



FISCAL YEAR 2026-27 STATE BUDGET

Summary of the Final Package

May 1, 2026

KEY DOCUMENTS

- [FY2026-27 Budget Narrative](#)
- [FY2026-27 Long Bill Package, HB26-1410](#)

OVERVIEW

Another Year Of Creative Budget Balancing

The Colorado legislature has faced hard budget choices for three sessions in a row, including last year's special session. A variety of factors have placed the state in this budget squeeze, including:

- The end of federal COVID relief funds and spending down the large General Fund surplus that built up at the start of the pandemic.
- Legislation that expanded a variety of state programs without always accounting for long-term funding needs. Good examples of this are the Cover All Coloradans program and the new school funding formula created by [HB24-1448](#).
- Rapid growth in use of Medicaid services, particularly more expensive services.
- Increased funding needs for criminal justice, including the prison system, competency restoration and the Judicial branch.
- Loss of state revenues due to tax law changes in the federal HR 1 bill.

As always, the limitations of the Taxpayer's Bill of Rights make budgeting more complicated than it might be otherwise. There was a lot of hand-wringing and media sensationalism this session about the state's "\$1.5 billion budget gap," which too often got expressed as "\$1.5 billion in cuts." The 2026-27 state budget will be larger than the 2025-26 budget, both in terms of overall spending and General Fund spending. There are significant increases for some departments.

How does the FY2026-27 budget compare in terms of total General Fund expenditures and obligations?

<u>TOTAL EXPENDITURES</u>
FY2024-25 - \$18.44 billion
FY2025-26 - \$18.28 billion
FY2026-27 - \$18.64 billion

So where did the \$1.5 billion budget gap come from? First, a "shortfall" is actually how much state economists estimate spending would dip into the 15% General Fund reserve. *It is not an actual red-ink deficit caused by projected spending exceeding all available financial resources.* Second, calculation of the budget shortfall is an art, not pure math. The size of the shortfall depends on the *assumptions state economists make about revenues, growth of state spending and other factors.* Different assumptions generate different shortfalls.

The \$1.5 billion figure (actually \$1.47 billion) came from the March revenue forecast by Legislative Council Services (LCS) economists that assumed a certain amount of revenue, maintaining the 15% General Fund Reserve and growth in state spending based on growth in past years. Using different assumptions, the Governor's economists at the Office of State Planning and Budget painted a much different picture in March - forecasting a \$21.3 million shortfall for FY2026-27 and a \$13.7 million *surplus* for FY2025-26.

Shortly after the March forecasts, Joint Budget Committee Staff Director Craig Harper made a different assumption – that the legislature would reduce the reserve to 13% in both budget years - estimating shortfalls of \$52.8 million in FY2025-26 and \$739.9 million in FY2026-27.

CLOSING THE BUDGET SHORTFALL

Governor Jared Polis and his OSPB maintained all along that the budget would be balanced – if the JBC and the legislature just used their balancing ideas. The JBC went along grudgingly with some of those ideas, like Medicaid provider rate freezes and other changes, and somewhat more willingly with other ideas, like eliminating some TABOR refunds.

The centerpiece of Governor Polis' budget-balancing plan, the sale of Pinnacol Assurance, is not part of the legislature's budget package. Some JBC members were skeptical of the Pinnacol idea, making it impossible to muster the unanimous vote required for a JBC-sponsored bill. Democratic House Speaker Julie McCluskie has a Pinnacol sale bill drafted and has been circulating a plan to use revenues to fill some of the gaps in the FY2026-27 budget. The bill has not been introduced, and prospects for the proposal are unclear as the session rapidly moves toward adjournment.

Closing the budget shortfall was a combination of cuts, transfers, and reductions in future spending. The following illustrates some of these actions:

Non-Cut Mechanisms

- Choosing the more optimistic OSPB forecast trimmed the shortfall by about \$300 million.
- Reducing the reserve to 13% shrank the shortfall by \$335.6 million in the current fiscal year and \$340.7 million in FY2026-27.
- Sweeping money from a variety of cash funds bulked up the General Fund by \$398 million in FY2025-26 and \$102.5 million next year. Among the biggest were sweeps from Proposition 123 housing funds, severance taxes, and an Office of Information Technology cash fund.
- Various changes in law (many carried by the orbital bills, more details below) reduced the projected \$711.1 million in TABOR refunds next year to \$402.9 million, shrinking the shortfall by another \$308.2 million.
- Changes in the FY2025-26 budget turned that shortfall to a \$108.2 million “surplus” above the reserve. That will turn into a carryover into FY2026-27, helping balance that budget.
- On a smaller scale JBC “refinanced” some programs, such as replacing some General Fund support in the Department of Natural Resources with money from the department's own cash funds.

