



Legislative Report 11-12-2024 SFY25-26 Proposed Budget

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Budget Challenges

The Governor's proposed budget emphasizes a challenging balance between essential investments and significant cuts, reflecting the tight fiscal constraints Colorado currently faces. The proposed budget includes reductions across several critical programs, potentially impacting healthcare, education funding, and economic support services.

- **ARPA Funding Expiration:** The expiration of approximately \$600 million in one-time ARPA funding, previously sustaining ongoing programs, intensifies budget constraints.
- **Caseload Growth:** Increased demands for state services, particularly in Medicaid and education, represent the primary budget cost drivers. Medicaid alone accounts for 36% of the state's operating budget and 32% of General Fund spending. The Department of Health Care Policy and Financing (HCPF) has requested an additional \$462 million, a 10% increase from FY 2024-25.
- **Potential Ballot Impact:** The passage of Proposition 130 will further strain resources by requiring an estimated \$350 million in support for law enforcement, not currently included in the November budget proposal.

Key Priorities in the Proposed Budget

The Governor's FY 2025-26 budget maintains continuity with prior years' priorities, focusing on public safety, housing, healthcare cost savings, and renewable energy.

1. **Balancing measures:** The budget is largely focused on reductions across all state agencies. In an attempt to balance the budget, there are proposed sweeps to local severance tax distributions, reinvesting interest revenue from various cash funds into the General Fund, and eliminating funding from programs that are receiving federal dollars.
2. **Public Safety:** Funding is prioritized for crime prevention, illegal firearm crackdowns, and enhanced emergency response infrastructure. Key allocations include \$15 million for first responder communications and resources for youth programs and public space safety.
3. **Education:** There is a \$115 million increase in General Fund support for K-12 education, with an emphasis on special education, English Language Proficiency, career and technical education, and transportation.
4. **Affordable Housing:** Continued support is provided for affordable housing initiatives, reducing zoning restrictions, and encouraging development options like Accessory Dwelling Units (ADUs) and multi-family housing.
5. **Healthcare Cost Savings:** Investments continue in health programs, with a focus on the Colorado Option and reinsurance initiatives that have effectively reduced health insurance premiums statewide. However, there are notable reductions in critical health care costs, including reductions in provider rates.
6. **Renewable Energy:** The budget supports the goal of 100% renewable energy by 2040, including funds to stabilize and expand operations of the Colorado Energy Office, thereby advancing technical assistance and sustainable energy projects.

County Health & Human Services

In October, CCI [identified via this letter our SFY25-26 Budget Priorities](#) relating to Human Services programming. The only high-priority item for counties without a related budget request is regarding Adult Protection Services.

County Administration for public and medical assistance programs

High Priority for CCI

In addition, to the budget being released last Friday, the Colorado Department of Human Services (CDHS) and Health Care Policy & Financing (HCPF) released the report [pursuant to SB22-235](#), with findings for the funding model to appropriately fund this work [\[view the full report\]](#).

Colorado County Administration Funding Model Results	
Total funding for Medicaid County Administration:	\$105,345,471
Total funding for SNAP County Administration:	\$106,689,650
Total County Administration funding (programs combined):	\$214,035,121
Change in funding from previous year	
Overall funding across both programs combined:	\$29,717,268
Medicaid County Administration funding:	\$21,347,118
SNAP County Administration funding:	\$8,370,150

Both CDHS & HCPF included budget requests for “county administration” and making improvements to our system, based on the comprehensive assessment of the programs administration, also prescribed in [SB22-235](#).

- \$38M County Administration & Colorado Benefits Management System (CBMS) Enhancements [HCPF request]
 - \$21M for County Administration
 - *very close to the necessary amount identified in SB235*
 - \$14.1M to make improvements and automations to CBMS, mainly increasing pool hours
 - \$23M to implement some recommendations from SB-22-235 Phase 1
 - \$1.1M to continue the work of the Escalations & Grievances Resolution unit at HCPF
- \$4.1M County Administration for Public Assistance Programs [CDHS request]
 - *\$4.1M shy of necessary amount identified in SB235*

Additional requests related to health care are outlined in subsequent sections.

