COLORADO
Governor Jared Polis

January 26, 2026

The Honorable Representative Emily Sirota
Chair, Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80203

Subject: January 26, 2026 Supplemental Comeback Requests

Dear Chair Sirota:

On behalf of Governor Jared Polis, the Office of State Planning & Budgeting (OSPB)

appreciates the Committee's support to date for the Governor's supplemental budget requests for FY 2025-26, and submits this package of comeback requests for the Committee's consideration.

The Committee did not act on a portion of the requests, but seeks additional information for the following requests:

- Statewide/Colorado Department of Natural Resources
    - Statewide S-02 Mountain Pine Beetle Coordinated Response

The Committee delayed, denied, modified, or requested comebacks, for the following requests:

- Colorado Department of Human Services
    - S-04 Patient Revenue Cash Funds
- Colorado Department of Public Health and Environment
    - S-05/BA-02 Utilities Shortfall
- Colorado Department of Public Safety
    - S-03 Wildfire Resiliency Code Enforcement
    - S-04 School Workload Capacity Support
- Colorado Department of Labor & Employment
    - S-01 Disability Support Fund Sweep

- Colorado Department of Higher Education
    - SI-1 Staff Initiated SB23-005 Forestry Grant Applications (FY 2025-26)
- Colorado Department of Corrections
    - S-01 Prison Caseload
    - S-01.5 Payments to Local Jails
    - S-02 Medical Caseload
    - S-04 Medical and Mental Health Contract Services

Sincerely,

Mark Ferrandino

Mark Ferrandino
Director
Office of State Planning & Budgeting

CC:
Senator Jeff Bridges, Joint Budget Committee Vice Chair
Senator Judy Amabile, Joint Budget Committee
Representative Kyle Brown, Joint Budget Committee
Senator Barbara Kirkmeyer, Joint Budget Committee
Representative Rick Taggart, Joint Budget Committee
Craig Harper, JBC Staff Director

Attachments:
Attachment A: Supplemental Comebacks by Department

Attachment A
Supplemental Comebacks by Department

Summary of Comebacks

1. Comeback #1 Statewide/Colorado Department of Natural Resources, S-02 Mountain Pine Beetle Coordinated Response (informational)
2. Comeback #2 Department of Human Services, S-04 Adjustments to Mental Health Funding Sources to Increase Restoration Beds
3. Comeback #3 Department of Public Health and Environment, S-05/BA-02 Utilities Shortfall (informational)
4. Comeback #4: Department of Public Safety, S-03 Wildfire Resiliency Code Enforcement
5. Comeback #5: Department of Public Safety, S-04 School Workload Capacity Support
6. Comeback #6 Colorado Department of Labor & Employment, S-01 Disability Support Fund Sweep (informational)
7. Comeback #7 Colorado Department of Higher Education, SI-1 Staff Initiated SB23-005 Forestry Grant Applications (FY 2025-26)
8. Comeback #8 Colorado Department of Corrections, S-01 Prison Caseload
9. Comeback #9 Colorado Department of Corrections, S-01.5 Payments to Local Jails
10. Comeback #10 Colorado Department of Corrections, S-02 Medical Caseload

The Committee did not act on a portion of the request, but seeks additional information for the following request:

Informational Comeback #1: Statewide

Department: Statewide
Request Title: Statewide S-02 Mountain Pine Beetle Coordinated Response

Summary of JBC Action: The Joint Budget Committee (JBC) did not make a final decision on a request for $3.5M General Fund to support the state's efforts in combating mountain pine beetle infestations. This included a total of $3M for the Colorado State Forest Service to leverage federal investments from the US Forest and the National Resources Conservation Commission, and $0.5M to support the Colorado Strategic Wildfire Action Plan. The committee suggested that the executive branch reprioritize their most critical tasks in order to address the outbreak of mountain pine beetles.

Summary of Informational Comeback: The executive branch appreciates the JBC's feedback, and has since re-evaluated and prioritized the abovementioned investments within the state forest service's Healthy Forests and Vibrant Communities Cash Fund, which is continuously appropriated, as a suitable source of funding for the full $3.5M. As a result this requires no further action from the Committee at this time.

Comeback #2: Dept of Human Services

Department: Department of Human Services

Request Title: S-04 Adjustments to Mental Health Funding Sources to Increase Restoration Beds

	Original Request	JBC Action	Comeback Request
Total Funds	2,0850,500	0	2,080,500
FTE	0.0	0.0	0.0
General Fund	-2,252,054	0	-2,252,054
Cash Fund (Patient Revenue, No Cash Fund)	8,216,404	0	0
Reappropriated Funds	-3,883,850	0	4,332,554
Federal Funds	0	0	0

Summary of JBC Action: The Joint Budget Committee (JBC) voted to deny the department's request for $2.09M TF/-$2.25M GF in FY 2025-26 that would allow the Department to use more of their earned revenue from the Mental Health Hospitals (MHHs) to free up General Fund (GF) and pay for five more private hospital inpatient competency restoration contracted beds to reduce the waitlist to help with consent decree compliance. JBC staff recommended the request be denied, because staff believes the GF savings assumed do not account for other revenue and TABOR impacts. The members expressed concern with the Department of Health Care Policy and Financing (HCPF) for contracting with the Regional Accountability Entities (RAEs) to draw down federal funds from patient revenue collected at the Mental Health Transitional Living (MHTL) homes.

Summary of Comeback Request: OSPB respectfully requests that the Joint Budget Committee approve $2.09M TF/-$2.25M GF in FY 2025-26. The comeback requests an increase of the MHHs Reappropriated Funds (RF) appropriation with a proportionate decrease in General Fund (RF) to free up GF in addition to a GF transfer to the Mental Health Hospitals (MHHs) to pay for additional private beds to address the competency waitlist. Additionally, the comeback request provides information on why HCPF contracts with the RAEs to collect patient revenue at the MHTL Homes, rather than directly transferring the funds to CDHS. The Executive Branch will continue working with JBC staff to identify alternative options.

The comeback request does not include the reclassification of Medicaid reimbursements from the RAEs to the Mental Health Transitional Living (MHTL) Homes as CF rather than RF per guidance from the Office of State Controller nor the establishment of new cash funds because the revenue will remain as RF in the Department.

Analysis:

<u>Drivers of Increased Revenue</u>

The Colorado Mental Health Hospital in Fort Logan (CMHHIFL) and the Colorado Mental Health Hospital receive revenue from various sources by billing for patient care. Sources of revenue include patient payments (typically cash from disability benefits), Medicare, Medicaid, and commercial insurance. The MHTL Homes also receive revenue from Medicaid, Medicare, or private insurance. The current spending authority does not reflect the available revenue with updated patient census and benefit coverage rates. As a result, patient revenues in recent years have exceeded the amount appropriated to the MHHs. From FY 2023-24 revenue from Medicaid, Medicare, and commercial insurance have increased by $11.4 million.

The average daily census for the MHHs increased from 464.4 in FY 2021-22 to 538.1 in FY 2024-25. CMHHIFL opened two new units in FY 2022-23 and FY 2023-24 to serve forensic patients and CMHHIP re-opened two units that had been closed due to the COVID-19 pandemic and the nationwide healthcare worker shortage. An upward trend in the average daily census for both hospitals has resulted in increases in patient billing and the overall number of patients with insurance or an ability to pay for services. Additionally, Medicare rates and Medicaid days have increased.

