



Joint Budget Committee

Overview of FY 2025-26 Supplemental Budget Requests and December 2025 Revenue Forecasts

Prepared by:
Craig Harper, JBC Staff Director
January 13, 2026

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
leg.colorado.gov/agencies/joint-budget-committee

Contents

| | |
|---|---|
| Overview of FY 2025-26 Supplemental Requests | 2 |
| Key Message | 2 |
| Background - Mid-year Budget Adjustment Process..... | 4 |
| FY 2025-26 Supplemental Requests..... | 5 |
| January 2 Revisions to FY 2026-27 Request | 7 |
| Balancing Status Relative to the December Forecasts | 8 |

Overview of FY 2025-26 Supplemental Requests

Key Message

The General Assembly faces a budget shortfall for FY 2025-26 and FY 2026-27. Based on current appropriations and obligations, both of the December 2025 revenue forecasts project a shortfall of more than \$300 million below the 15.0 percent statutory reserve requirement in FY 2025-26 under current law. Increasing caseload costs at mid-year make it worse.

The State's ongoing obligations continue to exceed annual General Fund revenues. Balancing against the December 2025 Office of State Planning and Budgeting (OSPB) forecast, the revised request proposes a number of reductions to appropriations across most departments, particularly for FY 2026-27. However, obligations continue to exceed General Fund revenues in both years, and the request proposes to close the gap through a variety of mechanisms to make additional money available.

The Governor submitted a number of supplemental requests for FY 2025-26 and budget amendments for FY 2026-27 on January 2, 2026. This document also incorporates Department of Corrections caseload requests anticipated to be submitted on January 9 (after the deadline for this document). Major points from the revised request include:

- **FY 2025-26:** Largely in response to increasing caseload costs, the submission proposes a net *increase* of \$146.6 million (0.9 percent) in General Fund appropriations in the current year. Increases in Medicaid (\$107.5 million) and Corrections (\$36.2 million) are the biggest drivers.
- **FY 2026-27:** In total, the budget amendments for FY 2026-27 would *reduce* operating appropriations by \$80.2 million (0.5 percent) below the amount assumed in the October 31 request. The largest change is a decrease of \$124.9 million below the October request for the Department of Health Care Policy and Financing (HCPF). Conversely, budget amendments in Corrections would add \$46.7 million to the Department's October 31 request.
- The revised FY 2026-27 request represents an increase of \$629.6 million above the current FY 2025-26 appropriation and \$483.0 million above the adjusted request for FY 2025-26.
- Across the two years, the request proposes to use more than \$1.1 billion in one-time funds to shore up the General Fund (see the following section). In addition to cash fund transfers, that includes spending \$333.7 million from the reserve in FY 2025-26 and assumes \$400.0 million from the proposed Pinnacol conversion in FY 2026-27.
- Uncertainty is high both for the economic outlook and some of the proposals in the request such as the proposed Pinnacol conversion and several proposals that would require the State to be above the TABOR cap in FY 2026-27 to be effective.

The Committee will make final balancing decisions for both years after selecting one of the March 2026 revenue forecasts for balancing. This document is a snapshot of the General Fund's status as of the January 2 and January 9 submissions based on the December 2025 revenue forecasts. Much will change before March.

The Structural Deficit

Ongoing General Fund obligations have grown faster than annual General Fund revenues, creating a “structural deficit” where annual General Fund collections cannot support annual obligations. As the Committee has discussed, caseload costs in Medicaid have been a major driver with costs growing faster than State revenues. The Governor’s request focuses on “bending the cost curve” for Medicaid to make it more sustainable. In addition to Medicaid, caseload pressures in Corrections, Human Services, and Education will continue to add pressure to the General Fund budget going forward.¹

In response to these conditions, the General Assembly has cut General Fund obligations across many departments, including reducing appropriations and certain transfers *from* the General Fund to other funds. The revised budget request proposes more cuts for both FY 2025-26 and FY 2026-27. The request includes particularly significant reductions in Medicaid that the Committee has discussed throughout the briefing and hearing process.² Yet obligations continue to exceed annual revenues.

Pinning down the magnitude of the structural deficit based on the past several years is difficult because of the amount of one-time money that was available after the COVID-19 pandemic and the complicated maneuvers that the State enacted to use those funds. For example, the “big swap” funding personal services appropriations with federal stimulus funds in FY 2023-24 complicates any discussion for FY 2023-24 and FY 2024-25.