Child Care Assistance Program (CCAP)

High Priority for CCI

The Colorado Department of Early Childhood did include an \$10.1M request for the CCAP program, which is Colorado's child care subsidy. However, this request includes an adjustment to the county proportional allocation to return to pre-pandemic levels. The funding will continue existing programming to:

- keep parent co-pays at 7% of family income; and
- pay providers based on enrollment (rather than attendance) for infants and toddlers.

These programs were initially implemented utilizing American Rescue Plan Act (ARPA) funding and, according to the CDEC, must be continued in order to be eligible for a federal waiver that will delay the implementation of federal rule changes until 2026.

CDEC has made a related-requested \$1.7M to make necessary changes to CHATS (the IT system utilized for CCAP), to comply with federal rules.

Within this request is also \$210k for the Expanding Quality for Infants & Toddlers program (EQUIT).

There is no additional funding proposed in the Governor's budget request to assist with the evolution of CCAP due to the implementation of alternative rate methodology, federal rule changes and Colorado's HB23-1223. [[more information about the changes to these programs is available here](#)]

Additional requests related to early childhood education are outlined in subsequent sections.

Child Welfare

Secondary Priority for CCI

CDHS has proposed two budget requests regarding the Juvenile Justice population. While these youth are not *always* served by Child Welfare, when services are unavailable, it typically becomes the responsibility of Child Welfare to serve and identify placements.

- \$1.7M to increase beds in youth detention facilities
- \$1.8M reallocated from the Boulder Impact pilot project to Colorado Youth Detention Continuum programs

CDHS has also proposed a *reduction* of \$3.5M to the Core Services allocation, which is the allocation that funds specific family and children programs/services (such as Aftercare, Day Treatment, Mental Health, and Life Skills Services).

Of particular interest to counties, CDHS has not proposed any requests related to the Child Welfare Workload Study or Funding Model, prescribed by [SB21-277](#). In SFY24-25, JBC Staff proposed a

three-year plan to fund the prescribed workload study, outlined below; funding was provided in 2024 to fund the FY24-25 portion.

Workload Study Three Year Funding Option	
	Total Funds
FY24-25	\$9,048,816
FY25-26	\$9,320,281
FY26-27	\$9,599,889
Total:	\$27,968,986

Children’s Behavioral Health

Secondary Priority for CCI

The Behavioral Health Administration has requested \$350,000 for a capacity building assessment on children and youth’s behavioral health services, which will assist the state in fulfilling their [Children & Youth Behavioral Health Implementation Plan](#).

Additional information regarding budget requests for behavioral health are included in the subsequent healthcare section.

K-12 Education

Colorado fully funded K-12 education in 2024 by completing the buydown of the Budget Stabilization Factor (BSF) for the first time since 2009. The Governor’s budget request does not propose reinstituting the BSF and maintains overall school funding to the levels required in the state constitution. The budget proposes a \$115M increase in Total Program funding (an increase of \$299 per student), increasing funding for categorical programs, adjusting the per-pupil calculator to current year enrollment, and instituting delays in the implementation of the new school finance formula with 10% being implemented this year. It is important to highlight that this budget also proposes getting rid of averaging, which would largely wipe out an increase to funding for most districts in Colorado. Some key highlights of the education budget include:

- \$115M general fund increase in Total Program funding, which is an increase of \$299 per pupil.
- \$13.5M total funds for categorical programs, including special education, English Language Proficiency, career and technical education, and transportation.
- \$2.0M legislative placeholder for support for students attending turnaround and priority improvement schools.
- Extend the implementation of the new school finance formula to seven years instead of six, with 10% being implemented this year, 10% in FY 2026-27, and alternating between 20% and 10% in the following years.
- Adjustment to the pupil count calculation to current year enrollment instead of a multi-year enrollment average.
- BEST Program Cap: The Building Excellent Schools Today (BEST) grant program, which funds school capital improvements, is capped at its five-year average, reducing cash grants and redirecting \$60-\$80 million to the State Public School Fund.