<u>Increases of RF Spending Authority and GF Decrease ($2.25m GF savings)</u>

For the MHHs, CDHS requests an increase of $4.3 million RF and a corresponding decrease in GF. JBC Staff expressed concern that the GF savings are already assumed because the patient revenue will revert to the General Fund. If this portion of the request is not approved, the GF savings will not be accounted for until the fiscal year closes rather than accounting for it now. OSPB agrees the ultimate result is the same however the timing differs from the JBC Staff recommendation and the comeback request.

Transfer for 5 Additional Private Hospital Beds Using Patient Revenue

The comeback request includes a $2.1 million ongoing GF transfer from the MHHs to the Forensic Service Division (FSDV) within the Department to provide funding for five additional private contracted hospital beds for inpatient competency restoration beds. The funding is estimated to serve 7.6 additional patients in FY 2025-26 increasing to 15.7 in FY 2026-27.

Consequences if This Request is Not Approved

If the request is not approved, the Department will continue earning revenue in excess of their current spending authority and will not be able to use these funds for patient services. Furthermore, CDHS risks not having spending authority to utilize Medicaid reimbursements received from the RAEs. Without an additional five private hospital beds, an increasing waitlist will continue to risk the Department's ability to meet the terms outlined in the Consent Decree, potentially resulting in additional fines. Without these funds, CDHS will continue to have limited ability to balance spending authority between fund sources and to help address revenue shortfalls. Additionally, revenues in excess of spending authority will continue to revert to the GF.

Informational Update - Transfer of Patient Revenue from HCPF to CDHS

Currently, HCPF only has authority from CMS to pay for this service under a managed care structure which requires the Department to contract out with a provider in order to draw down the federal match. If HCPF were to enter into an intergovernmental agency with CDHS without any additional changes, the State would lose the 50/50 federal match.

In order for HCPF to draw down the federal match and pay CDHS directly through an intergovernmental transfer, HCPF would have to move to a Fee For Service (FFS) payment model which requires new federal authorization. If directed, HCPF could seek federal authority to move to a Fee For Service (FFS) payment model, but would need to explore and secure the appropriate authority from the federal government. HCPF estimates this would take anywhere from 6-18 months plus an additional 3-6 months for contract changes based on the approved benefit definition. Additionally, moving to a FFS would require HCPF to move all providers of the same license type to

FFS, which could have additional budgetary implications. In the interim, OSPB shares the concern around the patient revenue double counting against the TABOR cap.

In conversations with the Office of the State Controller (OSC), the patient revenue is currently double counting even though the funds are appropriated as RF. The Executive Branch has been working on this closely with JBC staff to identify alternative options to address the patient revenue double counting against the TABOR cap for figure setting. The alternative options could take effect more immediately include changing the billing mechanism with the RAEs, exploring a waiver from the Centers for Medicare & Medicaid Services (CMS), or working with the Behavioral Health Administration (BHA) to address whether licensing changes need to be made to the MHTL homes among other options. OSPB is also looking into the fiscal impact of appropriating the GF directly to CDHS in the instance that there is no solution to addressing the double count.

Comeback #3: Dept of Public Health and Environment

Department: Department of Public Health and Environment

Request Title: S-05/BA-02 Utilities Shortfall

	Original Request	JBC Action	Comeback Request
Total Funds	$67,773	Rejected	$0
FTE	0.0		0.0
General Fund	$43,576		$0
Cash Fund (Name)	$0		$0
Reappropriated Funds	$24,197		$0
Federal Funds	$0		$0

Summary of JBC Action: The JBC voted to reject this request for unanticipated utility costs associated with expanded public EV charging stations at CDPHE's office space installed via a grant from Energy Office (CEO). JBC staff recommended denial of this request on grounds that the Department could utilize cash fund reversions instead of General Fund under Sec. 24-75-108, C.R.S. to transfer the amount required for utility expenses.

Summary of Comeback Request: This is an informational comeback for the budget amendment component of this request. It is not a comeback for S-05. OSPB respectfully requests that the JBC consider this information when considering BA-02.

Analysis

OSPB believes that it is possible for the Department to absorb the impact of the utilities gap as a one-time measure in FY 2025-26. However, OSPB and the Department agree that the staff recommendation of expending cash fund reversions instead of appropriating General Fund is not a sustainable solution for FY 2026-27 and ongoing for the following reasons:

Identified "reversions" reflect lapses in spending authority, not actual cash: The recommendation to deny the request was based on identified cash fund reversions. However, these reversions are primarily reversions of empty spending authority that lack corresponding funds, rather than underspending actual cash funds. This limits the practical availability of funds for a transfer.

Viable Operating Expense Line faces many constraints: An operating expense line has been identified as having actual cash reversions and not just spending authority reversions, but it comes with major limitations:

- **Ryan White Act**—The majority of the cash funds in this operating expenses line come from the Drug Assistance Program Fund. This line is intentionally managed as reserves to address federal funding uncertainty for HIV-related care. It also is impacted by declining tobacco tax revenue. The Department is comfortable pulling from this fund to address the FY 2025-26 utilities need but does not see it as a sustainable fund source for this.
- **Reliance on potential future reversions introduces risk**: OSPB does not believe it prudent to ask the Department to plan for ongoing, non-programmatic utility costs by intentionally altering spending patterns within programmatic divisions solely to generate future General Fund availability. Doing so would require pre-emptive adjustments to cash funds that are programmatically determined and could jeopardize critical service delivery, specifically in supporting HIV-related care in the event of potential disruptions to federal funding.

Comeback #4: CDPS S-03 Wildfire Resiliency Code Enforcement

Department: Department of Public Safety

Request Title: S-03 Wildfire Resiliency Code Enforcement

	Original Request	JBC Action	Comeback Request
Total Funds	$266,372	Denied	$155,134
FTE	1.0		1.0
General Fund	$0		$0
Cash Fund (Name)	$266,372		$155,134
Reappropriated Funds	$0		$0
Federal Funds	$0		$0

Summary of JBC Action: The Committee denied this supplemental request out of concern that it did not meet supplemental criteria.

Summary of Comeback Request: OSPB respectfully requests that the Committee approve the staff recommendation of funding this request at a reduced level of $155,134 CF and 1.0 FTE. Staff recommendation reduced the FY 2025-26 costs by delaying some expenses to FY 2026-27, and OSPB and the Department are comfortable with those delays.

Analysis: OSPB believes this request meets supplemental criteria of data that was not available when the original appropriation was made.

- In 2023, the legislature passed S.B. 23-166 to establish the Wildfire Resiliency Code Board. Since the bill's mandate was to establish a wildfire resiliency code, the fiscal note for the bill only included the costs of the code board, not the costs of enforcing an as-yet-undetermined code.
- On January 2, 2025, OSPB and the Department submitted a budget request to staff up this program for the FY 2025-26 Long Bill. The Committee denied the request on the basis that the cost was too high and too speculative of the demand.
- From May 2025 to October 2025, the Division of Fire Prevention and Control (DFPC) surveyed local government entities to better assess their need for enforcement support.

- On January 2, 2026, OSPB and the Department submitted a budget request to staff up this program based on updated information. Additionally, this request pivots from on-site enforcement to desk enforcement in order to reduce the overall cost of the program. Overall, the ongoing costs of the request have been reduced from $3.8M to under $1.0M, due to the Department's newly gathered information and reconsideration of how to enforce the program in its early years.