Executed Cuts & Reduced Future Spending

- Eliminated across-the-board raises for state employees
- Some Medicaid reimbursement rates and services were cut \$270 million next year and by \$90 million this year. However, the overall Medicaid budget is still increasing.
- Savings in state employee pay and provider rates yielded \$120 million.
- \$150 million in cuts across various state departments.
- A variety of grant programs, primarily in the departments of education and health, were cut back or eliminated.
- In some cases, JBC was able to capture funds from programs whose caseloads were declining, such as a \$9.3 million reduction in early intervention programs at the Department of Early Childhood.

These savings enabled JBC to shift funds to programs and departments that needed more funding, such as Health Care Policy and Financing for Medicaid, Corrections for growing inmate counts, and Human Services for competency restoration costs. They were also able to fund K-12 education at the levels required by Amendment 23 and the new [HB 24-1448](#) formula.

Revenue Forecasts

Finally, because the budget is based on the March revenue forecasts, the legislature’s annual budget package really rests on educated guesswork. As of the March forecast, the bulk of annual income tax collections had yet to come in. The next set of forecasts will be released in late June, giving state economists a lot more data on actual collections.

The June forecasts will provide a reality check on the JBC’s March and April decisions. Last year the June forecasts vindicated the JBC’s springtime decisions. The passage of federal HR 1 blew that up, leading to the special session and then cuts made by executive order under the Governor’s emergency powers.

CHANGES TO FY2025-26 BUDGET

The long bill package is also used to make adjustments to the current year’s budget as needed by the most recent forecasts and data from agencies, sort of a second round of supplementals. The following chart is from page 6 of the Budget Narrative listing department-by-department changes in the FY2025-26 budget.

Table 1: Changes to FY 2025-26 General Fund Appropriations in the FY 2026-27 Long Bill

Department	Current Appropriation after Supplementals	Approved Changes for Long Bill	Approved Appropriation	Percentage Change
Agriculture	\$20,389,589	\$0	\$20,389,589	0.0%
Corrections	1,115,073,827	6,335,739	1,121,409,566	0.6%
Early Childhood	310,734,489	-1,000,000	309,734,489	-0.3%
Education	4,669,716,019	0	4,669,716,019	0.0%
Governor	53,327,927	0	53,327,927	0.0%
Health Care Policy and Financing	5,684,210,687	67,977,325	5,752,188,012	1.2%
Higher Education	1,672,859,536	80,000	1,672,939,536	0.0%
Human Services	1,332,685,386	0	1,332,685,386	0.0%
Judicial	891,784,092	0	891,784,092	0.0%
Labor and Employment	34,703,020	0	34,703,020	0.0%
Law	28,687,723	0	28,687,723	0.0%
Legislature	78,183,856	0	78,183,856	0.0%
Local Affairs	61,754,783	213,449	61,968,232	0.3%
Military and Veterans Affairs	18,146,948	0	18,146,948	0.0%
Natural Resources	56,275,838	0	56,275,838	0.0%
Personnel	34,957,032	-651,279	34,305,753	-1.9%
Public Health and Environment	138,790,726	0	138,790,726	0.0%
Public Safety	273,599,432	0	273,599,432	0.0%
Regulatory Agencies	\$3,753,059	0	3,753,059	0.0%
Revenue	154,318,686	0	154,318,686	0.0%
State	4,254	0	4,254	0.0%
Transportation	0	0	0	n/a
Treasury	468,201,918	0	468,201,918	0.0%
Total	\$17,102,158,827	\$72,955,234	\$17,175,114,061	0.4%

In addition to the Long Bill adjustments, H.B. 26-1411 (Changes to Cover All Coloradans Program) reduces appropriations to the Department of Health Care Policy and Financing by \$0.1 million for FY 2025-26. The Budget package also includes an increase of \$9.6 million in General Fund appropriations for S.B. 26-149 (Pathways for Individuals with Mental Health Disorder).

