COLORADO
Office of State Planning & Budgeting

August 28, 2025

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

Dear Chair Bridges and Members of the Colorado Joint Budget Committee:

Thank you for your work during the Special Session to take the necessary actions to balance the 25-26 state budget. As you know, H.R. 1 is causing precipitous and significant revenue shortfalls for the State. These are challenging times that force difficult financial decisions to maintain a balanced budget. The Governor signed an Executive Order (Attachment A) today that describes his plan for $252.2 million in spending reductions for FY 2025-26 under the authority clarified in S.B. 25B-001. Attachment B describes these spending reductions. This complements the Governor's previous directive to executive branch agencies to reduce spending by implementing a temporary hiring freeze.

In accordance with SB25B-001, the Governor's Office of State Planning and Budgeting (OSPB) submits to the Joint Budget Committee this plan for spending reductions in the current fiscal year ending June 30, 2026. In addition, this document describes supplemental and FY 2026-27 budget requests that require statutory changes that the Governor will submit to the Joint Budget Committee.

It is imperative to act quickly to reduce spending. The plan set out in the attached Executive Order D 2025 014 is a targeted and practical approach to reduce spending quickly by $252.2 million that will attempt to maintain the statutory reserve requirements directed by statute. In making this plan, we focused on specific line item reductions that can be made with the least possible impact to State programs and services, and not across the board cuts that may have significant unintended consequences for Coloradans.

While S.B. 25B-001 does not confer on the Governor the authority to make transfers or increase cash fund spending authority, the Governor's Office has identified additional transfers and refinances that will balance the budget. The Governor's Office plans to request the following of the Joint Budget Committee as FY 2025-26 supplemental budget actions:

Balancing Holds for Transfers and Diversions to the General Fund	
Diversion of OEDIT Prop 123 Funds to GF	$105,000,000
CollegeInvest Administration Fund	$9,200,000
Discretionary Account of ARPA Refinance State Money Cash Fund	$5,400,000
Disability Support Fund	$5,000,000
Community Impact Cash Fund	$4,000,000
School and Child Care Clean Drinking Water Fund	$4,000,000
Small Business Recovery and Resiliency Fund	$4,000,000
Local Government Severance Tax Fund	$3,305,993
Mobile Home Water Quality Fund	$3,000,000
Severance Tax Perpetual Base Fund	$1,652,996
Severance Tax Operational Fund	$1,652,996
Marijuana Tax Cash Fund	$500,000
Total	$146,711,985

Other Balancing Holds	
HLD Savings from Hiring Freeze	$3,000,000
Total	$3,000,000

Total Budget Savings	
Executive Order Reductions (GF)*	$102,493,375
Proposed Transfers and Diversions	$146,711,985
Other Balancing Holds	$3,000,000
Total	$252,205,360

*This total excludes $500,000 for the reduction to the SBIRT grants, since that is already counted under Proposed Transfers and Diversions.

Please do not hesitate to contact me directly with any questions or concerns at mark.ferrandino@state.co.us.

Sincerely,

Mark Ferrandino
Director

CC:
Vice Chair Representative Shannon Bird, Joint Budget Committee
Senator Judy Amabile, Joint Budget Committee
Representative Emily Sirota, Joint Budget Committee
Senator Barbara Kirkmeyer, Joint Budget Committee
Representative Rick Taggart, Joint Budget Committee

Craig Harper, JBC Staff Director

Attachments:

Attachment A: Executive Order D 2025 014

Attachment B: Budget Savings Table

Attachment C: Budget Savings Detail for Institutes of Higher Education

Attachment A Begins on Next Page

Jared Polis
Governor

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D 2025 014

EXECUTIVE ORDER

Declaring Insufficient Revenues Available for Expenditures Due to H.R. 1 and Ordering Suspension, in Whole or in Part, of Certain State Programs and Services in Order to Meet a Revenue Shortfall in Fiscal Year 2025-26

Pursuant to the authority vested in the Governor of the State of Colorado and, in particular, pursuant to Article IV, Section 2 of the Colorado Constitution, and C.R.S. § 24-75-201.5, I, Jared Polis, Governor of the State of Colorado, hereby issue this Executive Order declaring that there are insufficient revenues available for expenditures due to President Trump signing H.R. 1 into law on July 4, 2025, and ordering the suspension, in whole or in part, of certain State programs or services in order to meet a revenue shortfall for Fiscal Year 2025-26 and balance the state budget.

I. <u>Background and Purpose</u>

On July 4, 2025, President of the United States Donald Trump signed H.R. 1 into law through the reconciliation process. H.R. 1 increases the federal budget deficit and is causing an immediate and significant negative impact to State revenue - reducing total State revenue by over $1.2 billion in the current fiscal year, eliminating the State's surplus, and putting Colorado's budget roughly $800 million out of balance in the current fiscal year, Fiscal Year 2025-26, and reducing revenue to the State by approximately $700 million in Fiscal Year 2026-27 and Fiscal Year 2027-28.