It is the state's responsibility to enforce state code when local jurisdictions request state support. Jurisdictions must adopt a code no later than April 1, 2026, and begin enforcing no later than July 1, 2026. Therefore, denial of this request would create challenges for local jurisdictions and result in longer construction timelines.

Comeback #5: CDPS S-04 School Workload Capacity Support

Department: Department of Public Safety

Request Title: S-04 School Workload Capacity Support

	Original Request	JBC Action	Comeback Request
Total Funds	$76,934	Denied	$58,072
FTE	0.3		0.3
General Fund	$0		$0
Cash Fund (Name)	$76,934		$58,072
Reappropriated Funds	$0		$0
Federal Funds	$0		$0

Summary of JBC Action: The Committee denied this supplemental request out of concern that it did not meet supplemental criteria.

Summary of Comeback Request: OSPB respectfully requests that the Committee approve the staff recommendation of funding this request at a reduced level of $58,072 CF and 0.3 FTE. Staff recommendation reduced the FY 2025-26 costs by delaying some expenses to FY 2026-27, and OSPB and the Department are comfortable with those delays.

Analysis

OSPB believes this request meets supplemental criteria of data that was not available when the original appropriation was made.

- In the November 2024 election, 14 Colorado public school districts passed major bonds, representing over $5.8B in capital improvement projects.

- Following the election, the Division of Fire Prevention and Control (DFPC) gathered information from relevant school districts in order to estimate the increase in workload. This information took more time to fully gather and process than the two months available between the November 2024 election and January 2, 2025, which was the last non-emergency budget submission for the Department to request FY 2025-26 funds.

Increased Number of Permit Applications

	2022-2024 Average	2025	% Increase
October	54	71	31%
November	58	80	38%
December	50	82	64%

Denial of this request would have two main consequences:

- First, since DFPC collects fees for public school construction and inspection at the beginning of projects, denying this request will not save the state any money. The revenues will still be collected, but the Department will not have authority to use those revenues to meet the increased workload.

- Second, DFPC will have longer turnarounds for inspections and plan reviews. Multiple school districts have sent letters to DFPC expressing concerns about increased turnarounds based on the number of new bond issues. Without additional resources to meet the additional demand, inspectors will be stretched thinner and unable to keep up with school districts' timelines, and could even result in the displacement of students and teachers if schools are not built in time for the school year.

Comeback #6: Disability Support Fund Sweep

Department: Department of Labor and Employment

Request Title: S-01 Disability Support Fund Sweep

	Original Request	JBC Action	Comeback Request
Total Funds	$0	$0	$0
FTE	0.0	0.0	0.0
General Fund	$0	$0	$0
Cash Fund	$0	$0	$0
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$0	$0
Cash Fund Transfer Disability Support Fund	-$5,000,000	-$7,000,000	-$7,000,000

Summary of JBC Action: The JBC voted to adopt staff recommendation to transfer $7,000,000 cash funds from the Disability Support Fund (DSF) instead of the requested $5,000,000.

Summary of Comeback Request: This is an informational comeback to clarify how transferring $2,000,000 additional funding from the DSF will impact the Department's R-01 request. The increased transfer now will mean the transfer from the DSF to the new Special Purpose Authority (SPA) in FY 2027-28 will need to be less to ensure the DSF has a positive fund balance in FY 2027-28. The transfer for the SPA in its R-01 request for FY 2027-28 should be reduced by $891,888 totaling $9,274,736 instead of $10,166,624 from the DSF leaving a final balance of $578,607, as intended by JBC staff's recommendation. This is not anticipated to affect the SPA's ability to distribute grants in FY 2027-28, not approving this change to the Departments R-01 may leave the DSF insolvent in FY 2027-28 based on the Department's submitted R-01 request.

Analysis

On August 28, 2025 the Governor signed Executive Order D 2025-014 to reduce FY 2025-26 spending to balance the budget after the impacts from the federal H.R. 1. A letter sent to the Joint Budget Committee the same day laid out additional supplemental and FY 2026-27 requests, including a $5,000,000 transfer from the DSF. The DSF supports the functions of the Colorado Disability Opportunity Office (CDOO) and grants that assist the disability community in applying for benefits. Transferring out this amount was determined to not affect the Office or grants that were funded from the cash fund.

During the Department's supplemental hearing the JBC voted to adopt staff's recommendation which transferred out an additional $2,000,000 from the DSF for a total of $7,000,000. The Department accepts the JBC's decision but requests is providing an informational comeback on how the R-01 request will need to be adjusted to avoid the DSF being insolvent in FY 2027-28 . Provided below are tables 2 & 3 with updated revenue and expenditure data in comparison to JBC staff recommendation (table 1). Table 3 also shows that the DSF will be solvent in FY 2027-28 with a $7,000,000 transfer if the FY 2027-28 amount transferred to the SPA is decreased.

Table 1. JBC Staff Recommendation DSF Balance Projections

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	FY 2027-28 Request
Beginning Year Balance	$447,506	$1,333,376	$8,900,818	$20,146,054	$21,995,335	$10,673,155
Fee Revenue	$959,515	$7,704,358	$11,618,133	$14,271,297	$0	$1,513,591
Interest Revenue	$91,419	$300,930	$480,357	$428,193	$0	$0
S1 Transfer to GF	$0	$0	$0	-$7,000,000	$0	$0
R1 Transfer to SPA	$0	$0	$0	$0	-$523,343	-$10,166,624
Expenses	-$165,064	-$437,846	-$853,254	-$5,850,209	-$10,798,837	-$1,441,515
End Year Balance	$1,333,376	$8,900,818*	$20,146,054	$21,995,335	$10,673,155	$578,607

*Revenues collected from FY 2022-24 were collected by DPA not CDLE in the DSF and are included in the table for convenience.

Table 2. JBC Staff Recommendation with Updated Revenues and Expenditures DSF Balance Projection

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	FY 2027-28 Request
Beginning Year	$447,506	$1,333,376	$8,900,818	$20,152,375	$23,491,629	$9,781,267

Balance						
Fee Revenue	$959,515	$7,704,358	$11,624,454	$14,271,297	$0	$1,513,591
Interest Revenue	$91,419	$300,930	$480,357	$428,193	$173,127	$0
S-01 Transfer to GF	$0	$0	$0	-$7,000,000	$0	$0
R-01 Transfer to SPA	$0	$0	$0	$0	-$523,343	-$10,166,624
Expenses	-$165,064	-$437,846	-$853,254	-$4,360,236	-$13,360,146	-$1,441,515
End Year Balance	$1,333,376	$8,900,818*	$20,152,375	$23,491,629	$9,781,267	-$313,281

Table 3. Department Comeback Recommendation With Updated Revenues and Expenditures DSF Balance Projection

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	FY 2027-28 Request
Beginning Year Balance	$447,506	$1,333,376	$8,900,818	$20,152,375	$23,491,629	$9,781,267
Fee Revenue	$959,515	$7,704,358	$11,624,454	$14,271,297	$0	$1,513,591
Interest Revenue	$91,419	$300,930	$480,357	$428,193	$173,127	$0
S-01 Transfer to GF	$0	$0	$0	-$7,000,000	$0	$0
R-01 Transfer to SPA	$0	$0	$0	$0	-$523,343	-$9,274,736
Expenses	-$165,064	-$437,846	-$853,254	-$4,360,236	-$13,360,146	-$1,441,515
End Year Balance	$1,333,376	$8,900,818	$20,152,375	$23,491,629	$9,781,267	$578,607

The Department accepts the JBC decision to transfer $7,000,000 from the DSF in FY 2025-26. In relation to its R-01 request the transfer for the SPA in FY 2027-28 should be reduced by $891,888 totaling $9,274,736 instead of $10,166,624 from the DSF leaving a final balance of $578,607, as calculated in JBC staff recommendations. This is not anticipated to affect the SPA's ability to distribute grants in FY 2027-28, not approving this change to the Departments R-01 may leave the DSF insolvent in FY 2027-28.