FY2026-27 BUDGET PACKAGE

Navigating The Budget Package

[The Budget Narrative](#) provides extensive detail on next year’s budget and its companion measures. While there is not a fiscal note for the long bill, fiscal notes for the orbital bills also contain good summary information for those measures. In the narrative, the department-by-department summaries start on page 16, and the descriptions of the companion/orbital bills start on page 139.

Key Points

- The long bill appropriations for FY2026-27 total \$49.51 billion in all-funds spending, including \$17.06 billion General Fund, \$13.96 billion cash funds, \$15.34 billion federal funds and the remainder re-appropriated. See the table on page 14 of the Budget Narrative.
- Total General Fund obligations, including legislation outside the long bill, total \$18.68 billion. (See Table 2 on page 2 of [the April 28 General Fund overview](#)).
- The net effect in FY2026-27 of 14 orbital bills was to add an additional \$2.6 million General Fund to the amount included in the long bill. (See Table 2A on page 3 of the overview.)
- The net effect of placeholders being reserved for 7 introduced or yet-to-be-introduced non-budget bills is an additional \$4.1 million General Fund in FY2025-26 and \$42.3 million in FY2026-27. The largest of these is \$30 million for [SB 26-149](#), the permanently incompetent bills, including \$4.1 million this year and \$25.9 million in FY2026-27. See Table 2B on page 3 of the overview and get more information about placeholders starting on page 226 of the Budget Narrative.

This information is based significantly on the Budget Narrative that was published when the package bills were introduced. While amounts in some bills were changed by amendments, the “big” totals remain the same when rounded out.

Companion/Orbital Bills

This year’s budget package included 64 “orbital” bills, so called because they “orbit” the long bill.

State law cannot be changed by the long bill, so orbitals are necessary to make the statutory changes needed to balance the budget. For example, current law may require a program receive a certain amount of funding every year. If JBC wants to reduce that funding for a program, it has to run an orbital bill to change that law. The number of orbital bills tends to balloon in budget-cutting years because JBC is looking for cuts and fund shifts wherever it can find them.

Many orbitals are pretty technical, but here are the more important ones in the FY2026-27 budget package:

- [HB 26-1360](#) (Governor’s Office) – Transferred \$130 million from Prop 123 housing grant funds to the General Fund. (Page 157 in Narrative)
- [HB 26-1363](#) (State) – Reduces General Fund reserve for this and next fiscal year to 13% from 15%. (Page 213)
- [HB 26-1387](#) (Natural Resources) – Reduces General Fund support, increases reliance on department cash funds for administrative costs. (Page 192)
- [HB 26-1399](#) (CDOT) – Eliminates annual transfer of \$10 million General Fund to the multimodal transportation fund. (Page 206)
- [HB 26-1401](#) (Treasury) – Transfers \$72.8 million from Unclaimed Property Trust Fund to the General Fund but eliminates transfers to a housing development fund and the adult dental program. (Page 209)
- [HB 26-1405](#) (Statewide) – Transfers more than \$100 million in FY2025-26 and \$86 million next year from various cash funds to the General Fund. (Page 216)
- [HB 26-1411](#) (HCPF) – Reduced some services in the Cover All Coloradans insurance program. (Page 163)

One measure, [HB 26-1365](#), was postponed indefinitely in Appropriations, presumably because JBC did not want to justify eliminating equine therapy for disabled children. The amount of money involved was small.

Summaries of the orbital bills start on page 139 of the Budget Narrative, organized by department. Some key highlights are listed below:

Elimination of:

- [HB 26-1353](#): The Social Studies Assessment Requirement for Elementary School Students.
- [HB 26-1354](#): The Science Teacher Development Program.
- [HB 26-1356](#): The local accountability grant program in CDE.
- [HB 26-1357](#): The Teacher Recruitment Education Program (will be phased out).
- [HB 26-1361](#): Pay for Success Contracts Program.
- [HB 26-1362](#): Decarbonization Tax Credits Administration Fund.
- [HB 26-1374](#): Financial Assistance payments for non-certified kinship care families.
- [HB26-1378](#): Behavioral health resources.
- [HB26-1380](#): Office of Judicial Discipline (NOTE: this was ultimately changed to give one year with no money before repeal).
- [HB 26-1383](#): Employment Support Job Retention Program.
- [HB 26-1395](#): Wildfire Resilient Homes Grant Program.
- [HB26-1409](#): The distribution of marijuana special sales tax revenue to local governments.

