FY 2026-27 BUDGET REQUEST

Presentation to the Joint Technology Committee

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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 invests 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
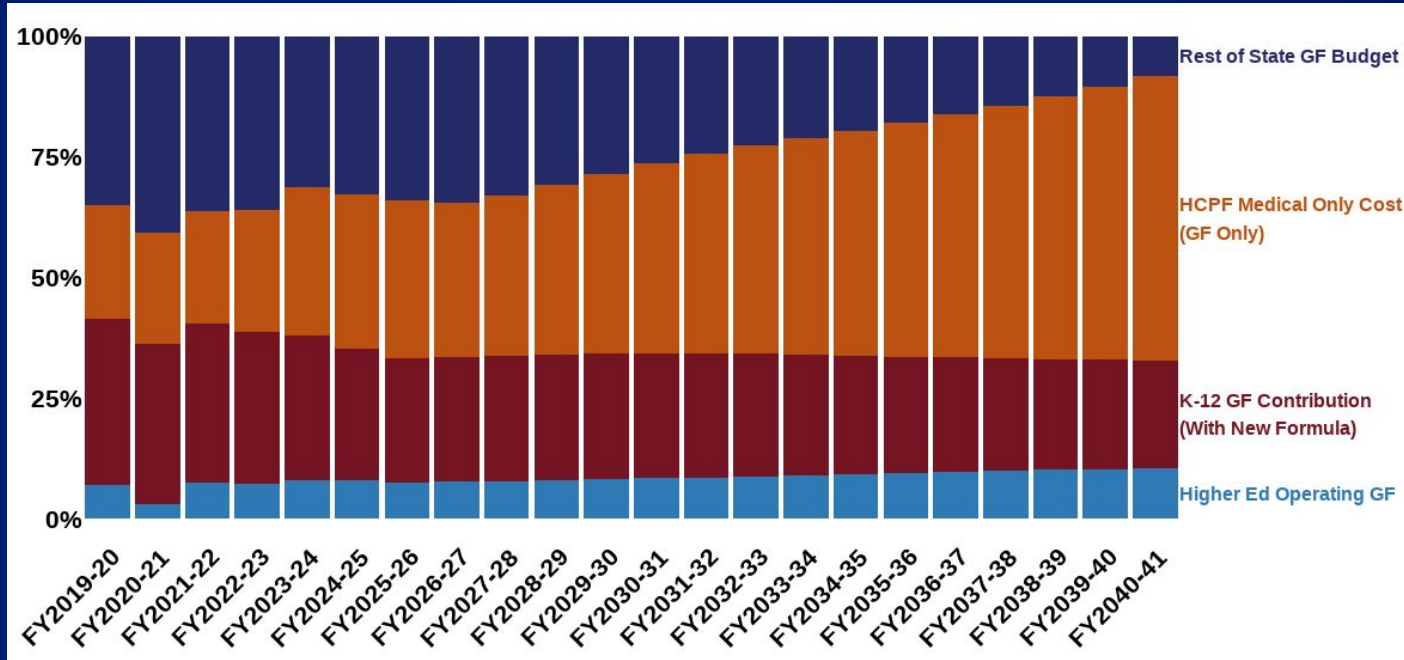
Medicaid Historical Cost Growth

- 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.

Principles for A More Sustainable Medicaid

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

- Maximizing Coverage by protecting coverage for as many Coloradans as possible who cannot afford insurance or care otherwise.
- 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

A More Sustainable Medicaid

- Action is needed to put Medicaid on more affordable path to prevent crowding out the State's other important work

- This budget invest $297.7M GF (5.6%) in the Medicaid program, roughly $2B TF, 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 HR 1.

- The Administration has been working in partnership with a national expert to review Medicaid trends

IT Capital Submission for FY 2026-27

IT Capital

Governor's Submission Overview

<u>Governor's Submission</u>

- The Executive Branch uses three guiding principles to evaluate the IT Capital projects submitted by state agencies. The three principles are:
    1. Prioritize continuation funding over funding for new projects, especially those that 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 2026-27 budget request includes 11 prioritized IT Capital Construction projects for a total General Fund cost of $10.5 million. Of the 11 projects, three are solely funded with cash funds.
- Seven of these requests are continuation projects; four are new projects.