Comeback #7: Staff Initiated SB23-005 Forestry Grant Applications

Department: Department of Higher Education

Request Title: SI-1 Staff Initiated SB23-005 Forestry Grant Applications (FY 2025-26)

	Original Request	JBC Action	Comeback Request
Total Funds	0	0	337,886
FTE	0.0	0.0	0.0
General Fund	0	0	337,886
Cash Fund (Patient Revenue, No Cash Fund)	0	0	0
Reappropriated Funds	0	0	0
Federal Funds	0	0	0

Summary of JBC Action: The JBC voted to adopt staff recommendation to provide rollforward authority for the FY 2024-25 appropriation for SB23-005 Forestry Grants program. This was to ensure that institutions had funding to finish out grants in FY 2025-26 as they originally intended.

Summary of Comeback Request: OSPB respectively requests that the JBC instead of granting rollforward authority from the FY 2024-25 appropriation, appropriate $337,886 GF in FY 2025-26. The FY 2024-25 accounting has closed with all reversions being accounted for and no more rollforwards being put into the system meaning the rollforward authority will not allow for funds to be available for institutions. Without these funds community colleges and Colorado Mountain College will not have the funding to finish their work on these grants.

Analysis

As was discussed in the 1331 in June, institutions receiving these grants were told they had rollforward authority past FY 2024-25 into FY 2025-26. There was no rollforward authority for this program. We appreciate the JBC increasing appropriation for the 1331 in June to allow the Department to reimburse the grants through the end of FY 2024-25. There was no rollforward authority for the appropriation though at that time and instead the JBC expressed their intent to appropriate funds in FY 2025-26 through the supplemental process.

The Office of the State Controller (OSC) has finalized all reversions for FY 2024-25 and closed accounting for the fiscal year. There is not a way to go back to account for rollforward authority now on FY 2024-25 as any unspent funds have been officially reverted. Additionally, the deadline to submit rollforward paperwork to OSC has also passed.

Additionally, while the 1331 gave the Department the ability to over-expend, it is treated as an increased appropriation for accounting purposes until the supplemental bill is passed. As such any amount unexpended or not over-expended is reverted. Below is a table showing the appropriations, expenses, and reversion amounts per OSC's records:

Initial Appropriation for FY 2024-25	**1331 Supplemental Amount**	**Total FY 2024-25 Appropriation**	**Expenses**	**Reversions**
$766,418	$1,037,150	$1,803,568	$1,465,682	$337,886

A new appropriation in FY 2025-26 will ensure the $337,886 is available to the community colleges and Colorado Mountain College to finish out the work they started under these grants. Without the appropriation these institutions will either have to stop the work or use other funding streams to cover the costs.

Comeback #8: DOC Combined Comeback

Department: Department of Corrections

Request Title: S-01 Prison Caseload, S-01.5 Payments to Local Jails, S-02 Medical Caseload, S-04 Medical and Mental Health Contract Services

Summary of JBC Action: JBC voted to deny S-01 Prison Caseload in its entirety, and voted to fund S-01.5 Payments to Local Jails, S-02 Medical Caseload, and S-04 Medical and Mental Health Contract Services at 50% of each requested total.

Summary of Comeback Request: OSPB respectfully requests that the Committee fund S-01, S-01.5, S-02, and S-04 at the amounts recommended by JBC staff.

- S-01 Prison Caseload: Staff recommended funding at $2,392,935 (full requested amount).
- S-01.5 Payments to Local Jails: Staff recommended funding at $3,331,810 (full requested amount).
- S-02 Medical Caseload: Staff recommended funding at $12,517,638 (of $15,814,568 requested)
- S-04 Medical and Mental Health Contract Services: Staff recommended funding at $10,016,296 (full requested amount).

History and Feedback on Broader DOC Caseload Capacity Constraints

The OSPB comeback outlines how the lack of funding will result in increased jail usage and delay in medical care for inmates. First this addresses the request from the committee about prison population growth and the plan to address this.

As both DOC and JBC staff have outlined, the capacity at DOC will be fully utilized for male populations during next fiscal year. It is important to remember this in context of the history of DOC and prison population. In 2010 the DOC population was 22,860, which was 0.45% of the state's population (5,029,196 population in 2010) and at the end of 2025 it was 16,452 which is 0.27% (6,014,467 population estimate for 2025). As of June 2024 (last comparison data), the average state prison population was 0.32%, and at that time Colorado was 0.29% and ranked 30th out of the 50 states. During that time we reduced capacity in prisons by closing 7 prisons and lowering the total capacity of the system by more than 12%. During the same time DOC budget has shrunk as a % of the overall GF budget from 9.1% in FY 2011-12 to 6.5% in the FY 2026-27 proposed budget.

Since receiving the new forecast a month ago, this administration has been actively and urgently engaged in discussions to understand the scope of the capacity demands, the impact on our correctional facilities, and the cost of each proposal, all in the context of an extraordinarily challenging budget environment. With increased population estimates and the Legislative and Executive Branch's work together to close prisons, projected prison caseload and our total system capacity are quickly converging.

The General Assembly, in partnership with two administrations and through bipartisan reforms, has been able to reduce the prison population over the past fifteen years through thoughtful policy changes that focused on reducing non-violent offenders from the prison caseload and working to address mental health and substance abuse issues in a community setting vs. in prisons. We have done this while maintaining focus on our north star - ensuring public safety. As of December 2025, 61% of incarcerated individuals were convicted of violent crimes. 11.5% are sex offenders. Crimes committed by non-violent offenders, who comprise 38.6% of DOC's population, include burglary, motor vehicle theft, and arson among others. Colorado is not locking up low-level drug users for simple possession cases, or first-time offenders on petty crimes. As of January 22, 2026, 8.7% of inmates in DOC facilities are imprisoned for controlled substances convictions, which typically involve distribution of scheduled drugs like fentanyl and cocaine.

When beds aren't appropriated by JBC, the DOC has no choice but to rely on jails to hold offenders until a space at DOC is available. This has obvious impacts on county jail resources, budgets, and bed availability. And importantly, this means that offenders while in jails don't have access to comprehensive medical services and programming at DOC designed for rehabilitation that make them eligible for parole. This problem is exacerbated quickly: as of January 20, 2026, the jail backlog was 691. If the Department is not able to populate existing unfunded state beds, the jail backlog will rapidly increase to over 1,000 before June.

We believe that prison population management measures and additional work to reduce recidivism may provide the capacity necessary to bridge some of the gap between our current capacity and the caseload demands through FY 2027-28, but they come at a cost and cannot alone address the long term projected caseload increases. We will need to lease, purchase, or contract for an additional facility to address our capacity needs in the medium term and that work needs to begin this legislative session.

We are in active review of several bills that are being proposed around prison population management. Our north star has been and will continue to be ensuring public safety. With that in mind, we are engaging in these conversations in good faith with the sponsors. DOC administers the prisons and must be at the table to guide our conversations around implementable solutions. However, it is policymakers, our communities, DAs, public defenders, victim advocates, sheriffs and local officials, and law enforcement who hold the keys to these solutions.