Reductions of:

- [HB 26-1355](#): The Out of School Time Grant Program.
- [HB 26-1358](#): The Academic Accelerator Grant Program.

Transfer of:

- [HB 26-1360](#): \$130M from the State Affordable Housing Fund to the General Fund

Other Orbital Changes:

- [HB 26-1368](#): Reductions in Limited Gaming transfers.
- [HB26-1373](#): Limits on eligible benefits for the adoption and relative guardianship assistance programs.
- [HB26-1382](#): Creation of a new special purpose authority to take over the grant-making functions of the Colorado Disability Funding Committee.
- [HB26-1386](#): Changes to the funding mechanism for the Colorado National Guard Tuition Waiver.
- [HB26-1391](#): Extension of the School and Child Care Clean Drinking Water Fund, with programmatic changes.
- [HB26-1398](#): Reallocation of the Multimodal Transportation and Mitigation Options Fund.
- [SB 26-181](#): A two year pause on the Cost-of-Living Adjustment for Basic Cash Assistance.

DEPARTMENT BUDGETS

Below are highlights and summary information about key departments of interest. The narrative sections for each department include detailed information. Page numbers refer to the [Budget Narrative](#).

Agriculture (Page 16)

- \$323K for Pine Beetle biocontrol response.
- Reductions to Agrivoltaic Grants (\$300K), Conservation Grants (\$200K), and Equine Welfare Grants (\$200K).

Corrections (Page 19)

- Funding for 941 prison beds and 59 FTE for male inmates to address increased prison caseload.
- Funding to increase the private prison per-diem rate to \$77.16.
- \$10.9M for correctional officer shift relief factor pilot project.
- \$1.9M increase for payments to local jails.
- \$3.2M to increase the caloric intake of inmates by 100 calories per day.

Early Childhood (Page 25)

- \$14M increase, including \$1.6M General Fund, for the Universal Preschool Program.
- Reduction of \$9.3M for Early Intervention to align with caseload forecasts.
- Reduction of \$4.7M Federal Funds from the Child Care Development Fund for certain quality initiatives.
- Eliminates funding (\$500K) for the Child Care Services and Substance Use Disorder Treatment Pilot Program.
- Reduces funding (\$480K) for Family Resource Centers in the Child Maltreatment Prevention Line and for Health Steps (\$314K).
- Reduces funding for Early Childhood Mental Health Services by 10%.

Education (Page 30)

- \$38M Cash Funds increase for the Healthy School Meals for All Program.
- A net increase of \$2M for CSI Mill Levy Equalization based on current law.
- Multiple refinances of General Fund with State Ed Fund, (see page 35 of the Budget Narrative for more details).
- Flat funding for facility schools.
- Reduces funding by \$3M for the Behavioral Health Care Professional Matching; \$1M School Bullying Prevention Grant; \$1M for the School Counselor Grant Corps; \$1M for Adult Education and Literacy Grants; \$200K for the READ Act Awareness Campaign.
- Eliminates funding for the Local Accountability Grant Program (\$507K) and the Menstrual Hygiene Grant (\$100K).

Governor (Page 39)

- \$505K MJTCF spending authority for the Youth Mental Health Corps.
- \$8.2M reductions in OIT spending due to increased efficiencies and to align with expenditures.
- 2.5% General Fund reduction to the Office of Economic Development and International Trade (OEDIT).
- 2.5% reduction in the Office of the Governor.
- 2.5% reduction in the Colorado Energy Office.

