



Memorandum

To: Joint Budget Committee Members
From: Craig Harper, JBC Staff (303-866-3481)
Date: March 20, 2026
Subject: General Fund Overview Under March 2026 Forecasts with Actions Through March 16, 2026

Legislative Council Staff (LCS) and the Office of State Planning and Budgeting (OSPB) presented the March 2026 revenue forecasts on March 19, 2026.¹ Staff has two goals with this memorandum:

- Provide context and additional information as the Committee considers the selection of a forecast for balancing.
- Update the Committee on the status of the General Fund under both of the March forecasts including the Committee's decisions through March 16, 2026.

Major Assumptions

For the purposes of this analysis, staff has largely maintained alignment with the assumptions that LCS presented in "Forecast Scenario B." Staff notes that many potential balancing actions remain undecided and these estimates likely overstate the shortfall. Staff has generally included the JBC Staff recommendation for undecided items, though not always. For illustrative examples of assumptions, the estimates:

- Include \$183.7 million to fund the Homestead Property Tax Exemption in FY 2026-27. JBC Staff has recommended eliminating that appropriation for FY 2026-27 as a balancing measure.
- Include a \$50.0 million increase for school finance as requested (partially offset with reductions to other programs).
- Include approximately \$34 million in staff-initiated increases in the Department of Corrections related to prison caseload.
- Include total compensation appropriations based on the request/Colorado WINS agreement.
- Include Medicaid forecast adjustments as requested in the February forecast (and as adjusted by Committee action).
- Include flat funding for Higher Education institutions as recommended.
- Do not include proposed across-the-board provider rate reductions in the Department of Health Care Policy and Financing.
- Do not include \$400.0 million in revenues associated with the proposed Pinnacol conversion.

¹ Both the [LCS](#) and [OSPB](#) forecast documents are available online.

- Do not include \$173.8 million in proposed reductions to the TABOR refund where the Committee has not taken action (driven by the proposed TABOR over-refund decision item and a placeholder for revenue reclassification).

For this memorandum, staff has generally focused on the status of the reserve relative to the Governor’s proposed 13.0 percent target for both years. Current law sets the reserve at 15.0 percent. However, staff estimates that the reserve falls short of 13.0 percent under both forecasts in both years. Shifting to a 15.0 percent target would increase the shortfall by approximately \$340 million each year.

Staff will return to the Committee on by Tuesday, March 24, with updated information reflecting changes to appropriations accounted for after March 16.

Persistent Shortfall

The General Fund faces serious challenges in both FY 2025-26 and FY 2026-27 under both forecasts. Relative to December 2025, the LCS projections have deteriorated while OSPB’s expectations have improved. **Regardless of forecast, revenues for FY 2025-26 are well below the levels assumed in the original (2025 Session) appropriation – when the budget was balanced to maintain a 15.0 percent statutory reserve.** In response to the revenue decreases, the Governor and the General Assembly have acted through the special session in the fall, a series of executive orders, and supplemental actions in the 2026 session to both increase revenues and reduce expenditures.

Despite those (often painful) efforts, ongoing revenue challenges have created a persistent shortfall under both forecasts. Current law requires a 15.0 percent General Fund reserve. Overlaying the Committee’s actions to date, the projected reserve is well short of that level in both FY 2025-26 and FY 2026-27 under both forecasts. In response to the shortfall, the Governor has proposed a 13.0 percent reserve for both years, reducing the requirement by roughly \$340 million per year. The projected reserve still falls short of that level, although the OSPB forecast comes within \$52.9 million of the target in FY 2025-26. Figure 1 shows the projected reserves relative to both targets for FY 2025-26. Figure 2 does so for FY 2026-27.

Figure 1: The projected General Fund reserve falls short of either reserve target for FY 2025-26 under both forecasts. (\$ in millions)