With the one-time funding from previous years gone, the picture is clearer for FY 2025-26 and FY 2026-27. The situation for FY 2025-26 and FY 2026-27 is also especially challenging. General Fund revenues in the current year (FY 2025-26) are projected to be well below the expectations from the March 2025 OSPB forecast that the General Assembly used to balance the FY 2025-26 budget. That drop is in significant part because of the impact of federal H.R. 1.

- The December 2025 OSPB forecast projects \$1.05 billion less General Fund revenue for FY 2025-26 than the March 2025 OSPB forecast projected, even after the actions taken in the August 2025 special session.
- The March OSPB forecast showed the State \$642.7 million above the Referendum C cap in FY 2025-26. The December forecast shows the State \$308.2 million *below* the cap this year.

While revenues have dropped, the State’s obligations have continued to increase. **Applying the revised budget request for both years to the December 2025 OSPB revenue forecast, General Fund obligations exceed projected revenues by \$744.8 million in FY 2025-26³ and \$406.7 million in FY 2026-27** (see Table 1 below).

**Table 1 General Fund Revenues and Obligations – December OSPB Forecast and Revised Request
(\$ in millions)**

| Item | FY 2025-26 | FY 2026-27 |
|--|------------|------------|
| Gross General Fund Revenue - December 2025 OSPB | \$16,954.0 | \$18,002.4 |
| Total Obligations (requested, excluding PERA transfer in FY 2025-26) | 17,698.8 | 18,409.0 |
| Revenue Minus Obligations | -\$744.8 | -\$406.7 |

¹ Staff will return to the Committee with an updated “stress test” and analysis of longer-term sustainability following the supplemental process.

² The Medicaid cuts are relative to forecasted costs under current policy. The request continues to propose increases in overall Medicaid spending for both years although the revised request for FY 2026-27 is lower than the October 31 request.

³ This difference excludes the transfer of \$500.0 million to the Public Employees’ Retirement Association (PERA) under S.B. 25-310 because the statute indicates that the \$500.0 million is still part of the reserve. Including that transfer as an obligation increases the shortfall to \$1.2 billion.

Reliance on One-time Money

With obligations exceeding revenues, the State has filled the remaining gap each year by adding to the General Fund available for appropriation. Major tools include:

- Transfers from other cash fund balances to the General Fund.
- Reducing the TABOR refund obligation for years when the State is above the Referendum C cap, making those revenues available for other uses.
- Exempting some obligations from the reserve requirement, such as a change to exempt PERA Direct Distribution from the requirement.

All of those mechanisms make additional General Fund available. However, many of the changes provide “one-time” revenue, and the one-time money has been a major factor in balancing the budget for FY 2024-25 and FY 2025-26. That pattern continues in the revised request for FY 2025-26 and FY 2026-27, including more proposed cash fund transfers, several proposals that adjust the TABOR refund obligation for FY 2026-27, and a statewide request that would reduce the statutory reserve requirement for both years.

As shown in Table 2, combined with current law, the revised request for FY 2025-26 and FY 2026-27 would use more than \$1.1 billion in one time funding to prop up General Fund obligations over the two-year period. That includes \$706.6 million in FY 2025-26 and \$438.7 million in FY 2026-27.

Table 2: One-time Money for FY 2025-26 and FY 2026-27 Assumed in the Revised Request

| Item | FY 2025-26 | FY 2026-27 |
|---|------------|------------|
| 2025 Regular Session Cash Fund Transfers (SB25-264) | \$53.9 | \$0.0 |
| HB25B-1004 Sale of Tax Credits (Forecast) | 100.0 | 0.0 |
| Requested Cash Fund Transfers | 219.0 | 38.7 |
| Pinnacol Conversion (Statewide R1) | 0.0 | 400.0 |
| Reduce Reserve Requirement (Statewide S3) | 333.7 | 0.0 |
| Total | \$706.6 | \$438.7 |

The request also includes a number of proposals that would decrease the TABOR refund obligation for FY 2026-27 revenues by a total of \$181.5 million, making those revenues available in FY 2026-27 as long as the State is at least that far above the Referendum C cap.⁴ The primary driver is Statewide R2, a legislative proposal to correct for what the request asserts was an over-refund of FY 2024-25 revenues based on the impact of Federal HR 1. **Staff will return to the Committee with a further analysis of Statewide R2 during figure setting. However, if the Committee wishes to consider moving forward with legislation, then staff would recommend authorizing beginning to draft that legislation as soon as possible.**

Background - Mid-year Budget Adjustment Process

The General Assembly set the current budget for FY 2025-26 during the 2025 Session. Statute and rule define the process for mid-year adjustments to the budget, including setting specific deadlines for introduction.

However, for the 2026 session, staff has built the supplemental schedule to complete the supplemental package ahead of the deadlines so that the Committee can turn to attention to figure setting for FY 2026-27.

