FY 2026-27 BUDGET REQUEST

Governor Jared Polis

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November 12, 2025

Governor’s FY 2026-27 Budget Proposal

Over the last seven years we have made important investments to continue to make Colorado the best place to live, work, and raise a family. We not only eliminated the Budget Stabilization Factor, but we implemented full-day kindergarten, Universal Preschool, and a new school finance formula to ensure money flows to where it is needed most. Other investments reduced crime, provided skills training and opportunities for a better job, and made housing more affordable to buy and stay in by reducing property taxes.

Governor's FY 2026-27 Budget Proposal

While Colorado's economy continues to be strong, actions taken at the federal level, including H.R. 1, impoundments, the federal shutdown, and tariffs have significantly impacted Colorado's budget, revenues and economy. These actions combined with large increases in Medicaid costs are straining the General Fund. Difficult choices are needed to address these impacts and protect the progress we have made.

Governor's FY 2026-27 Budget Proposal

My balanced budget proposal addresses these challenges while protecting our accomplishments and making investments in Colorado's future. This budget bends Medicaid's cost curve to a more sustainable level and protects this critical health insurance for 1.2 million Coloradans. Additionally, we propose making strategic investments in public safety, education, and our health while driving government to be more efficient and preserving what makes Colorado great.

Investing In and Protecting Colorado’s Future

- Addressing H.R. 1 & Making Strategic Balancing Proposals
- Funding Medicaid and Making it More Sustainable
- Investing in PreK-12 Education
- Strengthening Opportunities in Higher Education & the Workforce
- Making Colorado One of the Top Ten Safest States
- Protecting Families & Advancing Public Health
- Improving Government Efficiency

H.R. 1 Impacts and Solutions

- H.R. 1 caused a nearly $800M budget shortfall in FY26
- While special session decoupled in a few areas to make up some of the shortfall, we still had to make reductions to programs and reduce the General Fund reserve from 15% to 13% to address the FY26 shortfall
- H.R. 1 also caused $193M in Senior Homestead Exemption costs in FY27 to be paid for by the General Fund
- This budget proposes two items to address the issues caused by H.R. 1 in FY27
    - Converting Pinnacol to cover one-time expenses including the Senior Homestead Exemption and Controlled Maintenance
    - Keeping the General Fund reserve at 13% until there are available funds to rebuild it to 15% in future years

Medicaid Principles

We are committed to following a core set of principles while considering targeted budget reductions.

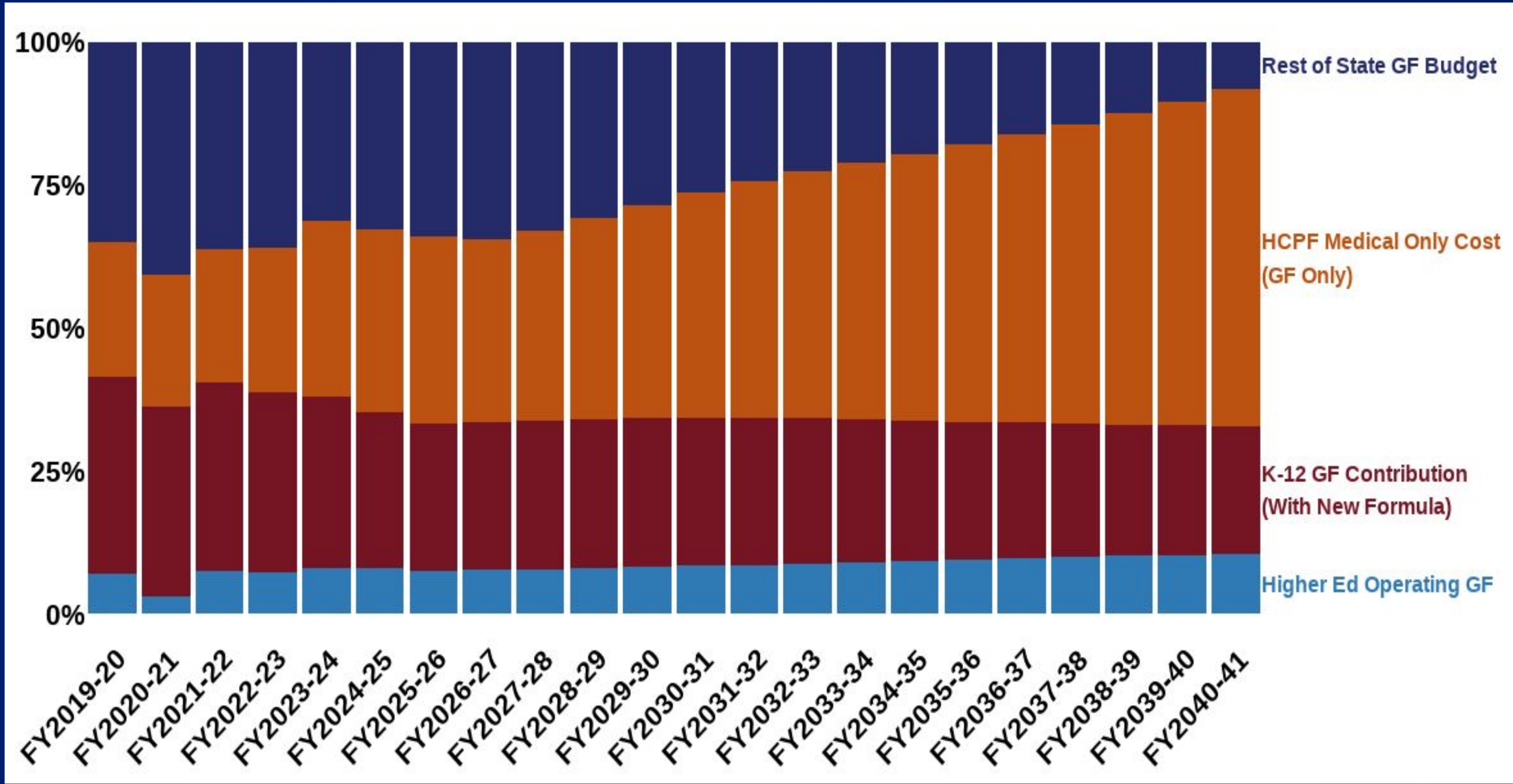
- Protecting coverage for the 1.2 million eligible Coloradans currently covered by Medicaid, and those who qualify in the future
- Prioritizing High-Value Services That Keep People Healthy
- Committing to Collaboration
- Honoring Medicaid's Role for Critical Coverage
- Enhancing Program Efficiencies and Integrity
- Promoting Long-Term Savings Over Short-Term Cuts