The proposed budget also addresses much-needed state investment in the Healthy School Meals for All program. Healthy school meals for all is funded by limiting the amount of tax deductions on filers earning over \$300,000. OSPB expects that \$119.8M will be needed to fund the meals portion of the program in FY 2025-26, a 5.8% decrease from FY 2024-25 due to anticipated changes to the federal standard deductions beginning in tax year 2026. If additional federal legislation were to continue existing tax policy on standard deductions, OSPB would expect that \$141.2 million would be needed to fund the program.

Higher Education

The budget proposes a minimal investment in institutions of higher education to keep staff salaries in line with inflation, including:

- \$12.1M of general fund for operational expenditures at institutions of higher education;
- A 2.3% increase for in-state tuition;
- \$400,000 to implement legislation passed in 2024 providing credit transfer resources to students;
- Creation and enterprise for Auraria Higher Education Campus (AHEC);
- A legislative placeholder to increase FAFSA and CAFSA completion; and
- A proposal to improve the Colorado Promise tax credit to support students with tuition and fees in their first two years of college.

Early Childhood Education

The budget proposal builds on the Universal Preschool Program by requesting increases in funding pending proposition EE and general fund revenue amounts as well as an \$11.7M increase for Colorado's childcare subsidy, CCAP, to support increased affordability and a higher provider rate. The proposal includes:

- \$7.8M placeholder for Universal Preschool pending Proposition EE and GF revenue amounts; and
- \$3.6M total funds to support Early Intervention.

Healthcare

Medicaid accounts for 36% of the state's total operating budget and 32% of general fund spending in FY 2024-25. The Department of Health Care Policy and Financing (HCPF) forecasts a significant increase in caseload costs resulting in the Department requesting an increase of \$462M, 10% more than FY 2024-25.

The state has also experienced historic levels of individuals being administratively disenrolled from Medicaid with nearly 600,000 people losing coverage, which puts a significant strain on our safety net hospitals with more uninsured individuals seeking care. Major elements of the budget proposal for HCPF includes:

- \$1.5B total funding for higher forecasts for Medicaid caseload, which include \$458.4M of General Fund dollars. Despite this investment, the proposal includes significant decreases to critical services:
 - Provider Rate Rollbacks: The budget proposes rollbacks to recent increases in Medicaid provider rates, aiming to control growth in Medicaid spending, which constitutes a significant portion of the state budget. This includes a \$19.5 million reduction for Pediatric Behavioral Therapy rates and adjustments for other providers whose rates exceed 95% of Medicare reimbursement rates.
 - Targeted Rate Reductions: Specific reductions for providers exceeding Medicare's rates save an estimated \$21.1 million in total funds.
- \$5.7M to operate the Ridge View Supportive Residential Community for individuals experiencing homelessness. Notably, the funding being used for this investment is coming from an innovative housing grant program housed in the Office of Economic Development and International Trade.
- \$5.2M total funds to expand capacity at Mental Health Transitional Living homes;
- \$3.2M in new general fund dollars for the Behavioral Health Administration to expand access to care for uninsured individuals;
- \$2M in general fund savings from scaling back private hospital beds due to a reduction in the competency waitlist.

Public Safety

This budget makes several requests for increased funding for public safety, community welfare, and criminal justice improvements. Investments include funding for the state's first responders' dispatch system, enhanced street security, grants to community organizations to curb youth crime, as well as an expansion of youth detention facilities. Highlights include:

- \$15M general fund to maintain communications dispatching system used by the state's first responders;
- \$3.4M total funds to the Safer Streets program for physical infrastructure and security improvements;
- \$2M to support community-based organizations and local governments to reduce crime among youth;
- \$1.1M for body worn cameras for Colorado Parks and Wildlife Peace Officers;
- \$0.9M set aside for legislative changes that propose to address the penalty for firearm theft, the connection between motor vehicle theft and firearm possession, and establishing an entity to research and make recommendations on criminal justice policy;
- \$7.6M to expand capacity at the CO Mental Health Hospital in Fort Logan for competency restoration;
- \$6.1M for Community Corrections and expanded halfway houses;
- \$0.6M in new funds for Department of Corrections recruitment efforts;
- \$1.5M to crack down on illegal wildlife tracking;
- \$0.7M to enhance Department of Revenue's tax auditing; and
- \$0.6M for Address Confidentiality.