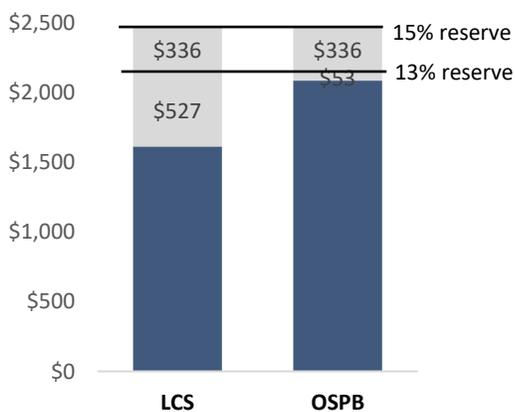
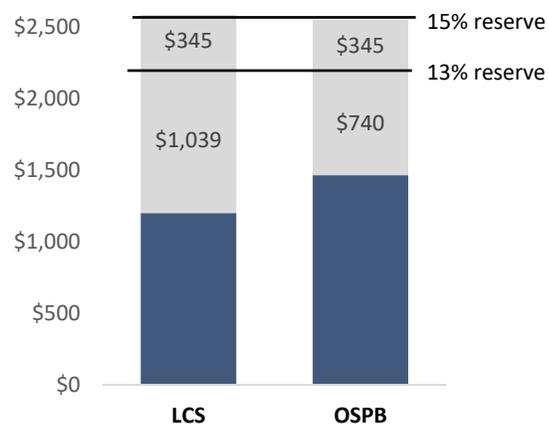


Figure 2: The shortfall relative to both reserve targets grows in FY 2026-27. (\$ in millions)



Points to Consider in Forecast Selection

As a percentage of total General Fund revenues, the forecasts are still not that far apart. The \$481.5 million gap in General Fund collections in FY 2025-26 represents less than 3.0 percent of projected revenues. However, the divergence in the March forecasts clearly impacts the Committee’s efforts to balance both FY 2025-26 and FY 2026-27 – and the difference is largest in the current year. JBC Staff does not make recommendations for forecast selection. Staff is offering points to consider solely for discussion purposes.

- The dynamics between the forecasts are complicated and confusing. The LCS forecast projects \$481.5 million less in General Fund collections in FY 2025-25 and \$259.0 million less in FY 2026-27, for a total difference of \$740.5 million over two years. However, OSPB is projecting higher cash fund collections, which is important in FY 2026-27 if the State is back above the TABOR/Referendum C limit. After accounting for the interactions with TABOR and projected cash fund collections, the gap between the forecasts (represented by the difference in the General Fund reserve at the end of FY 2026-27) falls to roughly \$300 million.
- Balancing to the lower forecast clearly presents a greater challenge. Staff also acknowledges the discussion that balancing to a forecast that is too low (well below actual revenue collections) means cutting services unnecessarily – with potentially severe impacts to Coloradans receiving those services as well as to state employees and/or providers providing the services.
- On the other hand, the current year highlights the risk of balancing to a forecast that turns out to be overly optimistic. Making major reductions at mid-year can be *very* difficult – if not impossible – without major disruptions to services. By the time the General Assembly is in regular session, half of the fiscal year has passed. By the time supplementals pass, it is even later. That amplifies the impact of the reductions because the program/service/provider must absorb it in a much shorter time. For example, cutting an *annual* appropriation by 50.0 percent would require *eliminating* the appropriation for the second half of the year.
- Staff notes that this is the first time in several years that the State has not effectively had an extra reserve in the TABOR surplus/refund. When the State is above the Referendum C limit, revenues can fall before there is any impact to the State budget. With both forecasts projecting revenues below the limit in FY 2025-26, any reduction in revenues will directly impact the budget and/or the reserve. The LCS forecast is only \$276.4 million above the cap in FY 2026-27.
- Finally, regardless of the forecast selection, having to spend the reserve outside of a recession inherently reduces the amount available when the next recession arrives.

General Fund Overview Tables

Table 1 summarizes the status of the General Fund reserve under both of the March forecasts based on the Committee’s actions through March 16. Subsequent tables break out some of the specific components underlying the summary. Relative to the December forecasts, LCS’s revenue expectations have deteriorated, while the OSPB projections have improved. As shown in Figure 1 above, the shortfall below a 13.0 percent reserve has grown to more than \$500.0 million in the current year under the LCS forecast, while it is only \$52.9 million under OSPB. The shortfall in FY 2026-27 grows substantially under both forecasts, increasing to more than \$1.0 billion under the LCS forecast.

- The total projected reserve for FY 2026-27 equates to 6.7 percent of appropriations subject to the reserve under the LCS forecast and 8.5 percent under the OSPB projections.

- However, with \$500.0 million of the reserve transferred to PERA in FY 2025-26 under S.B. 25-310, the reserve actually held in the General Fund falls below \$1.0 billion in FY 2026-27 under both forecasts. Under the LCS forecast, the \$664.3 million held in the General Fund would equate to 3.8 percent *available* reserve in FY 2026-27.