Medicaid Historical Cost Growth

- In addition to the budget shortfall caused by H.R. 1, Medicaid costs have been increasingly taking up a larger and growing share of the General Fund each year
  - From FY 2015-16 to FY 2025-26 Medicaid services General Fund costs have increased by an average of 8.8% per year which is double the TABOR cap growth (4.4%) over the same time
  - If Medicaid had increased at the rate of TABOR instead, there would be $1.9B more General Fund to put towards priorities like roads and highways, education, transit and public safety

A More Sustainable Medicaid

- If recent growth trends for Medicaid, K-12, and Higher Ed continued unabated for the next 15 years, they would almost completely crowd out all other GF spending in the state. They would make up over 90% of all GF spending and every other department including public safety and human services would need to be cut in half.



Sustainable Medicaid Growth Path

- Action is needed to put Medicaid on more affordable path to prevent crowding out the State's other important work
- This budget invests an additional $297.7M GF (5.6%), roughly $2B TF, in the Medicaid program vs a projected growth of $631.4M GF (11.9%)
- This increase of $297.7M GF is still more than the combined annual appropriations of eight executive agencies
- While this reduction in the rapid rate of increase is a step in the right direction, more work will need to be done to slow expenditure growth and preserve key services including factoring in the impacts of H.R. 1
- The Administration has been working in partnership with a national expert to review Medicaid trends

Investing in PreK-12 Education

- Even in this difficult budget year, this budget continues the elimination of the BS factor, and increases funding for schools to improve educational outcomes for all students
  - $276M Total Program *increase* for K-12 Schools: An increase of $413 per pupil to $12,272 ($167M - GF/CF)
  - $14.5M TF *increase* for categorical programs to support special education services
  - Makes good on the commitment to implement the new school finance formula (30%) while moving to a three-year enrollment average
- $14.3M TF *increase* to the Universal Preschool Program, which has saved the average family $6,200 each year.

Strengthening Opportunities in Higher Education and the Workforce

- $14.2 GF to support salaries at institutions of higher education and keep the in-state tuition equal to inflation
- $1.1M GF to continue the Zero Textbook Cost Degrees and Open Educational Resources initiative through FY 2030-21
- $4.2M TF for a one-time increase in grants provided to organizations that support those with disabilities find work and access support

Making Colorado One of the Top Ten Safest States

- $7.1M GF for the Division of Homeland Security and Emergency Management to help ensure Colorado can quickly prepare for and respond to emergencies, despite the federal government continuing to withhold tens of millions in public safety funding.
- $0.4M GF reallocated to increase grants making schools safer through investments in physical security upgrades
- $0.4M GF set aside for CBI to create organizational efficiencies and improve public safety across the state
- $0.4M GF for new threat monitoring capacity to protect against domestic terrorism and political violence.
- $15.0M CF will be transferred to the Peace Officer Training and Support fund in FY 2026-27 for grants to local law enforcement (Prop 130)
- We look forward to submitting a request on January 2 to address competency needs.