Roads

The budget proposes reducing the Road Safety Surcharge fee, which is part of vehicle registration fees and currently goes to FASTER and HUTF. However, in order to hold the local share of HUTF harmless, the budget also proposes altering the distribution percentages by increasing the share designated for local governments. Local governments should experience no net change.

Housing & Property Taxes

While the Governor recognizes the work of his administration and the General Assembly to expand the construction of affordable housing and curb property taxes in recent years, his budget proposal does not include any additional housing or property tax specific requests. The only related item is a legislative placeholder for a forthcoming proposal to save money on property insurance costs.

Taxes & Tax Credits

In recent years the General Assembly has passed significant changes to the tax system including expanding the Earned Income Tax Credit and creating the Family Affordability Tax Credit programs. These changes have resulted in the state being very close to the TABOR limit. Any additional tax credits passed by the GA that are not fully offset threaten the state's ability to sustain general fund increases for things like education. The Governor's budget request includes a fiscally neutral tax package which includes expansion or extension of a few tax credits and the rightsizing of and closing of loopholes for other tax credits. The budget also proposes several new enterprises and restructuring existing funding into an enterprise. Also included in the proposal:

- A \$0.6M investment for the Department of Revenue to implement the IRS Direct File system;
- Expansion of a tax credit to support aging homeowners' utilities bills;
- Support for rail and transit oriented development;
- Creation and enterprise for Auraria Higher Education Campus (AHEC)

Environment

Over the past few years the state has made historic commitments to funding programs to protect natural resources and invest in clean air and water monitoring programs. This year's proposal includes:

- Refinancing the severance tax Operational Fund;
- A \$1.2M increase to the Colorado Outdoor Equity Grant Program; and
- Maintaining progress on goals by restructuring the operating budget of the Colorado Energy Office (CEO).

Colorado Economy and Workers

- \$0.8M for the Global Business Development Division of OEDIT to promote Colorado and attract businesses.
- Extend and expand the employee ownership tax credit at a lower level but with additional eligible uses.
- Expanded eligibility for Advanced Industries tax credit.
- Film tax credit to promote film festivals specifically to attract the Sundance Film Festival.
- Legislative placeholder for a multi-year series of investments to prevent wage theft including enforcement of Colorado's wage and hour laws, adjudicating cases and getting money back to workers more quickly, and ensuring serious consequences for those who fail to pay their workers.
- \$15M transfer from the CDLE workers' compensation cash fund to the general fund.
- Legislative placeholder to privatize Pinnacol. \$100M in proceeds from the state's contribution to Pinnacol are proposed to be invested into PERA to reduce the general fund contribution without lowering the overall obligation.

State Employees

The budget includes \$117.7M for a 2.5% across the board increase in state employee compensation, continued implementation of the step pay plan, and benefits. This increase is in line with current inflation rates.

Capital Construction

Overall Funding: The budget requests \$150.7 million from the General Fund to support six prioritized capital construction projects. These include both controlled maintenance and specific new construction projects.

- Controlled Maintenance: The budget prioritizes full funding for Controlled Maintenance (CM) Level 1, amounting to \$85.6 million. This funding covers 31 projects within higher education institutions (\$49.2 million) and 20 projects for state agencies (\$36.4 million).
- Project Delay: The next phase of the Colorado State University (CSU) Clark Building Renovation & Additions project is delayed by one year. This project was initially funded in FY 2024-25, and the delay is not expected to impact the project timeline.
- IT Capital Construction: The budget includes \$32.7 million from the General Fund for 17 prioritized IT projects, focusing on projects critical to state operations or those needed for regulatory compliance. Among these, six projects are exclusively funded through cash funds, minimizing the impact on the General Fund.

Celebrating Colorado

The budget proposal sets aside \$5M for projects that celebrate Colorado heritage, including funding for the state's sesquicentennial and \$2.3M for capital improvements to the State Fair in Pueblo.