⁴ The December 2025 OSPB forecast shows the State \$208.2 million above the cap in FY 2026-27 while the Legislative Council Staff forecast is \$500.8 million above the cap.

- **Interim Supplementals (June through December):** Statute allows the Joint Budget Committee to make adjustments to the budget when the General Assembly is not in session in certain circumstances. Statute then requires the JBC to introduce a supplemental bill to appropriate any amounts approved through this process. The Committee approved a total of \$32.9 million General Fund in interim supplementals for FY 2025-26, although it appears that \$10.5 million of that amount will not be spent.
- **Regular Supplementals (submitted in January and February):** Statute requires the submission of most regular supplemental requests on January 2 each year. Certain caseload requests come later, with Corrections caseload due by January 10, school finance and Division of Youth Services caseload by January 15, and Medicaid caseload on February 15. Please note that this document does not reflect any caseload-driven supplemental requests that may be submitted after the January 2 submission.
- **JBC Consideration (January):** Over the next two weeks (January 13 through 27) the JBC will consider and vote on the January supplemental requests and some related policy proposals, although the Committee may delay some decisions until the final budget balancing process with the FY 2025-26 Long Bill.
- **Comebacks (January 26 for most agencies):** On Monday, January 26, agencies will have an opportunity to ask the JBC to reconsider actions taken on the January requests by submitting “comebacks.” On that same day the JBC will also consider any recommendations from JBC Staff to correct or modify previous actions (known as “staff comebacks”). Potential comebacks related to the Department of Health Care Policy and Financing would take place Wednesday January 28.
- **Drafting (January 23 – 30):** Once the JBC has finalized decisions concerning mid-year adjustments, JBC staff will draft a supplemental bill for each affected department. Staff in the Office of Legislative Legal Services (OLLS) will draft any bills to make statutory changes necessary to implement approved mid-year adjustments (e.g., statutory transfers between funds and potential policy changes). The JBC will review and vote on these OLLS bill drafts prior to introduction. In recent years, the Committee has generally introduced all of these mid-year adjustment bills as a “supplemental package.”
- **Supplemental Package Introduction (February 9 Deadline – February 2 Target):** Legislative rules set a deadline to introduce the supplemental bills by the 27th day of the legislative session. For 2026, that puts the deadline on Monday, February 9. **Staff has built the supplemental schedule around a goal of introducing the bills on or about Monday February 2 to allow the staff and Committee to turn attention to figure setting and the FY 2026-27 budget.**

Please note that the JBC may consider additional mid-year budget adjustments in February and March. If approved, those mid-year adjustments will be included as separate sections within the 2026 Long Bill (known as “add-ons”) or in separate bills that are introduced with the Long Bill.

FY 2025-26 Supplemental Requests

The existing FY 2025-26 state operating budget includes \$16.9 billion in General Fund appropriations. Including the January 2 submission and Department of Corrections caseload requests anticipated on January 9, the requests to date propose a net increase of \$146.6 million General Fund (0.9 percent).

Table 3 shows the proposed change for each department.

**Table 3: General Fund Operating Appropriations for FY 2025-26 and Requested Mid-Year Adjustments
(as of January 9, 2026)**

| Department | Current Appropriation | Requested Changes | Requested Appropriation | Percentage Change |
|----------------------------------|-------------------------|----------------------|-------------------------|-------------------|
| Agriculture | \$20,564,403 | -\$174,814 | \$20,389,589 | -0.9% |
| Corrections | 1,086,028,946 | 36,199,805 | 1,122,228,751 | 3.3% |
| Early Childhood | 318,425,707 | -7,691,218 | 310,734,489 | -2.4% |
| Education | 4,669,994,198 | -5,874 | 4,669,988,324 | 0.0% |
| Governor | 53,113,284 | 214,643 | 53,327,927 | 0.4% |
| Health Care Policy and Financing | 5,554,316,022 | 107,511,875 | 5,661,827,897 | 1.9% |
| Higher Education | 1,684,348,869 | -11,008,724 | 1,673,340,145 | -0.7% |
| Human Services | 1,322,641,611 | 12,947,665 | 1,335,589,276 | 1.0% |
| Judicial | 878,946,616 | 2,122,943 | 881,069,559 | 0.2% |
| Labor and Employment | 35,040,149 | -337,129 | 34,703,020 | -1.0% |
| Law | 28,849,741 | -162,018 | 28,687,723 | -0.6% |
| Legislature | 78,183,856 | 0 | 78,183,856 | 0.0% |
| Local Affairs | 61,995,634 | -240,851 | 61,754,783 | -0.4% |
| Military and Veterans Affairs | 18,015,198 | 131,750 | 18,146,948 | 0.7% |
| Natural Resources | 57,080,902 | 2,694,936 | 59,775,838 | 4.7% |
| Personnel | 35,163,407 | -206,375 | 34,957,032 | -0.6% |
| Public Health and Environment | 140,042,593 | -1,208,292 | 138,834,301 | -0.9% |
| Public Safety | 272,537,258 | 1,062,174 | 273,599,432 | 0.4% |
| Regulatory Agencies | 3,114,582 | 958,477 | 4,073,059 | 30.8% |
| Revenue | 154,935,981 | -582,311 | 154,353,670 | -0.4% |
| State | 4,254 | 0 | 4,254 | 0.0% |
| Transportation | 0 | 0 | 0 | n/a |
| Treasury | 468,270,969 | 4,419,753 | 472,690,722 | 0.9% |
| TOTAL | \$16,941,614,180 | \$146,646,415 | \$17,088,260,595 | 0.9% |