Here are a few things the administration is working on and where we hope we can find common ground on prison population management:

JCAP **-** Two years ago, we proposed changes in House Bill 24-1433 to the Juveniles and Young Adults Convicted as Adults Program (JCAP) to remove the Governor from the final decision-making. That bill was defeated in the Senate Judiciary. We are hopeful to work with your colleagues on other policy options to update the statute to address the Governor's concerns with the current law, which is that after a few years of implementation of the law and the weight of the crimes before the Governor, we felt we need a new process.

Special Needs Parole -For those individuals in DOC who are medically frail, we agree that we would like to move them out of DOC prisons and into community. We continue to find it difficult to find community placements, but we have DOC, BHA, and HCPF working together on options in this area, and we will continue to update this committee on that work.

Community Corrections - We also agree we can look at ways to utilize more community corrections placements, including opportunities to ensure that eligibility and acceptance criteria for Community Corrections placements are matched to available resources. Community Corrections, with the support and funding of the JBC, has potential to expand its capacity to serve transition clients referred from DOC, easing strain on state prison capacity. We are open to working to find solutions with the community and the general assembly to increase utilization of community corrections.

Prison Population Management Measures **-** We understand the legislature is considering a significant Prison Population Management Measures bill. We received a copy of the bill draft last week and are looking at it. We do not have a position on the bill but our guiding principles will continue to look at areas where we can reduce prison population safely without increasing risk to public safety.

Second Look Review - We also know there is a bill to propose looking at individuals convicted either when they were younger, who are above a certain age and have served over 20 years of their sentence, and where the sentence for the crime has changed. This could also include review of certain crimes for example drug offenses. These are policies we are open to reviewing and think they have some merit to be discussed and could be done in a way that protects public safety, but such policies likely won't have a significant impact on capacity given our current census of incarcerated individuals.

We know that both population management and increased capacity are needed to ensure the long term sustainability and safety for DOC - including incarcerated individuals, DOC staff, and the community. However, there is simply no way around the fact that the state will need additional capacity.

Comeback on Specific DOC Requests

For the specific decisions around the supplementals I want to highlight some timelines and impacts of the decisions made last week:

The actions taken by JBC on January 21, 2026, regarding the Colorado Department of Corrections' (CDOC) supplemental requests create significant consequences, financially and with risks to public safety. The Committee's decision to deny funding for the 788 beds requested in S-01 Prison Caseload does not eliminate the current, real problem of bed shortage in the state, but instead creates additional problems. A substantial shortfall in available bed capacity is imminent, as reflected in both the DCJ and LCS caseload projections. By denying and/or delaying funding, there is a true financial cost and public safety risk, for the state as well as counties. Choosing to deny the requested caseload funding does not make the need for these beds go away. As inmates continue to be sentenced to DOC custody, and with no funded capacity available, DOC will have no option but to substantially increase the use of county jails across the state to hold backlogged inmates.

If the Committee's decisions are not reversed, and the Department's S-01, S-01.5, S-02, and S-04 requests are not approved either in full or in line with JBC staff recommendations, all of the following will occur:

- Without new beds to intake more inmates, DOC will have to lean even more heavily on the local jail backlog. Jail backlog will increase to more than 1000 by the end of Fiscal Year 2025-26, threatening the safety of inmates and staff at the local jails, limiting access to programming for hundreds of inmates who could otherwise be working towards rehabilitation goals, and putting at risk the State's relationship with the counties who permit DOC to use their facilities to hold backlogged inmates. Relative to the original request, this will cost the state $2.4M more than if these inmates had been moved into DOC custody. This is more than the cost of funding S-01.
- DOC will operate its medical services in a state of ongoing and increasing deficit, since both legally and ethically, DOC cannot fail to provide medical care to inmates in state custody. This will likely result in an overspend of at

least $7.9M, based on projected expenses, and could be higher if emergency situations arise.

- The Department's relationships with contract agencies providing critical clinical staff will suffer as a result of delays in payment, overstretched and understaffed clinical teams, and the message sent by the State that funding for these services is not a critical priority. Should the number of available contract clinical staff decline due to disruptions in these contract agency relationships, DOC will have limited options to address inmates' medical needs.
- The lack of bed space in state prisons, requiring a reliance upon county jails, also makes it difficult for the Division of Adult Parole to secure placement for parole violators who are a risk to public safety. This shortage could delay the revocation process and intensify strain on local county jails. The department currently experiences jail overcrowding, forcing the division to prioritize who is the "least dangerous" on any given day (e.g., 10 beds in Denver, 8 in Arapahoe, 6 in Jefferson County). With increased bed shortages, courts could begin issuing bonds on "no bond" holds and converting criminal offenders to technical holds, for which the department must pay if custody is maintained. When an arrest is "locked out" by the jails (due to their own capacity constraints), the division is forced to conduct a summons hearing with the offender out of custody. While a parole revocation mittimus can be used to book in an offender, this option could also be jeopardized if prison bed space issues worsen. This continues to impact public safety whereby parole violators who should be in custody due to the severity of their violations, must remain on the streets, pending a revocation hearing.
- With no funded staff positions to support the opening of new beds, DOC will be unable to commence recruitment and training of new staff (including any high-demand clinical roles it might otherwise be able to fill), coordinate between its subsidiary offices to move limited filled FTE and costly contract staff to the most impactful locations, and fulfill certification of the requested beds for compliance with health and safety codes.

More details on each of these outcomes may be found below. DOC respectfully requests that the Committee reconsider its decisions taken on January 21 in order to avoid exacerbating an already critical situation.

S-01 Prison Caseload

Once a decision has been made to fund additional beds, the opening of new beds is a process that can take 2 months to complete, depending on which beds come online. This estimated timeline is a conservative baseline, as the actual duration is highly dependent on the scale and size of the proposed expansion. A larger expansion inherently introduces more variables and greater logistical complexity, thereby extending the required preparation period. This two-month duration accounts for two critical phases of preparation: staffing and infrastructure, and physical plant and infrastructure readiness. By delaying action on this request, CDOC will be pressed to have adequate time to open these beds safely to move the population from jail backlog into CDOC facilities.

Once a supplemental prison caseload request is funded, CDOC works extremely hard and quickly to launch targeted recruitment campaigns to fill all necessary positions, including nursing staff, clinical support, security, and administrative roles. This takes time to fill positions and delays in the requests further delay the impact of opening more beds in the state. After hiring is completed, new staff must still go through onboarding and training on facility-specific protocols, safety procedures, and state/federal regulatory compliance before they can begin work.

Simultaneously, the physical infrastructure must be certified as fully operational and compliant with all relevant safety and health codes. Any repairs or upgrades must be completed before the unit can be occupied. Any unforeseen delays in either the robust hiring process or the infrastructure certification process will directly extend the overall timeline beyond the minimum 2 months. Therefore, coordination across Human Resources, Prison Operations, and Facility Management Services is essential to meet the target operational date. By delaying funding to the Department, additional pressures will continue to be felt by the population and staff, and additional costs will be incurred.

As of January 21, the total vacancy rate across state and private facilities is 2.56% (or 427 beds [including 122 Male General Population beds]). The Department is already operating under restricted intake and altered operations in order to stabilize the vacancy rate. When the vacancy rate decreases, the Department loses vital flexibility for movement, and it forces staff to manage a larger population, increasing the number of facility lockdowns, emergency transports, assaults/fights and inmate grievances (see Figures 1, 2 and 3). Department data shows that as the vacancy rate decreases, these incidents increase. These outcomes are costly and impact the safety and security of facilities for staff and inmates.

