortfall would jump to \$377.5 million under the OSPB forecast (or \$311.7 million under the LCS forecast).

- For informational purposes, staff has included a *very* preliminary estimate for FY 2027-28. Highlighting the ongoing nature of the State’s challenges, staff currently estimates a shortfall of approximately \$1.0 billion below an assumed 13.4 percent reserve requirement. That estimate includes projected outyear impacts of all of the decision items and legislative components in the request along with JBC Staff assumptions of other costs. Available revenues grow each year in the forecast (line 1) but the growth does not keep up with projected costs (line 2). The reserve held in the General Fund drops by nearly half in FY 2027-28.

**Table 4: Status of the General Fund Reserve Under the FY 2026-27 Request
(September 2025 OSPB Forecast, \$ in millions)**

Line	Item	FY 2025-26	FY 2026-27	FY 2027-28
1	Total General Fund Available (See Table 5)	\$19,810.9	\$20,156.9	\$20,717.0
2	Less: Total General Fund Obligations (See Table 6)	18,187.5	18,508.4	19,839.5
3	Year-end Reserve in General Fund	\$1,623.4	\$1,648.5	\$877.5
4	Plus: Year-end Reserve in PERA (SB 25-310)	500.0	500.0	500.0
5	Total Year-end Reserve	\$2,123.4	\$2,148.5	\$1,377.5
6	Statutorily Required Reserve Percent	13.0%	13.0%	13.4%
7	Required Reserve Amount ²	\$2,128.4	\$2,185.6	\$2,385.4
8	Year-end Reserve Above/(Below) Requirement	-5.0	-37.4	-1,007.9

The majority of changes to General Fund obligations for FY 2026-27 (line 2) are proposed for the Long Bill and embedded in the departmental requests in Table 3 above. However, a number of proposals require separate legislation outside of the Long Bill and may not be embedded in the departmental figures.

The following sections break down the changes impacting General Fund balancing that are *not* included in Table 3 above. In some cases, they are placeholders for future supplemental and budget amendment requests. The rest would require separate legislation. Staff has broken those components into two basic categories:

- Changes to make more General Fund available.
- Changes to General Fund obligations through appropriations, transfers, and the TABOR refund.

Changes to Revenue

The request includes a number of proposals to add revenue to the General Fund. Table 2 above shows \$199.4 million in proposed transfers for FY 2025-26. For FY 2026-27, the request proposes seven items adding a total of \$427.0 million to the General Fund, including:

- \$400.0 million (93.7 percent of the total) from the proposed conversion of Pinnacol Assurance (Statewide R1). The Committee should note that the Governor’s letter rhetorically links the conversion of Pinnacol to the ability to pay for the Homestead Exemption and Controlled Maintenance projects in FY 2026-27. While there is no direct connection between those items, the Pinnacol request is a major part of the Governor’s package to balance the General Fund.
- \$27.0 million from six cash fund transfer proposals, including \$15.0 million from severance tax revenues (Statewide R4) and \$12.0 million from other cash funds.

Table 5 shows the assumptions affecting the amount of General Fund revenue available each year under the OSPB Forecast and the Governor’s request.

Table 5: General Fund Available for FY 2025-26 through FY 2027-28
(September OSPB Forecast, \$ in millions)

Line	Item	FY 2025-26	FY 2026-27	FY 2027-28
1	Beginning Reserve Held in the General Fund	\$2,263.7	\$1,623.4	\$1,648.5
2	Gross General Fund Revenue (September Forecast)	17,041.0	18,078.7	19,038.8
3	FY 2024-25 Reversions and Interest Reflected in FY 2025-26	96.6		
4	Transfers from Other Funds (September Forecast)	210.2	27.8	27.6
5	Requests Affecting Revenue to the General Fund	199.4	427.0	2.1
6	Pinnacol Conversion (Statewide R1)		400.0	
7	Severance Tax Transfers (Statewide R4)		15.0	
8	Supplier Database Cash Fund (Personnel R9)		6.4	
9	Opportunity Next Transfer (Forecast Update)		3.0	
10	Discontinue Gaming Funding for CHECRA (Higher Education NP3)		2.1	2.1
11	Peace Officers Mental Health Grant (Local Affairs R3)		0.4	
12	Childcare Facility Grant Program Repeal (Local Affairs R5)		0.1	
13	Total General Fund Available	\$19,810.9	\$20,156.9	\$20,717.0

General Fund Obligations (Appropriations, Transfers, and TABOR Refunds)

Table 6A summarizes projected General Fund obligations for each year under the request. The subsequent tables break down the specific changes in the request depending on whether they affect General Fund appropriations, transfers from the fund, or the TABOR refund obligation.