The January 2 submission includes adjustments for nearly every department and General Fund adjustments for the vast majority. For the General Fund increases shown in Table 3:

- **Medicaid is the largest driver of the increase**, with HCPF requesting a mid-year increase of \$107.5 million to date. The Department will provide additional caseload forecast data in February 2026. JBC Staff is scheduled to present the January HCPF supplemental requests on January 27.
- **Corrections is also a large factor**, with a requested increase of \$36.2 million. That amount includes an increase of \$14.7 million submitted through supplemental requests on January 2 and \$21.5 million in caseload-related requests anticipated for January 9. Justin Brakke is scheduled to present the Department of Corrections supplemental requests on January 21.
- **Human Services is requesting a net increase of \$12.9 million General Fund**. The largest increases include \$8.2 million for adoption caseload, \$7.0 million for the interim supplemental supporting the community food assistance program, and \$4.8 million for competency services. JBC Staff supplemental presentations are scheduled for January 15, 21, and 22.
- For all other Departments combined, the request results in a net reduction of \$10.0 million, with significant reductions in Higher Education (\$11.0 million) and Early Childhood (\$7.7 million) as the major drivers. Alfredo Kemm is scheduled to present the Higher Education supplementals on January 23, and Phoebe Canagarajah is scheduled to present the Early Childhood requests on January 22.
- The Committee should note that the requests do *not* include a total of \$10.5 million that the Committee approved through interim supplementals in the fall of 2025, including \$7.5 million approved for the Women, Infants, and Children Program in the Department of Public Health and Environment and \$3.0 million in

Human Services (out of \$10.0 million approved for the Food Assistance Grant Programs). The departments did not spend those amounts and have not requested them through the official supplementals.⁵

January 2 Revisions to FY 2026-27 Request

The January 2 submission also includes amendments to the October 31 request for FY 2026-27.

- In total, the budget amendments for the FY 2026-27 Long Bill propose a net decrease of \$80.2 million General Fund (0.5 percent) below the October 31 request.
- Looking at the change *from the current year*, the revised request for FY 2026-27 represents an increase of \$629.6 million above the current FY 2025-26 appropriation and \$483.0 million above the revised request for the current year.

Table 4 shows the total requested change by Department relative to the October 31 request.

**Table 4: Requested General Fund Operating Appropriations for FY 2026-27
(as of January 9, 2026)**

| Department | October 31, 2025 Request | January 2 and 9 Budget Amendments | Revised Request | Percentage Change |
|----------------------------------|--------------------------|-----------------------------------|-------------------------|-------------------|
| Agriculture | \$20,807,950 | \$112,607 | \$20,920,557 | 0.5% |
| Corrections | 1,146,960,903 | 46,732,975 | 1,193,693,878 | 4.1% |
| Early Childhood | 322,078,543 | -71,651 | 322,006,892 | 0.0% |
| Education | 4,712,488,079 | 956,575 | 4,713,444,654 | 0.0% |
| Governor | 56,118,164 | -247,720 | 55,870,444 | -0.4% |
| Health Care Policy and Financing | 5,988,845,075 | -124,948,830 | 5,863,896,245 | -2.1% |
| Higher Education | 1,686,176,155 | 135,231 | 1,686,311,386 | 0.0% |
| Human Services | 1,360,563,143 | -14,384,580 | 1,346,178,563 | -1.1% |
| Judicial | 958,035,638 | 4,443,946 | 962,479,584 | 0.5% |
| Labor and Employment | 33,333,717 | 277,096 | 33,610,813 | 0.8% |
| Law | 33,176,052 | 187,912 | 33,363,964 | 0.6% |
| Legislature | 82,898,396 | 0 | 82,898,396 | 0.0% |
| Local Affairs | 61,467,863 | 191,768 | 61,659,631 | 0.3% |
| Military and Veterans Affairs | 17,697,355 | 112,542 | 17,809,897 | 0.6% |
| Natural Resources | 60,226,184 | 351,107 | 60,577,291 | 0.6% |
| Personnel | 41,204,937 | 328,692 | 41,533,629 | 0.8% |
| Public Health and Environment | 135,986,830 | 517,654 | 136,504,484 | 0.4% |
| Public Safety | 285,897,311 | 6,625,999 | 292,523,310 | 2.3% |
| Regulatory Agencies | 3,270,400 | 150,976 | 3,421,376 | 4.6% |
| Revenue | 162,751,111 | 846,470 | 163,597,581 | 0.5% |
| State | 4,254 | 0 | 4,254 | 0.0% |
| Transportation | 0 | 0 | 0 | n/a |
| Treasury | 481,442,537 | -2,492,609 | 478,949,928 | -0.5% |
| TOTAL | \$17,651,430,597 | -\$80,173,840 | \$17,571,256,757 | -0.5% |