Table 1: Status of the General Fund Reserve Based on March 2026 Forecasts (\$ in millions)

Line	Item	FY 2024-25 Actual	Legislative Council Staff		OSPB	
			FY 2025-26	FY 2026-27	FY 2025-26	FY 2026-27
1	Total General Fund Available (Table 2)	\$20,854.7	\$19,391.0	\$19,401.7	\$19,879.2	\$20,127.2
2	Less: Total General Fund Obligations (Table 4)	18,446.3	18,277.4	18,737.6	18,291.8	19,163.9
3	Year-end Reserve in General Fund	\$2,408.4	\$1,113.6	\$664.1	\$1,587.4	\$963.2
4	Plus: Year-end Reserve in PERA (SB 25-310)	0.0	500.0	500.0	500.0	500.0
5	Total Year-end Reserve	\$2,408.4	\$1,613.6	\$1,164.1	\$2,087.4	\$1,463.2
6	Statutorily Required Reserve Percent	15.0%	13.0%	13.0%	13.0%	13.0%
7	Required Reserve Amount	\$2,358.5	\$2,140.2	\$2,203.3	\$2,140.2	\$2,203.3
8	Year-end Reserve Above/(Below) Requirement	\$49.9	-\$526.7	-\$1,039.2	-\$52.9	-\$740.1

The following subsections provide additional detail on the major components of Table 1.

Available General Fund

Table 2 shows the total General Fund available each year under both forecasts. As discussed in previous overviews, General Fund obligations continue to exceed *annual* General Fund revenues. After spending down the one-time federal funds and the “excess General Fund reserve” since FY 2020-21, the State has relied heavily on one-time funds from other sources. To date in 2026, the Committee has approved drafting legislation transferring an additional \$244.0 million to the General Fund in FY 2025-26 and \$72.4 million in FY 2026-27 (shown in Table 3 on the following page).

Line 6 in Table 2 identifies remaining requests from the Governor for which the Committee has not taken action. The largest item is \$400.0 million in FY 2026-27 revenues associated with the proposed Pinnacle conversion.

Table 2: General Fund Available in FY 2025-26 and FY 2026-27 Based on March 2026 Forecasts (\$ in millions)

Line	Item	FY 2024-25 Actual	Legislative Council Staff		OSPB	
			FY 2025-26	FY 2026-27	FY 2025-26	FY 2026-27
1	Beginning Reserve Held in the General Fund	\$3,153.5	\$2,408.4	\$1,113.6	\$2,408.4	\$1,587.4
2	Gross General Fund Revenue (December Forecast)	17,181.3	16,516.6	18,182.4	17,003.6	18,434.1
3	Transfers from Other Funds (December Forecast)	519.9	222.0	33.3	223.2	33.3
4	Approved Transfers to the General Fund (Table 3)	0.0	244.0	72.4	244.0	72.4
5	Total General Fund Available	\$20,854.7	\$19,391.0	\$19,401.7	\$19,879.2	\$20,127.2
6	Proposals not included (DNR Sev. Tax Transfers, Pinnacle, Opportunity Next)		8.3	403.8	8.3	403.8