IT Capital

General Funded Prioritized IT Capital Requests

OSPB Rank	Agency/ Ranking	Project Name	Request Type	Phase	TF	CCF/GF	CF	FF	Total Outyear Cost
1	HCPF-01	CBMS	Continuation	3 of many	$4,823,806	$905,237	$0	$3,918,569	$0
2	CDE-01	School Finance Modernization	Continuation	2 of 3	$3,150,000	$3,150,000	$0	$0	$0
3	CDPHE-01	Stationary Sources Technology Modernization	Continuation	4 of 4	$1,748,863	$1,748,863	$0	$0	$0
4	HCPF-02	CoSHIE	Continuation	3 of 3	$4,049,989	$743,838	$0	$3,306,151	$0
5	DOC-01	Inspector General's Offense Reporting (IGOR) System	New	1 of 1	$510,669	$510,669	$0	$0	$0
6	DPA-01	Statewide Human Resources Information System	New	1 of 5	$955,500	$955,500	$0	$0	$63,676,122
7	IHE-01	University of Northern Colorado (UNC) - Life Safety Technology Modernization	New	1 of 1	$1,982,160	$1,861,248	$120,912	$0	$0
8	IHE-06	Fort Lewis College - Campus Wide Door Access Control Upgrade	New	1 of 1	$1,061,023	$671,784	$389,239	$0	$0
Total Costs					$18,282,010	$10,547,139	$510,151	$7,224,720	$63,676,122

IT Capital

General Funded - IT Capital Request Summaries (1 of 2)

1. HCPF IT-CC-01 Colorado Benefits Management System (CBMS) ($4.8M TF/ $0.9M GF)

HCPF requests $0.9M GF and $3.9M FF to fund the third phase of many for the system enhancement project for CBMS to comply with Colorado contract term limits and Center for Medicare and Medicaid Services (CMS) federal funding requirements. The risk of not funding this project is losing federal financial participation on all Medicaid and CHIP programs. CBMS will remain in use and serve as the State's eligibility engine, with potentially a new vendor responsible for a take-over transition as opposed to building a new CBMS system. This phase of the project focuses on drafting required procurement documents and getting federal approval to initiate the vendor solicitation process.

2. CDE IT-CC-01 School Finance Modernization ($3.2M TF/GF)

CDE requests $3.2M GF for the second of three phases for the School Finance Modernization project. After a detailed evaluation of all alternatives, CDE opted for the procurement of a Modified Off-the-Shelf (MOTS) technology solution. Funds have not been encumbered from the first phase as of now since a vendor has not been selected yet. The Request for Proposal (RFP) process began August 2025. CDE is estimating that the third phase will cost around $3.2M but they will have more clarity after they complete the RFP process. The estimated cost may decrease.

3. CDPHE IT-CC-01 Stationary Sources Technology Modernization ($1.7M TF/GF)

CDPHE requests $1.7M GF for the fourth and final phase of the Stationary Sources Technology Modernization project. This project was supposed to have its final phase in FY 2025-26 but through conversations with the JTC, CDPHE reduced project costs in FY 2025-26 (from around $4M to $2M) and added a fourth phase. The project aims to replace and enhance core data systems, primarily for management and processing of stationary source facility emissions and associated functions, including permitting, inventory, reporting, inspections, compliance, enforcement, billing, and to improve public access to information.

4. HCPF IT-CC-02 Colorado Social Health Information Exchange (CoSHIE) ($4.0M TF/ $0.7M GF)

HCPF requests $0.7M GF and $3.3M FF for the third and final phase of the Colorado Social Health Information Exchange (CoSHIE) project. This request supports the continued expansion and implementation of the technical infrastructure needed to facilitate access to health improvement supports and CoSHIE. As of July 1, 2025, the project has received $19.1M in appropriations, including $2.7M in GF and $16.4M in FF, with $16.0M already encumbered. HCPF receives a federal match for this project.

IT Capital

General Funded - IT Capital Request Summaries (2 of 2)

5. DOC IT-CC-01 Inspector General's Offense Reporting (IGOR) System ($0.5M TF/GF)

DOC requests $0.5M GF for a single phase project to replace the Inspector General Offense Reporting (IGOR) system that has been in place since 2012 and is failing to meet the needs of the Department and posing a security risk due to inaccurate and incomplete reporting and data storage practices. The objective is to procure a commercial off the shelf (COTS) system that aligns with OIT's statewide enterprise strategy.

6. DPA IT-CC-01 Human Resources Information System (HRIS) ($1.0M TF/GF)

DPA requests $1.0M GF for the first phase out of five for the implementation of a Statewide Human Resources Information System. The objective of the first phase is to conduct research and studies to identify and plan for the modern software as a service platform. The total outyear costs of this project are estimated at $63.7M GF. This is a requirement in the COWINS agreement, though there is no specific date outlined in the PA.