Protecting Families and Advancing Public Health

- $15.4M TF for the Relative Guardianship Assistance Program to remove barriers to adopting children and providing them with a permanent home
- $0.6M TF to monitor programs providing Applied Behavior Analysis (ABA) for children with intellectual and developmental disabilities to ensure the children are receiving the education they deserve
- $5.0M TF investment in Colorado's lab facilities to regain EPA certification and identify health threats to protect the public

Improving Government Efficiency & Reducing Costs

- Difficult budgets require that we take a hard look at right-sizing programs to reallocate funds to higher priority uses, including:
  - Streamlining the READ ACT and administration of the statewide Social Studies Assessment to save $1.2M while not negatively affecting the programs
  - Reduce Mobile Home Park Water Quality Program by $1.0M GF without impacting the ability to meet its requirements
  - Consolidating and streamlining Colorado's behavioral health care networks while reducing the administrative burdens to save $3.0M GF
  - Aligning spending with a reduction in demand for Home Care Allowance funds to save $0.5M GF

Balancing Proposals for FY 2026-27

- To afford Medicaid's increase requires several large balancing proposals in addition to the department operating reductions, including:
  - $148.0M GF to correct the TABOR refund overpayment caused by H.R. 1
  - $16.2M GF from reducing Unfunded Liability for Amortization Equalization Disbursement (ULAED) payments by 1% in FY27 which will not significantly impact the amortization timeline
  - $26.1M in transfers from various cash funds into the General Fund

Balancing Proposals for FY 2026-27

Executive departments operating reductions excluding HCPF, Total Compensation, and Common Policies

Department	Reductions and Offsets	% change from Operating Base	% Change from Overall GF Appropriation
Agriculture	-$369,576	-2.59%	-1.8%
Corrections	$3,189,980	2.32%	0.3%
Early Childhood	-$3,749,547	-11.14%	-1.2%
Education	-$5,753,017	-8.05%	-0.1%
Governor's Office	-$3,595,754	-34.06%	-6.8%
Higher Education	-$2,726,866	-16.20%	-0.2%
Human Services	$1,204,905	0.37%	0.1%
Labor	-$1,041,377	-4.55%	-3.0%
Local Affairs	-$11,064,689	-26.10%	-17.8%
Military Affairs	-$162,724	-1.27%	-0.9%
Natural Resources	-$4,754,326	-11.73%	-8.3%
Personnel and Administration	-$2,651,696	-13.99%	-7.5%
Public Health & Environment	-$6,412,827	-6.88%	-4.6%
Public Safety	$10,808,381	7.88%	4.0%
Regulatory Agencies	-$56,502	-2.50%	-1.8%
Revenue	$2,137,158	2.60%	1.4%
Transportation	$0	0.00%	0.0%
Total	-$24,998,477	-2.02%	-0.22%

Note: over $9M of the increased cost is due to Federal action - Revenue $2.1M for HR1, and Public Safety of $7.1M due to loss of FEMA Funds. without those the reductions would be $34.2 M or 2.77 %

Fiscal Responsibility

- Maintains a General Fund reserve of 13% in FY 26-27
- Most (46-64%) of the balancing proposals in this budget will provide ongoing budget benefits. These will help put both the state and Medicaid expenditures on a sustainable path while protecting the gains we have made in the past seven years
- This budget once again proposes limited and paid for new tax credits, combined with closing loopholes and allowing for rolloffs
- Balances ongoing responsibilities and strategic investments to improve Colorado's present and future

Looking forward to Jan 2nd Supplementals/BA

- The budget does not include any forecasted revenue from Prop MM which could help cover the over $37M in SNAP Administrative cost next year.
- We are working with Legislators, Stakeholders and Departments to identify strategies and funding needs to address competency needs.
- We continue to update our forecast on revenue impacts of H.R. 1 and the cost impacts for especially HCPF and DHS that also impacts county administration.
- Continued federal shutdown could negatively impact the budget and the economy.

Election Results and HSMA/SNAP

- On November 4th, Prop LL and MM both passed, allowing the state to retain all Prop FF revenue and additionally keep up to $95m annually to support additional HSMA costs and SNAP admin costs
- Thus far, TY2024 collections have exceeded expectations, allowing for additional support to existing HSMA programming and freeing up additional costs for supporting HSMA in FY 2026-27 and the future.
- Based on the September OSPB forecast approximately $50-$60 million could be available for non-HSMA related expenses in FY 2026-27 and will be reflected in the January update. We currently have $37M in the budget for SNAP Admin (DHS R-03).
- The FY 2026-27 supplemental budget submission will account for FY 2026-27 administrative SNAP costs with Prop MM funds rather than GF, as was the case in the Nov. 1 budget submission

THANK YOU

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