Table 6A: Requested General Fund Obligations
(September OSPB Forecast, \$ in millions)

Line	Expenditure/Obligation	FY 2025-26	FY 2026-27	FY 2027-28
1	General Fund appropriations	\$16,941.6	\$17,651.8	\$18,608.8
2	Requests affecting appropriations subject to reserve (Table 6B)	151.9	-106.0	-85.9
3	Less: Appropriations for rebates and expenditures (Forecast)	-403.7	-416.3	-413.6
4	Total General Fund appropriations subject to reserve	\$16,689.9	\$17,131.7	\$18,109.4
5	Rebates and expenditures (Forecast)	835.8	528.9	335.1
6	Request to eliminate business personal property tax		-18.6	-18.6
7	Transfers to transportation funds (Forecast)	42.7	61.0	110.5
8	Transfers for Capital Construction and IT Capital	170.6	180.3	261.8
9	Transfers to other funds (Forecast)	448.6	442.4	487.4
10	Requests affecting transfers to other funds		0.3	
11	TABOR refund obligation [Article X, Section 20 (7)(d)] (Forecast)	0.0	363.9	721.1
12	Requests affecting TABOR refund (Table 6C)		-181.5	-166.7
13	Total Expenditures/Obligations	\$18,187.5	\$18,508.4	\$19,839.9

Appropriations Subject to Reserve: Table 6B shows the requested changes to General Fund appropriations that are subject to the reserve requirement that are not embedded in departmental requests. These items are either placeholders for future requests or legislative placeholders outside of decision items.

In total, the request assumes that the proposals would reduce appropriations subject to the reserve requirement by \$103.8 million in FY 2026-27 and \$85.9 million in FY 2027-28. The Committee should note that a placeholder for \$124.3 million in reductions in Medicaid (to hit a 5.6 percent growth target) drives the decrease in both years. If that reduction does not materialize, this group of placeholders would result in a net increase in appropriations.

Table 6B: Assumed Changes to General Fund Appropriations Under the Oct. 31 Request
(\$ in millions)

Line	Item	FY 2025-26	FY 2026-27	FY 2027-28
1	Approved interim supplementals (Table 2)	\$30.8		
2	Placeholder for additional supplementals	112.9		
3	Placeholders for FY 2026-27 budget items	\$8.2	-\$108.0	-\$89.7
4	Hold for future obligations		18.7	18.7
5	Human Services - adoption and relative guardianship	8.2	8.2	8.2
6	Corrections - medical caseload		5.0	5.0
7	Public Safety - Community Corrections caseload		3.0	3.0
8	HCPF - Additional resources for federal compliance		2.3	2.3
10	HCPF - OBBBA mitigation		2.0	2.0
11	Human Services - joint county administration		0.6	0.6
12	HCPF - joint county administration		0.2	0.2
13	HCPF - placeholder to hit 5.6% growth target		-124.3	-124.3
14	Unfunded liability amortization reduction (Statewide R3)		-16.2	0.0
15	Judicial - PERA contribution reduction		-4.0	-1.0
16	HCPF - DOJ settlement CAT vouchers		-3.5	-4.5
17	Placeholders for other FY 2026-27 legislation		4.2	3.8
18	General Assembly Priorities		2.2	2.2
19	Higher Education - ZTC OER continuation		1.1	1.1
20	Revenue - transportation and housing zones		0.5	0.5
21	Public Safety - Division of Forensic Services		0.4	0.4
22	Tax policy legislative placeholder		0.4	0.2
23	Public Safety - CCJJ successor		0.3	0.3
24	Governor - shared services assessment		0.3	0.0
25	Governor - direct sales raw milk		0.2	0.2
26	Public Health - update mobile home water quality		-1.0	-1.0
27	Labor and employment - workforce dev. Council		0.0	0.0
28	Total - Changes to Appropriations Subject to Reserve	\$151.9	-\$103.8	-\$85.9

Appropriations Not Subject to Reserve: In addition to the changes that are subject to the reserve requirement, **the request includes a legislative placeholder to eliminate reimbursements to local governments for business personal property tax exemptions. Based on the September OSPB forecast, that proposal would decrease General Fund obligations by \$18.6 million in FY 2026-27.**

Transfers from the General Fund: The request includes two proposals that would impact transfers from the General Fund to other funds, for a net increase of \$0.3 million in transfers from the fund in FY 2026-27:

- A transfer of \$684,297 to support additional broadband deployment in the Department of Corrections (Corrections R5). The request seeks one-time funding to install broadband infrastructure at the Trinidad Correctional Facility. Justin Brakke will present this request with the Department of Corrections briefing on Dec. 19.
- A proposed diversion of \$400,000 in interest earnings that would otherwise be credited to the Mobile Home Park Resident Empowerment Loan and Grant Program Fund (Local Affairs R2). One could consider this a transfer from that cash fund to the General Fund or a reduction to the transfer of interest to the cash fund. The request has classified it as a reduction in the transfer of interest to the cash fund for accounting purposes. Regardless, the request proposes to capture \$400,000 per year in interest earnings for General Fund balancing for the next seven years. Andrea Uhl will address this request in the Department of Local Affairs briefing on Nov. 13.