7. IHE IT-CC-01 University of Northern Colorado (UNC) - Life Safety Technology Modernization ($2.0M TF / $1.9M GF)

UNC requests $1.9M GF and $0.1M CF for a single phased project addressing needs to upgrade life safety systems and ensure compliance with state and federal accessibility requirements. The Life Safety Technology Modernization project upgrades and standardizes critical life safety technology across the University of Northern Colorado (UNC). Key components of the project include replacing obsolete computer hardware, modernizing emergency communication systems to improve accessibility standards, decommissioning analog phone lines in favor of VoIP and cellular backup, implementing redundant hardware to ensure operational resilience, enhancing cybersecurity, and addressing compliance with Colorado HB 21-1110, SB 23-244, and federal accessibility standards.

8. IHE IT-CC-06 Fort Lewis College (FLC) - Campus Wide Door Access Control Upgrade ($1.1M TF / $0.7M GF)

FLC requests $0.7M GF an $0.4M CF for a single phased project to upgrade campus wide access controls. The aim of the project is to improve campus security practices allowing employees to adjust access rights in a timely manner. If the project is not funded this will lead to inadequate security, limited access control, and compromised lockdown capability.

IT Capital

Cash Funded Prioritized IT Capital Requests

OSPB Rank	Agency / Ranking	Project Name	Request Type	Phase	TF	CCF/GF	CF	FF	Total Outyear Cost
1	DPS-01	Records Utilization Upgrade	Continuation	3 of 3	$2,564,100	$0	$2,564,100	$0	$0
2	DPA-02	Statewide Procurement System	Continuation	2 of 2	$2,299,500	$0	$2,299,500	$0	$0
3	CDLE-01	Colorado Division of Workers' Compensation (CoComp) Database Replacement System	Continuation	3 of 3	$9,964,519	$0	$9,964,519	$0	$0
Total Costs					$14,828,119	$0	$14,828,119	$0	$0

IT Capital

Cash Funded - IT Capital Request Summaries

1. DPS IT-CC-01 Record Utilization Upgrade ($2.6M TF)

DPS requests $2.6M Highway Users Tax Fund (HUTF) for the third and final phase of their Records Utilization Upgrade (RUU) project. The goal of this project is to reduce the time, complexity, and uncertainty associated with the current manual, paper-based traffic citation processes.

2. DPA IT-CC-02 Statewide Procurement System ($2.3M TF)

DPA requests $2.3M CF from the Supplier Database CF for the second and final phase of the statewide procurement system project. This phase will be informed by the findings of the studies conducted in phase one. The funding in phase two is for the implementation of a new centralized and/or the integration and improvement of existing systems.

3. CDLE IT-CC-01 Colorado Division of Workers' Compensation (CoComp) Database Replacement System ($10.0M TF)

CDLE requests $10.0M CF for the third and final phase of the Colorado Division of Workers Compensation (CoComp) Database Replacement System. The Department is leveraging three different funds for this purpose: Worker's Compensation CF, Subsequent Injury Fund, and Major Medical Fund. The project is a full system replacement of the migrated mainframe legacy workers' compensation application and database, CoCo. The new system will integrate all workers' compensation system related workflows and processes, allow all forms to be filed electronically, eliminate potential entry errors, allow external stakeholder access, improve reliability of data and access to it, and align with other industry accepted filing standards.

IT Capital

FY 2026-27 All Non-Prioritized IT Capital Requests

Agency	Project Name	Request Type	Phase	TF	CCF/GF	CF	RF	FF	Outyear Cost
IHE-03	Front Range Community College (FRCC) - Cellular System Improvements	New	1 of 1	$5,824,000	$5,468,000	$356,000	$0	$0	$0
IHE-04	Arapahoe Community College - System Replacement	New	1 of 3	$1,311,447	$1,174,447	$137,000	$0	$0	$2,526,364
IHE-05	Colorado Mesa University - Student Information System Modernization	New	1 of 1	$8,852,214	$8,316,655	$535,559	$0	$0	$0
IHE-07	Colorado Northwestern Community College (CNCC) - Security Camera Upgrades	New	1 of 1	$986,192	$986,192	$0	$0	$0	$0
IHE-08	Western Colorado University - Digital ID, Security & Access	New	1 of 1	$7,891,275	$7,812,362	$78,913	$0	$0	$0
IHE-09	Pueblo Community College - Wireless Network Upgrade	New	1 of 1	$824,373	$824,373		$0	$0	$0
IHE-10	Community College of Aurora - Modernizing Campus Technology and Life Safety with Advanced IT Solutions	New	1 of 3	$999,000	$949,050	$49,950	$0	$0	$2,998,000
IHE-02	Otero College - Campus Security Improvements	New	1 of 1	$234,300	$184,300	$50,000	$0	$0	$0
Total Costs				**$26,922,801**	**$25,715,379**	**$1,207,422**	**$0**	**$0**	**$5,524,364**