**Table 3: Transfers and Diversions to the General Fund Approved/Sent to Draft
(\$ in millions)**

Item	FY 2025-26	FY 2026-27
OEDIT - Diversion of Prop 123 Funds (Sent to Draft)	\$110.0	
Various ARPA Refinance Funds	19.0	14.2
Transfer for termination of ADLE payments	15.3	2.5
OEDIT CLIMBER Fund	15.0	
Local Affairs - Local Government Severance Tax Fund	13.3	10.0
Legislative Department Cash Fund (H.B. 26-1332)	12.0	
OIT Revolving Fund	11.0	10.0
OIT Technology Risk Prevention and Response	10.0	
Higher Ed CollegeInvest Master Account	9.2	
Labor and Employment Disability Support Fund	7.0	
Personnel - Supplier Database Cash Fund	5.4	
Public Health - Community Impact Cash Fund	5.2	5.0
Public Health - School and Child Care Drinking Water	4.0	1.3
Public Health - Mobile Home Park Water Quality Fund	3.0	
Controlled Maintenance Trust Fund	2.0	
OSPB - Pay for Success Contracts Program Fund	1.6	
Human Services - Records and Reports Fund	0.8	
Public Health - Fixed and Rotary Wing Ambulances	0.2	
State - Electronic Recording Technology Fund	0.2	
BHA - Repeal High Risk Families Cash Fund	0.0	
Governor - IJJA Cash Fund Interest		15.0
Higher Ed - Discontinue Limited Gaming Funding for CHECRA		2.1
Public Safety - Motorcycle Operator Safety Training Cash Fund		2.0
Personnel - Transfer from bond assistance program		1.6
HCPF - Enhanced federal match for COVID		1.3
Personnel - Unused State-owned Real Property Fund		1.2
Personnel - Supplemental State Contribution Fund		1.0
Public Safety - Identification Unit Cash Fund		1.0
Public Safety - SMART Grant Program Fund		0.7
Labor and Employment - Uninsured Employer Fund		0.5
Labor and Employment - Scale-up Grant Fund		0.4
Public Safety - Multidisc. Crime Prevention and Crisis Intervention Grant Fund		0.4
Labor and Employment - Qualified Apprenticeship Intermediary Grant Fund		0.4
Local Affairs - Peace Officers Mental Health		0.4
Local Affairs - Mobile Home Park Resident Empowerment Loan and Grant		0.4
Judicial - Repeal CCJD minimum balance and transfer		0.4
Labor and Employment - Workers' Comp. Immediate Payment Fund		0.2
Local Affairs - Childcare Facility Grant Fund		0.1
Public Safety - Law Enf. Workforce Recruitment, Retention, and Tuition Fund		0.1
Public Safety - Wildfire Resilient Homes Grant Program Cash Fund		0.1
Total	\$244.0	\$72.4

Given the degree of shortfall in FY 2025-26, staff recommends that the Committee authorize JBC Staff to accelerate as many of the approved transfers as possible into FY 2025-26.

General Fund Obligations

Table 4 summarizes projected General Fund obligations for each year under both forecasts. For this table, the differences in obligations are forecast-driven. For example, rebates and expenditures vary between the forecasts, as does the TABOR refund obligation. The subsequent tables break down the specific *Committee actions* depending on whether they affect General Fund appropriations, transfers *from* the General Fund, or the TABOR refund obligation.

Table 4: General Fund Obligations Under March 2026 Forecasts (\$ in millions)

Line	Item	FY 2024-25 Actual	Legislative Council Staff		OSPB	
			FY 2025-26	FY 2026-27	FY 2025-26	FY 2026-27
1	General Fund Appropriations (Current Law/Action to date)	\$15,861.8	\$17,102.2	\$17,707.8	\$17,102.2	\$17,707.8
2	Current Year Adjustments Approved for Long Bill Supplementals		\$72.7		\$72.7	
3	Appropriations in Long Bill Package Bills (Table 5)		-0.1	-54.5	-0.1	-54.5
4	Approved Placeholders for Other Legislation (Table 5)		9.6	26.3	9.6	26.3
5	Less: Appropriations for Rebates and Expenditures (Forecast)	-240.0	-403.7	-413.8	-403.7	-413.8
6	Total Appropriations Subject to Reserve	\$15,621.8	\$16,780.7	\$17,265.9	\$16,780.7	\$17,265.9
7	General Fund Overexpenditure in FY 2024-25	68.6				
8	Rebates and Expenditures (Forecast)	187.4	823.8	525.2	837.7	532.0
9	Transfers to Transportation Funds (Forecast)	117.5	42.7	61.0	42.7	61.0
10	Bill to Eliminate Transfer to Multi-modal Options Fund			-10.5		-10.5
11	Transfers for Capital Construction and IT Capital (current law and CDC/JTC recs)	254.1	174.2	193.3	174.2	193.3
12	Transfers to Other Funds (Forecast)	2,030.1	456.0	463.2	456.5	448.0
13	TABOR Refund Obligation [Article X, Section 20 (7)(d)] (Forecast)	293.3	0.0	276.4	0.0	711.1
14	Approved Items Affecting TABOR Refund (Table 6)			-36.9		-36.9
15	Total Expenditures/Obligations	\$18,572.8	\$18,277.4	\$18,737.6	\$18,291.8	\$19,163.9

Appropriations in Other Bills

Table 5 details appropriations for JBC bills that the Committee has authorized drafting for inclusion in the Long Bill Package² and the placeholders approved for other legislation. These amounts do not vary between forecasts.

- The Long Bill Package bills shown here would reduce appropriations by \$0.1 million in FY 2025-26 and \$54.5 million in FY 2026-27.
- The placeholders for other (non-JBC) legislation increase appropriations by \$9.6 million in FY 2025-26 and \$26.3 million in FY 2026-27.