Changes to the TABOR Refund: Finally, Table 6C shows the eight proposals intended to modify the TABOR refund amount from FY 2026-27 and FY 2027-28 revenues. As a whole, the proposals would reduce projected TABOR refunds from FY 2026-27 revenues (paid in FY 2027-28) by \$181.5 million. JBC Staff assumes that the proposals would reduce the TABOR refund from FY 2027-28 revenues (paid in FY 2028-29) by \$166.7 million.

- By far the largest change is a proposal for legislation to reduce the TABOR refund obligation by \$148.0 million each year for FY 2026-27 and FY 2027-28 (Statewide R2). The request argues that the timing of the enactment of the OBBBA resulted in an overrefund of FY 2024-25 revenues because the fiscal year had closed and the TABOR certification did not account for the federal legislation’s impact on FY 2024-25 revenues.
- The request also includes a legislative placeholder to reclassify \$29.0 million per year in aviation fuel tax revenue as “collections for another government” because those revenues support local districts rather than State operations. Similar to legislative actions in the past two sessions, that would remove those funds from the State’s TABOR revenue.
- Third, the request proposes to eliminate the Colorado Disability Opportunity Office (CDOO) fee revenue *for FY 2026-27 only* as part of Department of Labor R1 (which proposes a number of changes to the CDOO including converting the office to a special purpose authority). Phoebe Canagarajah will discuss this request with the Department of Labor briefing scheduled for Nov. 14.

Table 6C: Requests Impacting the TABOR Refund Obligation
(\$ in Millions)

Line	Item	FY 2026-27	FY 2027-28
1	TABOR refund (September OSPB Forecast)	\$363.9	\$721.1
2	Requests impacting TABOR refund	-\$181.5	-\$166.7
3	Public Health - stationary sources fee increases	7.0	7.0
4	Transportation fuel deduction - 2 percent to 1 percent	3.3	3.3
5	Higher Education - DPS fee request	0.0	0.0
6	TABOR overrefund correction (Statewide R2)	-148.0	-148.0
7	Aviation revenue reclassification (Legislative)	-29.0	-29.0
8	Labor and Employment - eliminate CDOO fee	-14.7	
9	Higher Education - PSEP Program	-0.1	
10	Projected refund with requests (paid in following year)	\$182.4	\$554.4

Appendix A: Operating Appropriations Requested for FY 2026-27

Requested Operating Appropriations for FY 2026-27

Department	TOTAL	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Agriculture	\$79,844,265	\$20,807,950	\$51,071,635	\$3,071,611	\$4,893,069	332.7
Corrections	1,248,437,003	1,146,960,903	51,838,514	49,637,586	0	6,420.2
Early Childhood	812,102,843	322,078,543	287,901,218	16,395,696	185,727,386	265.0
Education	7,871,069,600	4,712,488,079	2,250,994,372	56,776,229	850,810,920	750.5
Governor	563,812,786	55,870,444	102,171,403	397,672,718	8,098,221	1,261.1
Health Care Policy and Financing	20,574,754,166	5,988,845,075	2,485,238,785	144,810,897	11,955,859,409	861.7
Higher Education	6,517,672,854	1,686,176,155	3,519,953,361	1,284,790,837	26,752,501	28,036.2
Human Services	2,658,464,843	1,360,563,143	451,126,126	220,613,242	626,162,332	5,580.9
Judicial	1,250,701,453	958,035,638	227,205,205	61,035,610	4,425,000	5,849.5
Labor and Employment	516,602,748	33,333,717	229,697,684	24,037,985	229,533,362	1,767.4
Law	164,608,648	33,176,052	26,599,685	100,660,633	4,172,278	671.6
Legislative Department	84,846,623	82,898,396	5,000	1,943,227	0	449.2
Local Affairs	583,126,015	61,467,863	356,188,968	40,126,248	125,342,936	252.2
Military and Veterans Affairs	155,352,472	17,697,355	2,438,368	26,042	135,190,707	2,338.8
Natural Resources	501,183,142	60,226,184	387,556,690	10,580,417	42,819,851	1,840.7
Personnel	312,528,462	41,204,937	38,296,531	233,026,994	0	521.8
Public Health and Environment	886,508,806	136,504,484	360,656,474	64,480,331	324,867,517	1,881.1
Public Safety	830,645,531	285,897,311	380,852,817	93,419,522	70,475,881	2,399.2
Regulatory Agencies	144,712,696	3,270,400	131,544,055	7,908,147	1,990,094	726.6
Revenue	574,828,743	162,849,627	401,077,649	10,049,335	852,132	1,849.8
State	47,573,294	4,254	47,569,040	0	0	176.3
Transportation	2,271,150,645	0	1,488,245,698	2,731,756	780,173,191	3,329.7
Treasury	1,074,880,193	481,442,537	510,107,721	83,329,935	0	71.0
OPERATING TOTAL	\$49,725,407,831	\$17,651,799,047	\$13,788,336,999	\$2,907,124,998	\$15,378,146,787	67,633.2