Budget amendments propose General Fund changes to most Departments but only a few have large adjustments.

- **Decreases of \$124.9 million in HCPF and \$14.3 million in Human Services are driving the overall reduction.**
The cuts in HCPF include a large number of separate proposals included in BA7. The Human Services request

⁵ JBC Staff notes that statute will still require the Committee to *introduce* supplemental bills including the full amounts approved through the interim supplemental process.

includes a number of significant increases, including \$12.4 million for competency services, but those increases are more than offset by a reduction of \$36.8 million General Fund to refinance SNAP administration expenses with cash funds from the Healthy School Meals for All program.

- **The largest increase (\$46.7 million) is in the Department of Corrections.** That includes \$10.0 million for contract medical services and \$3.9 million for a PERA unfunded liability shortfall submitted on Jan. 2. The increase also incorporates significant increases in caseload requests expected on January 9.
- The \$6.6 million increase in the Department of Public Safety includes \$4.3 million for Community Corrections caseload and \$2.3 million for a statewide health, life, and dental request.

Balancing Status Relative to the December Forecasts

As the Committee is aware, both of the December 2025 revenue forecasts show shortfalls of more than \$300 million below the current 15.0 percent statutory reserve requirement for FY 2025-26 under current law (current appropriations and obligations relative to the December forecast of revenues). Those estimates incorporated \$103.0 million in spending reductions associated with the Governor's executive orders, many of which are included in supplemental requests. The forecasts do not include any changes that would require legislation or any requests for the current year that are outside of the Governor's executive orders.

Both forecasts anticipate ongoing constraints in FY 2026-27, although quantifying the shortfall is harder without a current appropriation. The January submission balances to the December OSPB forecast and includes a number of additional changes to accommodate increasing caseload costs along with new balancing proposals.

As this document represents a point-in-time estimate and seeks to capture the request, the remainder of the document generally focuses on the request in the context of the December OSPB forecast. That forecast is the basis of the Governor's request, and the dynamics are similar under the LCS forecast. For balancing purposes in March, staff will provide overviews under both of the March 2026 forecasts.

JBC Staff also assumes that these amounts will move significantly based on revised Medicaid forecast data in February and new revenue forecasts in March.

General Fund Overview and Balancing Proposals

The revised request would fall short of the current 15.0 percent statutory reserve requirement for both FY 2025-26 and FY 2026-27. Under the OSPB forecast, JBC Staff estimates that the request would fall short of the 15.0 percent requirement by \$368.7 million in FY 2025-26 and \$376.1 million in FY 2026-27.⁶

As noted above, statewide supplemental S3 proposes to close the final gap after the March 2026 balancing process by temporarily reducing the reserve requirement to 13.0 percent for FY 2025-26 and FY 2026-27. The proposal assumes that the requirement would increase back to 15.0 percent over a period of five years beginning in FY 2028-29. Based on the proposed appropriations for FY 2025-26, that would allow the State to spend \$333.7 million of the reserve in the current year to cover the shortfall.

The overview tables below show the General Fund Overview for the revised request under the December OSPB forecast and assuming the 13.0 percent reserve requirement as proposed by the Governor.

⁶ Under the LCS forecast, staff estimates that the shortfall would be \$422.7 million in FY 2025-26 and \$400.3 million in FY 2026-27.