² Not all of the bills are approved *for introduction* at this time.

Table 5: Approved Appropriations for Long Bill Package Bills and Placeholders for Other Bills
(\$ in millions)

Line	Item	FY 2025-26	FY 2026-27
1	Approved for Long Bill Package Bills		
2	HCPF Immigrant services outreach	-\$0.1	-\$0.3
3	Statewide - Repeal ADLE Payments/Capital Complex Renovation		-25.3
4	HCPF - Cover All Coloradans benefits limits		-10.6
5	Education - Repeal Academic Accelerator Grant Program		-8.4
6	Labor and Employment - Allow Disability Fund to Support ILCs and Refinance		-4.1
7	Human Services - Repeal Substance Use Programs		-2.1
8	Education - Reduce Out-of-school Time Grant		-1.8
9	Public Health - Eliminate comprehensive sexual education		-1.0
10	HCPF - Equine therapy		-0.3
11	Human Services - Repeal County Administration Funding Model		-0.3
12	Public Safety - Cap First Responder Employer Benefit Sec. 29-5-604, C.R.S.		-0.3
13	Labor and Employment - Eliminate employment support and job retention		-0.3
14	Subtotal - Package Bills	-\$0.1	-\$54.5
15	Approved placeholders for other legislation		
16	Competency Legislation	9.6	23.2
17	DHS/HCPF - County Administration shared services		3.1
18	Subtotal - Placeholders for other legislation	\$9.6	\$26.3

Impacts to the TABOR Refund

Table 6 details the items impacting the TABOR refund obligation. Neither December forecast projects a TABOR refund for FY 2025-26, so the table only shows FY 2026-27 (with refunds to be paid in FY 2027-28).

To date, the Committee has approved three bills with known impacts to the refund obligation. Combined, the bills reduce the refund obligation by an estimated \$36.9 million in FY 2026-27, making that amount of additional General Fund available. JBC Staff is still refining estimates for other bills. However, adjustments to the refund obligation only make General Fund available if the State remains far enough above the Referendum C limit.

The table also shows three proposals that the Governor requested as placeholders but for which the Committee has not taken action.

Table 6: Items Impacting the TABOR Refund Obligation Under Both March Forecasts
(\$ in millions)

Line	Item	LCS FY 2026-27	OSPB FY 2026-27
1	TABOR refund (December Forecast)	\$276.4	\$711.1
2	CY 2025 Inflation Rate Calculation Bill	-\$19.8	-\$19.8
3	Labor and Employment - Eliminate CDOO Fee (LB orbital)	-10.1	-10.1
4	Labor and Employment - Voc Rehab Double Count	-7.0	-7.0
5	Projected remaining refund (paid in following year)	\$239.5	\$674.2
6	Proposals not included		
7	Transportation - Fuel Deduction 2% to 1% revenue	3.3	3.3
8	Statewide - TABOR Overrefund Correction (Statewide R2)	-148.0	-148.0
9	Statewide - Aviation Revenue Reclassification (Statewide Leg 02)	-29.0	-29.0
10	Remaining refund with excluded items	\$65.8	\$500.5

Changes in the Long Bill Package – by Department

As is evident from the discussion above, General Fund obligations continue to exceed annual revenues, requiring additional revenues or the depletion of the reserve to support those obligations. The growth in costs is also not evenly distributed among departments. For reference purposes, the following tables show the growth in appropriations assumed in the FY 2026-27 Long Bill Package.

Table 7 shows the increase in current year (FY 2025-26) General Fund appropriations that the Committee has approved for inclusion in the Long Bill (as “add-ons”). These changes build on the increases approved in the FY 2025-26 supplemental package.

- The supplemental package added \$160.5 million General Fund for FY 2025-26.
- The changes approved for Long Bill “add-ons” would add \$72.7 million more.

The Department of Health Care Policy and Financing accounted for 83.6 percent of the increase in the supplemental package and represents 93.4 percent of the change approved for the Long Bill.