Health Care Policy and Financing (Page 43)

- \$1.5B total fund increase for Medical Services Premiums.
- \$232M total fund increase for Behavioral Health Services.
- \$61M total funds increase for the Office of Community Living.
- \$47M total funds increase for the Child Health Plan Plus.
- \$636K total funds to expand Medicaid benefits to cover 3D mammography.
- Reduces funding to end automatic enrollment in the DD waiver for children aging out of the CES and CHRP waivers on January 1, 2027.
- Reduces funding to implement a policy to require members on the DD waiver to contribute financially for their residential services.
- Reduces funding to implement an age limit of 6 and older for the community connector program.
- Establishes a \$3K annual cap on adult dental services.
- Reduces funding for the DD waitlist so that for every 2 people that disenroll, one person is enrolled.
- Reduces funding to implement a phased-in cap on caregiver hours.
- Exempts certain NICU rates from the 2% across the board reduction and the supplemental action related to reducing rates to 85% of Medicare.
- Exempts pediatric behavioral therapy from the 2% across the board rate reduction.
- Increased IV nutrition rates from \$70.76 to \$238.86.
- Reduces provider rates by 2% across the board, for a savings of \$222M total funds.
- Reduces NEMT provider rates when the client does not need a wheelchair, reduces the pickup fee from \$36.40 to \$12.40.

- Reduces funding for modifications of the private duty nursing rate structure and the home health rate structure, as well as to develop and implement a new rate negotiation strategy for the DD waiver and the CHRP waiver, (details on page 48 of the Budget Narrative).
- Funding increases for HR1 compliance, (details on page 49 of the Budget Narrative).
- \$13M total funds for Pediatric Behavioral Therapy audit to address known improper payments.
- A net \$14.7M reduction resulting from the transition of individuals from institutional care settings to community-based care settings, (this is related to the DOJ ADA settlement agreement).

Higher Education (Page 57)

- Restores the Governor's supplemental decrease and provides no additional funding on top of that.
- Caps resident undergraduate tuition rates at 3.5% for all institutions, except that community colleges may increase by 5%, (other specific exemptions can be found on page 58 of the Budget Narrative).
- Includes funding for 2 fiscal staff at CDHE.
- \$14.2M General Fund ongoing decrease for state need-based financial aid, intended by a footnote to only be taken from students at private and proprietary universities.

Human Services (Page 62)

- Increase of HSMA cash funds to offset loss of federal funds for SNAP administration.
- Increase of \$2.5M cash funds for nutrition education.
- \$2.1M General Fund for 5 inpatient competency restoration beds at private hospitals.
- \$600K cash and federal funds for a SNAP payment accuracy team.
- \$300K for radios in Division of Youth Services facilities.
- Refinances for the Collaborative Management Program; County Block Grant Support Fund; BHA Administration; State Funding for Senior Services.
- Decreases funding to reflect the removal of payments for non-certified kinship foster care.
- Reduces funding for: IT Systems Interoperability; Transitional Jobs Program; County Tax Base Relief; the Child Abuse and Neglect Hotline; Home Care Allowance Case Management; Diaper Distribution; Tony Grampas Youth Services; Regional Center Electronic Records System.

Judicial (Page 72)

- \$2M related to CBI DNA misconduct impact.
- \$2M for a caseload increase for the Office of Alternative Defense Counsel.
- \$1M increase for language interpreters and translators.
- \$600K and 6 FTE for increased caseload related to the City of Aurora declining to prosecute domestic violence cases in the municipal court.
- \$500K increase of cash funds for offender treatment and services.
- Funding to add two FTE guardians to the Office of the Public Guardianship to expand to serving 5 Judicial districts.
- A number of General Fund Refinances with cash funds.
- \$500K reduction to Underfunded Courthouse Facility Grant Fund.

Labor and Employment (Page 79)

- \$5M spending authority and 2 FTE for the Colorado Disability Opportunity Office to create a statewide needs assessment and an online database of resources and to convene an annual disability collaboration conference
- Reduces funding or spending authority for Scale Up Grant; Hospitality Education Grant; Office of Just Transition; Office of Future Work

Department of Law (Page 82)

- Increase of \$3.8 million spending authority from the Colorado Water Board Litigation Fund.
- A number of voluntary budget reductions to realize vacancy savings.

Department of Local Affairs (Page 87)

- Funding for a CORA Administrator.
- Reductions for Targeted Crime Reduction; Childcare Facility Development Grants; Public Defender and Prosecutor Behavioral Health Grant Program; Peace Officer Mental Health Program; Rural Economic Development Grants Initiative.