General Fund and Reserve Status

In total, and including requests not accounted for in the Governor's balancing assumptions (primarily in Judicial and Law), JBC Staff estimates that the request falls approximately \$35.0 million short of the proposed 13.0 percent reserve requirement in FY 2025-26 and \$32.7 million short in FY 2026-27 (Table 5 below).

**Table 5: Status of the General Fund Reserve Under the Revised Request
(December 2025 OSPB Forecast, \$ in millions)**

| Line | Item | FY 2025-26 | FY 2026-27 |
|------|--|------------|------------|
| 1 | Total General Fund Available (See Table 6) | \$19,791.6 | \$20,067.0 |
| 2 | Less: Total General Fund Obligations (See Table 9) | 18,198.8 | 18,409.0 |
| 3 | Year-end Reserve in General Fund | \$1,592.8 | \$1,657.9 |
| 4 | Plus: Year-end Reserve in PERA (SB 25-310)/1 | 500.0 | 500.0 |
| 5 | Total Year-end Reserve | \$2,092.8 | \$2,157.9 |
| 6 | Statutorily Required Reserve Percent | 13.0% | 13.0% |
| 7 | Required Reserve Amount/2 | \$2,127.8 | \$2,190.7 |
| 8 | Year-end Reserve Above/(Below) Requirement | -35.0 | -32.7 |

1/ Senate Bill 25-310 (Proposition 130 Implementation) creates a General Fund warrant of \$500.0 million to the Public Employees' Retirement Association (PERA) and specifies that the \$500.0 million held by PERA remains part of the statutory General Fund reserve.

2/ Current law requires a 15.0 percent reserve. However, H.B. 24-1231 (State Funding for Higher Education Projects) reduces the annual reserve requirement by \$41.3 million beginning in FY 2023-24 and H.B. 24-1466 (Refinance Federal Coronavirus Recovery Funds) increases the reserve requirement by \$56.5 million for FY 2024-25 only.

The majority of changes to General Fund obligations for FY 2026-27 (line 2) are proposed for the Long Bill and embedded in the departmental requests in Tables 3 and 4 above. However, a number of proposals require separate legislation outside of the Long Bill and may not be embedded in the departmental figures.

The following sections break down the changes impacting General Fund balancing that are *not* included in Tables 3 and 4 above. In some cases, they are placeholders for additional items to be included in supplementals or the Long Bill. The rest would require separate legislation. Staff has broken those components into two basic categories:

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

Available General Fund Revenue

Table 6 shows the total General Fund available for FY 2025-26 and FY 2026-27 under the December OSPB Forecast and revised request as of January 9.

**Table 6: General Fund Available Under Revised Request
(December OSPB Forecast, \$ in millions)**

| Line | Item | FY 2025-26 | FY 2026-27 |
|------|---|-------------------|-------------------|
| 1 | Beginning Reserve Held in the General Fund | \$2,408.4 | \$1,592.8 |
| 2 | Gross General Fund Revenue (December Forecast) | 16,954.0 | 18,002.4 |
| 3 | Transfers from Other Funds (December Forecast) | 210.2 | 33.1 |
| 4 | Requests Affecting Revenue to the General Fund (Tables 7 and 8) | 219.0 | 438.7 |
| 5 | Total General Fund Available | \$19,791.6 | \$20,067.0 |

The request includes a number of proposals to add to the General Fund available in both years. Including the October 31 and January 2 submissions, the request proposes \$219.0 million in cash fund transfers and diversions in FY 2025-26 (Table 7) and \$438.7 million in FY 2026-27 (Table 8). Nearly all of these proposals provide one-time money.

- For FY 2025-26, the largest component is a proposal to divert \$110.0 million in Proposition 123 money from the Office of Economic Development and International Trade to the General Fund.
- For FY 2026-27, the largest piece is the proposed conversion of Pinnacol Assurance which the request assumes would generate \$400.0 million.

For Tables 7 and 8, staff has highlighted the new components from the January 2 submission.

Table 7: Revenue Proposals for FY 2025-26 (\$ in millions)

| Item | Transfer Amount |
|---|-----------------|
| OEDIT - Diversion of Prop 123 Funds | \$110.0 |
| Governor - ARPA Refinance Discretionary Account (increased Jan. 2) | 16.5 |
| OEDIT CLIMBER fund | 15.0 |
| Local Government Severance Tax | 13.3 |
| OIT Revolving Fund (January 2) | 11.0 |
| OIT Technology Risk Prevention and Response Fund (January 2) | 10.0 |
| Higher Education - CollegeInvest Administration Fund | 9.2 |
| Public Health - Community Impact Cash Fund | 5.2 |
| Labor and Employment - Disability Support Fund | 5.0 |
| Capital Construction/Controlled Maint. Interest and Reversions (increased Jan. 2) | 6.7 |
| DNR - Severance Tax Perpetual Base Fund | 4.2 |
| DNR - Severance Tax Operational Fund | 4.2 |
| Public Health - School and Child Care Clean Drinking Water Fund | 4.0 |
| Public Health - Mobile Home Water Quality Fund | 3.0 |
| OSPB - Pay for Success Contracts Program Fund (January 2) | 1.6 |
| Public Health - Fixed and Rotary Wing Aircraft (January 2) | 0.2 |
| Total | \$219.0 |