Figure 1. Relationship between Vacancy Rate and Security-related Emergency Transports (FY 2023-24 through FY 2025-26)

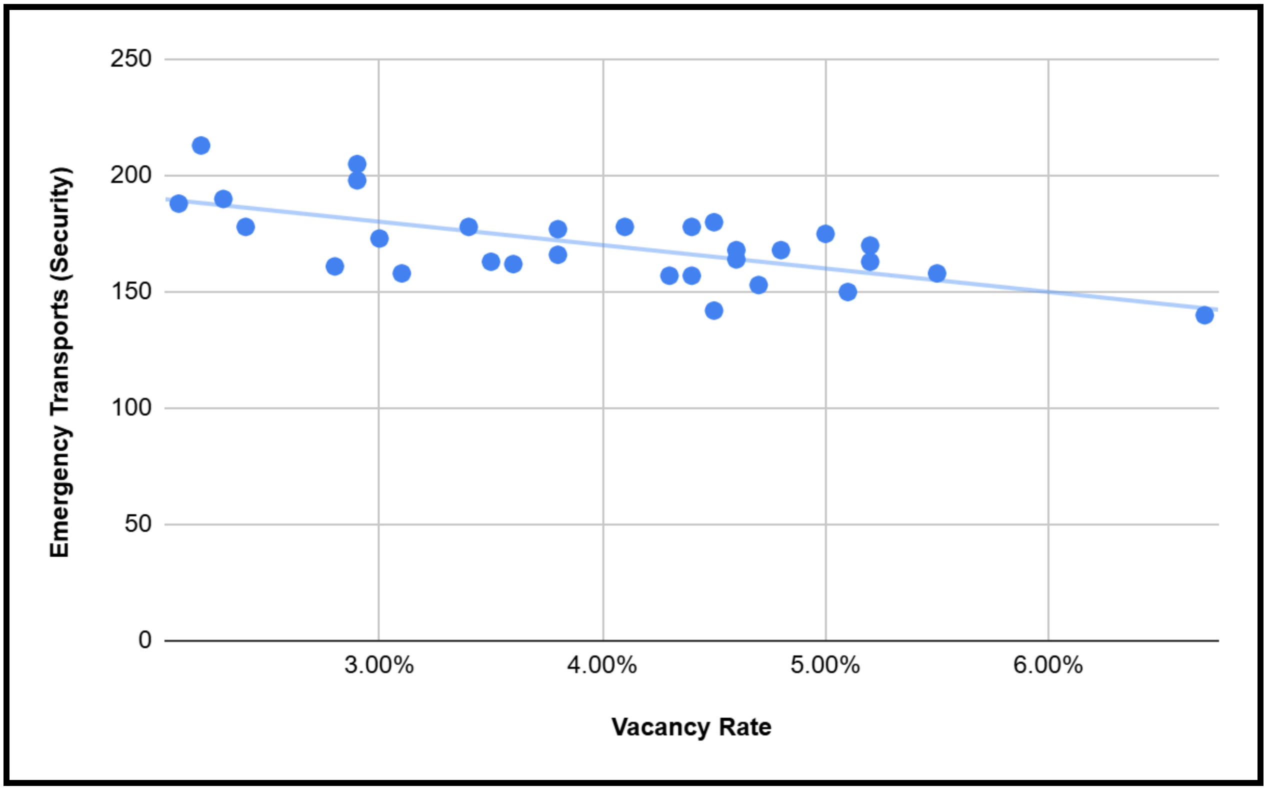
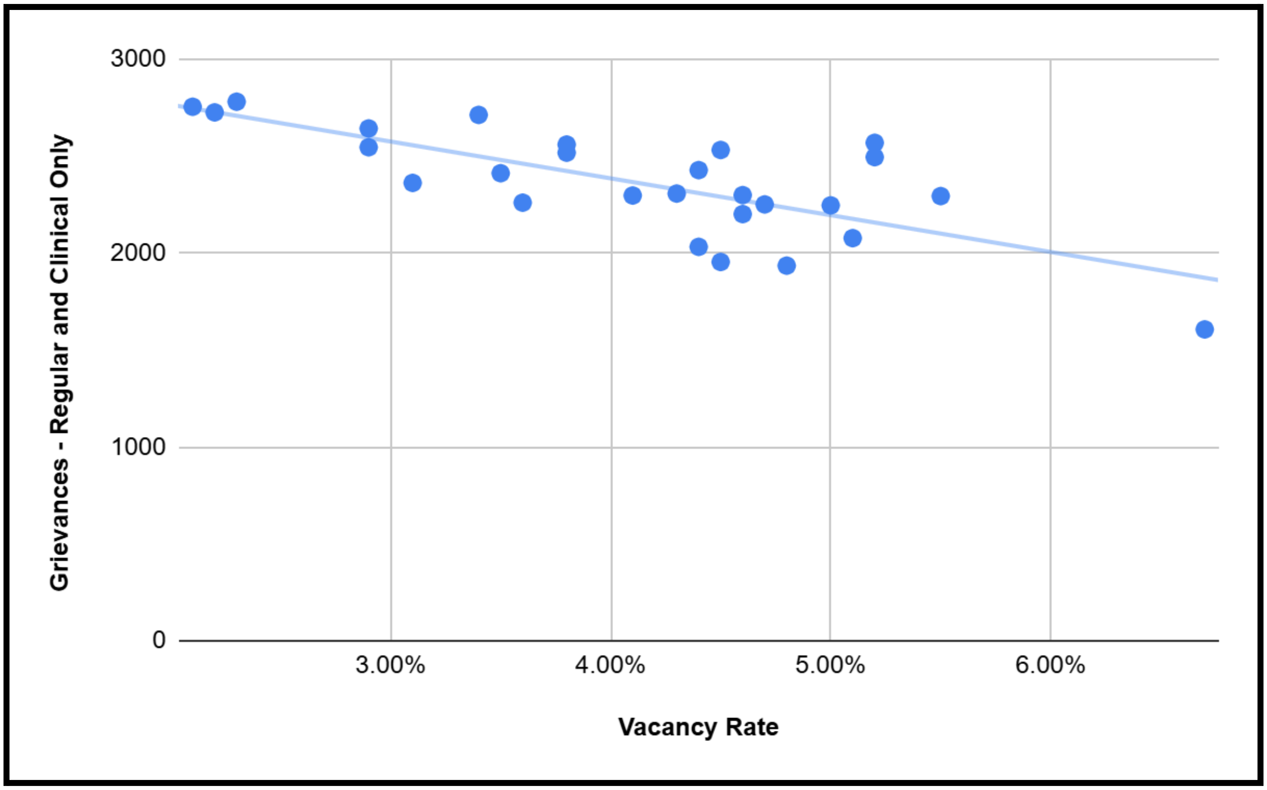


Figure 2. Relationship between Vacancy Rate and Inmate Grievances (both Clinical and Regular Grievances) (FY 2023-24 through FY 2025-26)