Table 7: Changes to FY 2025-26 General Fund Appropriations Approved for the FY 2026-27 Long Bill

Department	Current Appropriation after Supplementals	Approved Changes for Long Bill	Approved Appropriation	Percentage Change
Agriculture	\$20,389,589	\$0	\$20,389,589	0.0%
Corrections	\$1,115,073,827	6,335,739	\$1,121,409,566	0.6%
Early Childhood	\$310,734,489	-1,000,000	\$309,734,489	-0.3%
Education	\$4,669,716,019	0	\$4,669,716,019	0.0%
Governor	\$53,327,927	0	\$53,327,927	0.0%
Health Care Policy and Financing	\$5,684,210,687	67,977,325	\$5,752,188,012	1.2%
Higher Education	\$1,672,859,536	80,000	\$1,672,939,536	0.0%
Human Services	\$1,332,685,386	0	\$1,332,685,386	0.0%
Judicial	\$891,784,092	0	\$891,784,092	0.0%
Labor and Employment	\$34,703,020	0	\$34,703,020	0.0%
Law	\$28,687,723	0	\$28,687,723	0.0%
Legislature	\$78,183,856	0	\$78,183,856	0.0%
Local Affairs	\$61,754,783	0	\$61,754,783	0.0%
Military and Veterans Affairs	\$18,146,948	0	\$18,146,948	0.0%
Natural Resources	\$56,275,838	0	\$56,275,838	0.0%
Personnel	\$34,957,032	-651,279	\$34,305,753	-1.9%
Public Health and Environment	\$138,790,726	0	\$138,790,726	0.0%
Public Safety	\$273,599,432	0	\$273,599,432	0.0%
Regulatory Agencies	\$3,753,059	0	\$3,753,059	0.0%
Revenue	\$154,318,686	0	\$154,318,686	0.0%
State	\$4,254	0	\$4,254	0.0%
Transportation	\$0	0	\$0	n/a
Treasury	\$468,201,918	0	\$468,201,918	0.0%
TOTAL	\$17,102,158,827	\$72,741,785	\$17,174,900,612	0.4%

Table 8 shows the change from the adjusted FY 2025-26 appropriation (from Table 7) to the current (March 16) estimate of the Long Bill appropriation for FY 2026-27. General Fund appropriations increase by \$532.9 million (3.1 percent). Seven departments show net reductions below the FY 2025-26 appropriation. Four departments (Corrections, Education, Health Care Policy and Financing, and Judicial) account for \$490.5 million (92.0 percent) of the increase.

Table 8: General Fund Operating Appropriations for FY 2026-27 (Long Bill and Placeholder for Legislative Appropriation Bill)

Department	FY 2025-26 with Long Bill Adjustments	Dollar Change	FY 2026-27 Long Bill and Legislative Appropriation Bill Placeholder	Percentage Change
Agriculture	\$20,389,589	-\$1,329,079	\$19,060,510	-6.5%
Corrections	\$1,121,409,566	\$90,493,796	\$1,211,903,362	8.1%
Early Childhood	\$309,734,489	\$186,289	\$309,920,778	0.1%
Education	\$4,669,716,019	\$39,188,028	\$4,708,904,047	0.8%
Governor	\$53,327,927	\$2,308,128	\$55,636,055	4.3%
Health Care Policy and Financing	\$5,752,188,012	\$301,128,093	\$6,053,316,105	5.2%
Higher Education	\$1,672,939,536	\$7,997,734	\$1,680,937,270	0.5%
Human Services	\$1,332,685,386	\$3,450,860	\$1,336,136,246	0.3%
Judicial	\$891,784,092	\$59,675,493	\$951,459,585	6.7%
Labor and Employment	\$34,703,020	-\$943,256	\$33,759,764	-2.7%
Law	\$28,687,723	\$4,263,077	\$32,950,800	14.9%
Legislature	\$78,183,856	\$4,154,600	\$82,338,456	5.3%
Local Affairs	\$61,754,783	-\$1,036,629	\$60,718,154	-1.7%
Military and Veterans Affairs	\$18,146,948	-\$127,639	\$18,019,309	-0.7%
Natural Resources	\$56,275,838	\$4,365,298	\$60,641,136	7.8%
Personnel	\$34,305,753	\$3,548,425	\$37,854,178	10.3%
Public Health and Environment	\$138,790,726	-\$2,744,217	\$136,046,509	-2.0%
Public Safety	\$273,599,432	\$227,373	\$273,826,805	0.1%
Regulatory Agencies	\$3,753,059	-\$646,661	\$3,106,398	-17.2%
Revenue	\$154,318,686	\$8,087,178	\$162,405,864	5.2%
State	\$4,254	-\$4,254	\$0	-100.0%
Transportation	\$0	\$0	\$0	n/a
Treasury	\$468,201,918	\$10,705,473	\$478,907,391	2.3%
TOTAL	\$17,174,900,612	\$532,948,110	\$17,707,848,722	3.1%