Table 8: Revenue Proposals for FY 2026-27 (\$ in millions)

| Item | Transfer Amount |
|--|-----------------|
| Pinnacol Conversion - Statewide R1 | \$400.0 |
| Severance Tax Transfers - Statewide R4 | 15.0 |
| Supplier Database Cash Fund Sweep - DPA R9 | 6.4 |
| IIJA Cash Fund Interest (GOV BA-1, January 2) | 5.0 |
| Revenue Loss Restoration Cash Fund (ARPA Reversion, January 2) | 4.0 |
| Opportunity Next Transfer to GF - Forecast Update | 3.0 |
| Discontinue Limited Gaming Funding for CHECRA - HED NP3 | 2.1 |
| Economic Recovery and Relief Cash Fund (ARPA Reversion, January 2) | 1.6 |
| Behavioral and Mental Health Cash Fund (ARPA Reversion, January 2) | 0.8 |
| Peace Officer Mental Health (POMH) Grant Program Expired Funds - DOLA R3 | 0.4 |
| State Highway Fund (ARPA Reversion, January 2) | 0.3 |
| Childcare Facility Grant Program repeal - DOLA R5 | 0.1 |
| Total | \$438.7 |

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

Table 9A summarizes projected General Fund obligations for each year under the request. The subsequent tables break down the specific changes in the request depending on whether they affect General Fund appropriations, transfers from the General Fund, or the TABOR refund obligation.

Table 9A: Requested General Fund Obligations as of January 9, 2026
(December OSPB Forecast, \$ in millions)

| Line | Item | FY 2025-26 | FY 2026-27 |
|------|---|-------------------|-------------------|
| 1 | General Fund Appropriations (Current, Requested for Long Bill, Projected) | \$17,088.3 | \$17,571.3 |
| 2 | Requests Affecting Appropriations Subject to Reserve (Table 9B) | 0.3 | 13.5 |
| 3 | Less: Appropriations for Rebates and Expenditures (Forecast) | -403.7 | -416.3 |
| 4 | Total General Fund Appropriations Subject to Reserve | \$16,684.9 | \$17,168.5 |
| 5 | Rebates and Expenditures (Forecast) | 838.1 | 527.1 |
| 6 | Request to eliminate business personal property tax reimbursement | | -18.6 |
| 7 | Transfers to Transportation Funds (Forecast) | 42.7 | 61.0 |
| 8 | Transfers for Capital Construction and IT Capital | 179.5 | 198.3 |
| 9 | Transfers to Other Funds (Forecast) | 453.5 | 445.8 |
| 10 | Requests Affecting Transfers to Other Funds | | 0.3 |
| 11 | TABOR Refund Obligation [Article X, Section 20 (7)(d)] (Forecast) | 0.0 | 208.2 |
| 12 | Requests Affecting TABOR Refund (Table 9C) | | -181.5 |
| 13 | Total Expenditures/Obligations | \$18,198.8 | \$18,409.0 |

Appropriations Subject to Reserve: Table 9B shows the requested changes to General Fund appropriations that are subject to the reserve requirement that are not embedded in departmental requests. These items are either placeholders for future requests or legislative placeholders outside of departmental decision items. In total, the placeholders would increase appropriations subject to the reserve by \$13.5 million in FY 2026-27.

Table 9B: Assumed Changes to General Fund Appropriations as of January 9
(\$ in millions)