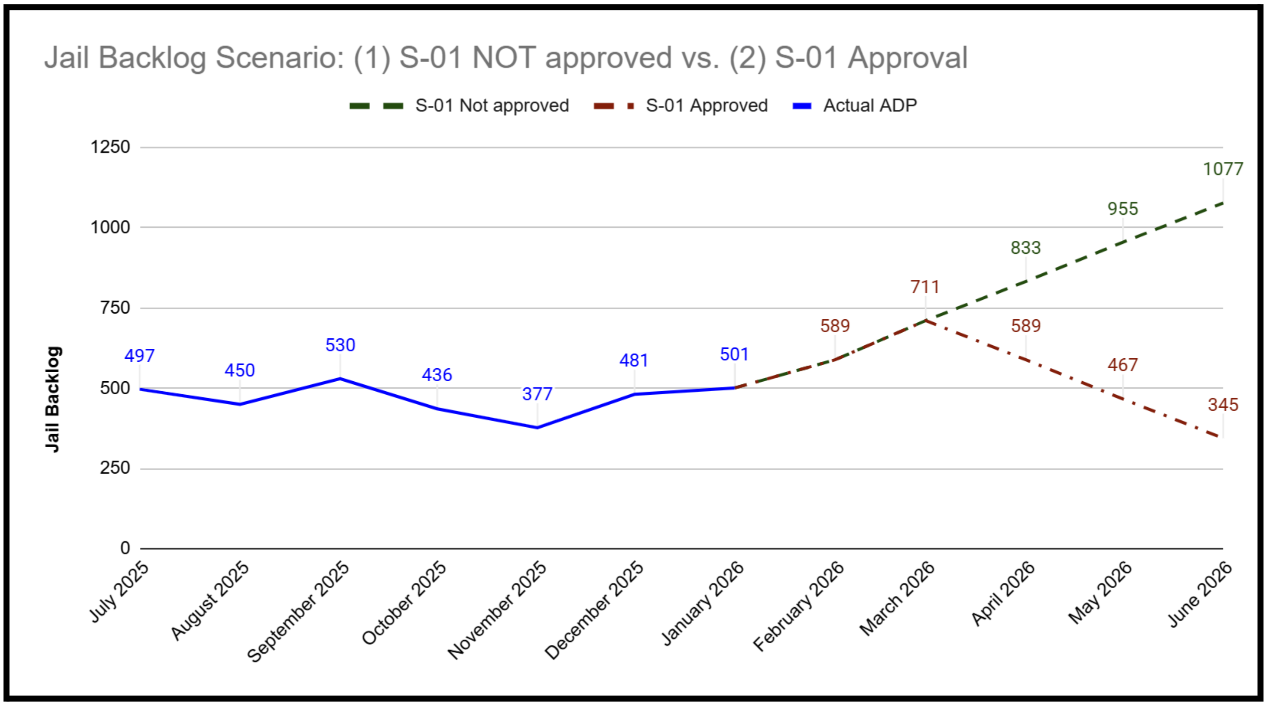
S-01.5 Payments to Local Jails

As a result of the Committee's decision not to fund S-01 Prison Caseload, the Department will have no choice but to rely more heavily on local jail beds to hold inmates for whom no beds are available in DOC facilities. DOC calculates that this will increase the cost to the State beyond what was initially requested in S-01.5 Payments to Local Jails by about $2.4M, negating any "savings" achieved by denying the requests. The state will have no choice but to pay this bill, in one way or the other. But since the Committee funded S-01.5 at half of the requested increase, the Department will be unable to pay local jails for beds in jail backlog as soon as February, if trends hold. Additionally, the original S-01.5 request was derived from an Average Daily Population (ADP) of 382; as of January 23, ADP in local jail backlog is nearly double this number. Had S-01 been funded, ADP in the local jails would have declined steadily until the funded beds were filled. However, without the additional bed capacity, the ADP of inmates in the local jail backlog will continue to rise.

Because of the growing population and the lack of funded state beds, the county jails are already experiencing capacity-related issues, which will only be exacerbated by the Committee's decisions to not fund S-01 and fund S-01.5 below the requested amount. Even with full approval of the CDOC bed caseload and payments to local jails requests as submitted, additional funds will likely be needed before the end of the Fiscal Year to cover the increased costs associated with jail backlog.

To safely manage the prison population without additional capacity, CDOC would continue its approach of one intake per release. The consequence of reducing intake will be a significant increase in the jail backlog, which is already higher than the Department's current appropriation allows. As of January 23, 2026, the jail backlog was 712. If the Department is not able to populate existing unfunded state beds, the jail backlog will rapidly increase to over 1,000 before the end of FY 2025-26 (see projection below).

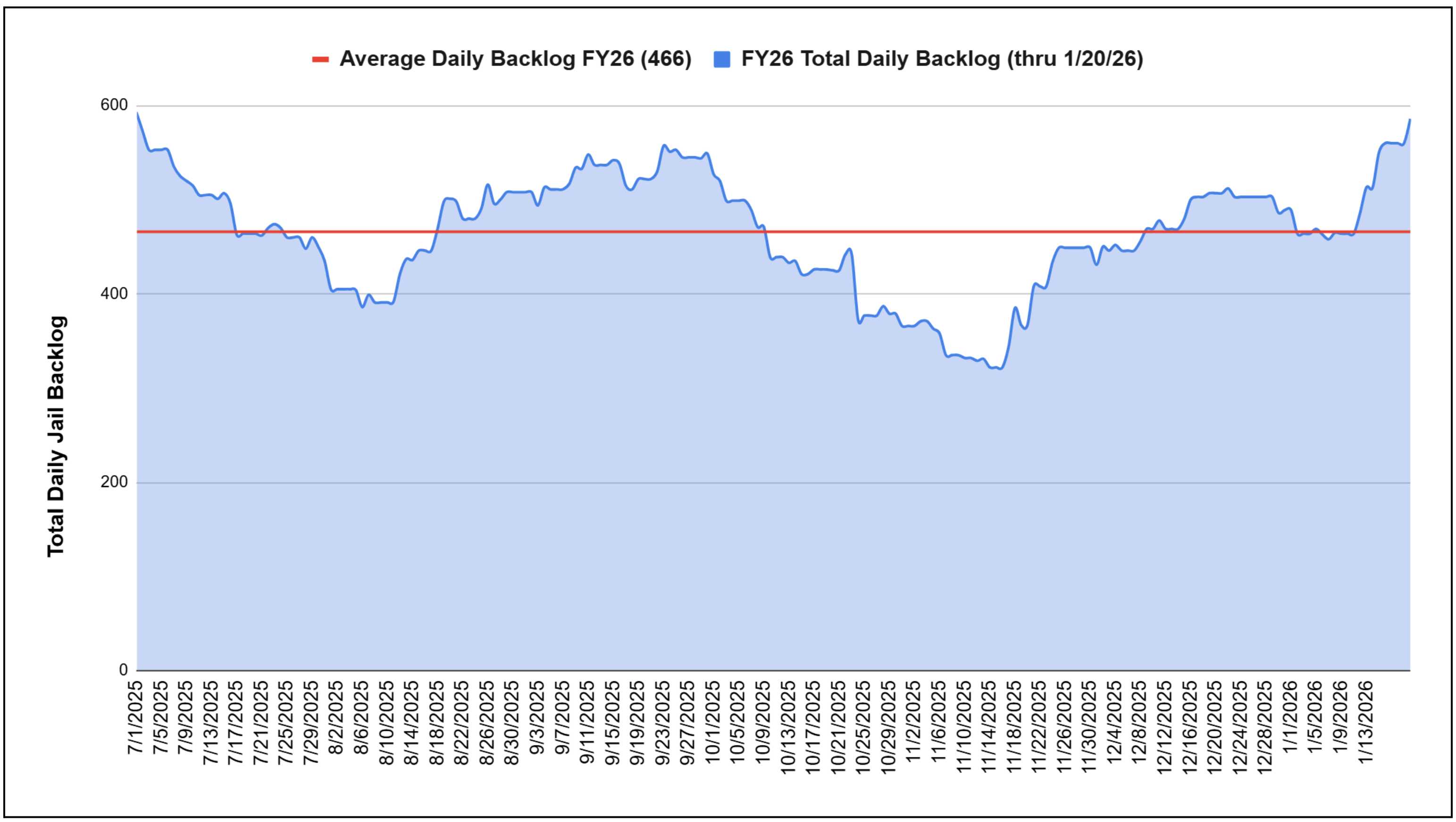
Figure 3. Jail Backlog Projections with Budget Scenario 1 and 2