Department of Natural Resources (Page 94)

- \$1.8M cash funds and 7.4 FTE for two new state parks.
- \$513K cash funds for range riders and vehicles to support wolf conflict minimization.
- \$200K for 1.7 additional FTE for the CWCB to support an increased caseload.
- \$138K for a Cultural Resources Tribal Coordinator for the State Land Board to better address the discovery and management of culturally sensitive artifacts and sites.
- \$104K for a trainer to increase mine safety and rescue training capacity.
- Net zero refinance of the severance tax operational fund to various cash funds (Energy and Carbon Management Commission Fund, Parks Cash Fund, CWCB Construction Fund, Wildlife Cash Fund).

Department of Personnel and Administration (Page 98)

- \$3.9M increase to replace approximately 8% of fleet vehicles.
- \$.9M total funds for 8.1 term-limited FTE for Medicaid Appeals.
- \$550K for an online learning platform that provides centralized training for State employees.
- \$500K for the new payroll system.
- \$400K for document storage for the state accounting system.

Department of Public Health and Environment (Page 104)

- Increase of \$5.1 million cash funds from the Closed Landfill Remediation Grant Fund.
- A decrease of \$21.7 million from the Electrifying School Buses Grant Fund.
- Reductions for Health Disparities Grant; Local Public Health Agencies; Clean Water in Schools; Mobile Home Park Water Quality; Child Abuse Response and Evaluation Network; Mental Health First Aid training.
- Eliminates funding for the Community Behavioral Health Disaster Program, this will remain in statute with no funding.

Department of Public Safety (Page 109)

- \$4.5M to backfill federal funding for the Division of Homeland Security and Emergency Management.
- \$1.5M General Fund for 60 CommCor (Community Corrections) beds and a per-diem rate increase of 1.55%, also allows CommCor providers to collect a subsistence fee of up to \$20, but does not require this.
- \$400K for CommCor to centralize referrals from the courts and the Department of Corrections.
- Year 1: A reduction of \$15.3 million across Multidisciplinary Crime Prevention and Crisis Intervention; Law Enforcement Workforce Recruitment, Retention, and Tuition; SMART Policing.
- Eliminates General Fund in the Colorado Auto Theft Prevention Authority.
- Reductions to the EDO personal services line; DCJ Administration Line; Juvenile Diversion Programs; Sex Offender Surcharge Fund Program; Division of Homeland Security and Emergency Management; Colorado Crime Information Center; Colorado Integrated Criminal Justice Information System.
- Eliminated General Fund in the Witness Protection Fund.

Department of Regulatory Agencies (Page 115)

- A \$1.7M reduction in the leased space line item within the Executive Director's Office.
- Base reductions for the Civil Right Division and for the Division of Insurance for a total reduction of \$401,502.

Department of Revenue (Page 118)

- \$1M and 11 FTE to assist Colorado taxpayers and promote accurate state level return filing and compliance under the revised federal tax code.
- \$5M reduction in Lottery marketing.
- \$1.3M General Fund in the Executive Director's Office and Division of Motor Vehicles.

Department of State (Page 122)

- \$100K cash funds for a consultant to plan the migration away from an antiquated database system.
- \$185K cash funds to modernize the phone system.

Department of Transportation (Page 125)

- Description of revenue forecast changes can be found on page 126 of the Budget Narrative.
- An increase in \$29.2 million in cash fund spending authority for the Multimodal Transportation and Mitigation Options Fund (MMOF).

Department of Treasury (Page 128)

- \$307K increase for the Unclaimed Property Division operating expenses.
- \$148K for one additional FTE, software costs and fund source reallocation.

Capital Construction (Page 131)

- \$160,355,815 total funds for capital construction projects, including:
 - \$103.2M total funds for 54 Controlled Maintenance Projects, including:
 - 25 projects for state agencies totaling \$53.8M;
 - 29 projects for institutions of higher education totaling \$49.3M.
 - 6 projects for State Agency Capital Renewal and Recapitalization Projects totaling \$19.2M;
 - \$12.1M for 1 Capital Expansion Project in DNR.
 - 1 project for institutions of higher education (CSU Clark Building Renovation, Phase 4/4) totaling \$25.8M.
- \$32,325,503 for 13 IT Capital Projects, including:
 - \$29,386,225 for State Agencies.
 - \$2,939,278 for higher education institutions.

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Please let me know if you have any questions.

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