| Line | Item | FY 2025-26 | FY 2026-27 |
|------|---|--------------|---------------|
| 1 | Placeholders for Budget Items | \$0.3 | -\$2.5 |
| 2 | Placeholder for Potential Supplemental | 0.3 | 0.0 |
| 3 | "Federal Risk" Hold | | 17.7 |
| 4 | Unfunded liability amortization reduction (Statewide R3) | | -16.2 |
| 5 | Judicial - PERA contribution reduction | | -4.0 |
| 6 | Placeholders for other FY 2026-27 legislation | 16.0 | |
| 7 | Competency Legislation | | 10.0 |
| 8 | General Assembly Priorities | | 2.5 |
| 9 | Higher Education - ZTC OER continuation | | 1.1 |
| 10 | Revenue - transportation and housing zones | | 0.5 |
| 11 | Public Safety - Division of Forensic Services | | 0.4 |
| 12 | Tax policy legislative placeholder | | 0.4 |
| 13 | "Other Legislative Placeholders" in Jan. 2 request | | 0.3 |
| 14 | Public Safety - CCJ successor | | 0.3 |
| 15 | Natural Medicine Proposition 122 in January 2 request | | 0.3 |
| 16 | Governor - shared services assessment | | 0.3 |
| 17 | Governor - direct sales raw milk | | 0.2 |
| 18 | Public Health - update mobile home water quality | | 0.0 |
| 19 | Labor and employment - workforce dev. Council | | 0.0 |
| 20 | Total - Changes to Appropriations Subject to Reserve | \$0.3 | \$13.5 |

Appropriations Not Subject to Reserve: Unchanged from the October submission, the request includes a legislative placeholder to eliminate reimbursements to local governments for business personal property tax exemptions. Based on the December OSPB forecast, that proposal would decrease General Fund obligations by \$18.6 million in FY 2026-27.

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

- A transfer of \$654,621 to support additional broadband deployment in the Department of Corrections (Corrections R5). The request seeks one-time funding to install broadband infrastructure at the Trinidad Correctional Facility. The January 2 submission reduces the proposed transfer by \$29,676.
- A proposed diversion of \$400,000 in interest earnings that would otherwise be credited to the Mobile Home Park Resident Empowerment Loan and Grant Program Fund (Local Affairs R2). One could consider this a transfer from that cash fund to the General Fund or a reduction to the transfer of interest to the cash fund. The request has classified it as a reduction in the transfer of interest to the cash fund for accounting purposes. Regardless, the request proposes to capture \$400,000 per year in interest earnings for General Fund balancing for the next seven years.

Changes to the TABOR Refund: Unchanged from the October submission, Table 9C shows the eight proposals intended to modify the TABOR refund amount from FY 2026-27 and FY 2027-28 revenues. As a whole, the proposals would reduce projected TABOR refunds from FY 2026-27 revenues (paid in FY 2027-28) by \$181.5 million.

- By far the largest change is a proposal for legislation to reduce the TABOR refund obligation by \$148.0 million each year for FY 2026-27 and FY 2027-28 (Statewide R2). The request argues that the timing of the enactment of HR1 resulted in an overrefund of FY 2024-25 revenues because the fiscal year had closed and the TABOR certification did not account for the federal legislation's impact on FY 2024-25 revenues.
- The request also includes a legislative placeholder to reclassify \$29.0 million per year in aviation fuel tax revenue as "collections for another government" because those revenues support local districts rather than State operations. Similar to legislative actions in the past two sessions, that would remove those funds from the State's TABOR revenue.
- Third, the request proposes to eliminate the Colorado Disability Opportunity Office (CDOO) fee revenue for FY 2026-27 only as part of Department of Labor R1 (which proposes a number of changes to the CDOO including converting the office to a special purpose authority).

Table 9C: Requests Impacting the TABOR Refund Obligation
(\$ in Millions)

| Line | Item | FY 2026-27 |
|------|--|------------|
| 1 | TABOR refund (December OSPB Forecast) | \$208.2 |
| 2 | Requests impacting TABOR refund | -\$181.5 |
| 3 | Public Health - stationary sources fee increases | 7.0 |
| 4 | Transportation fuel deduction - 2 percent to 1 percent | 3.3 |
| 5 | Higher Education - DPS fee request | 0.0 |
| 6 | TABOR overrefund correction (Statewide R2) | -148.0 |
| 7 | Aviation revenue reclassification (Legislative) | -29.0 |
| 8 | Labor and Employment - eliminate CDOO fee | -14.7 |

| Line | Item | FY 2026-27 |
|------|---|------------|
| 9 | Higher Education - PSEP Program | -0.1 |
| 10 | Projected refund with requests (paid in following year) | \$26.7 |

Staff's assumptions indicate that the request would reduce the TABOR refund obligation from FY 2026-27 revenues to \$26.7 million. If accurate, that would mean that the refunds paid in FY 2027-28 would not be sufficient to cover the Homestead Exemption obligation in FY 2027-28. Staff notes that the proposals would also reduce the refund obligation from FY 2027-28 revenues by an estimated \$166.7 million, making that amount available in FY 2027-28. Combined with the FY 2026-27 refund amount of \$26.7 million, that would be sufficient to cover \$196.8 in projected Homestead obligations in FY 2027-28.