If the jail backlog request is not approved in full, CDOC will be forced to submit an Emergency 1331 request in June 2026. The Department will only be able to pay for Payments to Local Jails until February 2026 (including the 50% of funding at $1.7M approved by JBC on 1/21/2026). By funding this request at 50% and delaying action, CDOC will not be able to pay invoices received after this point until JBC takes additional action. If additional funding is not appropriated in FY 2025-26, CDOC will be forced to delay payments to counties until FY 2026-27, straining both the CDOC FY2026-27 appropriation and county jail budgets in the interim. Payments to jails reduce the burden on county budgets to house inmates who, by statute, should be in CDOC custody. The Department strives to be a good partner to counties, whose jails often must contend with various pressures on the jail population, including the CDOC backlog. Any delay in reimbursement threatens the Department's relationship with counties and increases the risk of litigation. Two counties, Denver and Jefferson, already pursued litigation, which resulted in limitations on the length of stay for jail backlog in those counties (72 hours). Several County Sheriffs have spoken publicly about the strain the jail backlog is placing on local resources and operations. On July 10, 2025, 17 County Sheriffs sent a letter to the Governor expressing their concern over the growing jail backlog and its impact in maintaining safe and effective jail operations.

Below is a graph of the daily jail backlog for FY 2025-26 (to date). The Department is currently funded for an average daily population (ADP) of 263. So far in FY 2025-26 (through 1/20/26), the actual ADP is 466. As you will see, when beds are brought online, the jail backlog drops. This happens at the beginning of the fiscal year, as well as in October when the department's 1331 was approved for 153 private beds.

Figure 4. FY 2025-26 Daily Jail Backlog



S-02 Medical Caseload

As for the fifty percent partial funding of the Medical Caseload Supplemental, this would only mean that the Department would operate Medical Services in a deficit, as medical care would not be denied. Based on updated projections, CDOC would run out of funds in the External Medical Services appropriation and Purchase of Pharmaceuticals in May 2026. With the current level of funding, CDOC estimates a deficit spending in the amount of $7.9M. With the current level of funding, CDOC projects deficits in the External Medical Services line in the amount of $5,727,825 and in the Pharmaceutical line of $2,179,458 this fiscal year. These figures are based on projected expenses utilizing the adjusted population figures. If there are additional emergent services or hospital admissions required, or additional unforeseen necessary drug treatments, the deficits will undoubtedly rise.

FY26 Figures			
External Medical FY26 Estimates:			
Current LB allocation	$ 65,374,875		
Plus 50% of requested Supp Funds:	$ 5,727,826		
New Estimated LB FY 26 Allocation	$ 71,102,701		
Less Projected FY26 Need Based on Adjusted Population Figures	$ (76,830,526)	Projected Monthly Need:	$ 6,402,544
Projected Deficit for FY26	$ (5,727,825)		
Purchase of Pharmaceuticals FY26 Estimates			
Current LB allocation	$ 17,897,763		
Plus 50% of requested BA Funds:	$ 2,179,459		
New Estimated LB FY 26 Allocation	$ 20,077,222		
Less Projected FY26 Need Based on Adjusted Population Figures	$ (22,256,680)	Projected Monthly Need:	$ 1,854,723
Projected Deficit for FY26	$ (2,179,458)		

For External Medical Services, the Department is completely reliant on the services provided by outside medical entities and is bound by contract with the Third Party Administrator to adhere to those rates. The Third Party Administrator negotiates rates on our behalf, but external providers are not required to discount rates for the services utilized by CDOC. The Department is also not able to assume or project the number of inmates that may need to utilize external medical services, and there is no way to halt transporting inmates for outside medical care when necessary. Lacking sufficient funds to cover these costs would be a severe detriment to inmate health and wellness; would create the need for more advanced care at the facility level, which would, in turn, require additional qualified staff to handle those services (CDOC is already unable to keep FTE medical staff due to higher pay rates being paid elsewhere); would create safety and security issues for both CDOC staff and inmates due to overloading facility clinics and lack of appropriate staff to care for and provide the necessary services; and, because CDOC is legally required to provide medical care and pharmaceuticals to inmates, we would be risking legal issues if we were not able to properly do so. At this time, the proper, efficient, and effective management for many medical issues is to transport inmates to the qualified external medical providers for necessary treatment.

For Pharmaceuticals, a reduction to the requested increase amount would mean that many necessary drug treatments would become unattainable for CDOC, making them unavailable for the required and statutory treatment of various inmate conditions. The ability of the Department to obtain some pharmaceutical formularies at a discounted rate through the Federal 340B program is an enormous benefit; however, not all formularies are available through the program, and CDOC has not been able to fully enroll more oft-used formularies due to several issues pertaining to restrictions with the program itself, as well as the need for appropriate staff to monitor the program and ensure adherence to Federal regulations. Additionally, drug pricing is increasing nationwide, and many of the higher-cost drugs necessary for ongoing treatment of existing conditions, such as Hepatitis C and Hemophilia, cannot be halted, as these treatments require completion of a particular course of care or ongoing treatment for life. In case of ongoing treatment for life, such as for Hemophilia, the Department is obligated to provide that treatment as long as the inmate is housed in a CDOC facility. While the 340B program has helped the CDOC to avoid millions of dollars in drug costs, the pharmaceutical allocation has not kept up with rising drug costs.

The Department cannot afford NOT to provide these services, and the requested increase amounts are the minimum necessary to meet rising costs and provider rates which are beyond our control.

S-04 Medical and Mental Health Contracts

With only 50% of CDOC's request for Medical and Mental Health Contract Services funded, the Department will overspend this line. It is not an option for CDOC to reduce healthcare to those in our care. As healthcare positions are critical to providing humane levels of care, it is not an option to delay hiring for these positions. Delays in funding and a lack of confidence in state funding lead to low morale, hardships, and resignations. It is already difficult to hire into these critical positions, but if it appears that the state is not investing in maintaining funding for the services, it makes it even more difficult to hire. Vacancies in these roles further strain other critical positions, as essential duties are concentrated on fewer FTE, driving an even higher reliance on expensive contract staff. This would also eliminate any progress the Department has had in reducing vacancy rates.

CDOC contracts with 14 medical and behavioral health staffing agencies. The CDOC has requested that the contracted agencies provide sex offender treatment providers. To date, the contracted agencies have been unable to hire qualified sex offender treatment providers.

Denying, or delaying, funding for any of CDOC's supplemental requests puts additional financial risk on the State and also imposes a critical threat to the safety of staff, inmates, and Colorado citizens.