While the General Assembly passed and I signed a balanced budget on April 28, 2025, for Fiscal Year 2025-26, because of the federal tax changes in H.R. 1 for the current year that were subsequently passed by Congress but retroactively applied, the State budget is no longer balanced for the current year, and there will no longer be Taxpayer's Bill of Rights (TABOR) surplus refunds to Colorado taxpayers. The State budget now faces a significant shortfall. The Office of State Planning and Budgeting (OSPB) projects that H.R. 1 has reduced State revenue by approximately $1.2 billion this year, which includes over a $1.0 billion reduction in General Fund and a nearly $200 million reduction to the State Education Fund and Proposition 123 diversions for affordable housing. The General Fund revenue loss erases the near $300 million surplus projected in June, resulting in a deficit this current fiscal year of $783 million.

On August 6, 2025, I signed Executive Order D 2025 009, finding that extraordinary occasions exist to convene the Seventy-Fifth General Assembly to meet in Special Session to address the fiscal crisis caused by H.R. 1. In the same Executive Order, I directed State agencies to implement a hiring freeze in order to reduce costs.

Pursuant to Executive Order D 2025 009, the General Assembly met in Special Session at the State Capitol beginning on August 21, 2025, and concluding on August 26, 2025. Just prior to signing this Executive Order D 2025 014, I signed Senate Bill 25B-001, Processes to Reduce Spending During Shortfall (SB 25B-001), which was passed by the General Assembly during Special Session. SB 25B-001 relocates what was formerly C.R.S. § 24-2-102(4) into C.R.S. § 24-75-201.5(1)(a). C.R.S. § 24-75-201.5 clarifies that the Governor may suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau, or agency of the state government by Executive Order if the Governor determines that there are not, or will not be, sufficient revenues available for expenditure during the fiscal year to carry on the functions of State government and to support its agencies and institutions. Further, the Governor must promptly notify the Joint Budget Committee of the Executive Order.

Accordingly, pursuant to C.R.S. § 24-75-201.5(1)(a), I have determined “that there are not, or will not be, sufficient revenues available for expenditure during the fiscal year to carry on the functions of the state government and to support its agencies and institutions.” Therefore, by this Executive Order, I am suspending, in whole or in part, the functions and services of State government as detailed below to reduce expenditures before the end of Fiscal Year 2025-26.

Accompanying this Executive Order is a letter notifying the Joint Budget Committee, as well as the General Assembly, of this Executive Order and outlining the suspensions, in whole or in part, of certain State programs and services in this Executive Order, which satisfies the notice requirement in C.R.S. § 24-75-201.5. That letter also outlines $146,711,985 in cash fund transfers to the General Fund and $3,000,000 in additional savings that will be submitted to the Joint Budget Committee as Fiscal Year 2025-26 supplemental budget requests. In total, these transfers and savings amount to an additional $149,711,985 in budget reductions for Fiscal Year 2025-26, which with the reductions below and the hiring freeze brings the total savings to $252,205,360.

II. <u>Directives</u>

A. I declare that there are not, or will not be, sufficient revenues available for expenditure during the current fiscal year to carry on the functions of the state government and to support its agencies and institutions, and that suspending, in whole or in part, programs and services set forth in this Executive Order are necessary.

B. To satisfy the provisions of C.R.S. § 24-75-201.5(1)(b) requiring that "the governor shall promptly notify the Joint Budget Committee of an Executive Order issued by the Governor," I direct that the Director of the Office of State Planning and Budgeting (OSPB) submit in writing to the Joint Budget Committee and members of the General Assembly the contents of this Executive Order for reducing expenditures.

C. The following programs and services, totaling $102,993,375 in General Fund and Cash Funds, are suspended, in whole or in part, for the duration of this Executive Order through the end of Fiscal Year 2025-26. Note $500,000 for SBIRT is counted in this reduction and in transfers, so total savings from the below list is $102,493,375.

1. Department of Corrections (DOC)

    a. Three million six hundred eighty one thousand one hundred dollars ($3,681,100) appropriated for Medical Services Subprogram, Transgender Healthcare from the General Fund is suspended and not available for expenditure.

2. Department of Health Care Policy & Financing (HCPF)

    a. Fifty four million nine hundred forty thousand eight hundred fifty six dollars ($54,940,856) appropriated for Medical Services Premiums from the General Fund is suspended and not available for expenditure.

    b. Two million five hundred thousand dollars ($2,500,000) appropriated for Medical Services Premiums from the Adult Dental Fund is suspended and not available for expenditure.

    c. Sixteen million one hundred twenty thousand eight hundred ten dollars ($16,120,810) appropriated for Behavioral Health Capitation Payments from the General Fund is suspended and not available for expenditure.

    d. One million four hundred fifty thousand two hundred seventy nine dollars ($1,450,279) appropriated for Adult Comprehensive Services from the General Fund is suspended and not available for expenditure.

e. Three million dollars ($3,000,000) appropriated for Children's Extensive Support Services from the General Fund is suspended and not available for expenditure.

f. Five hundred thousand dollars ($500,000) appropriated for Screening, Brief Intervention, and Referral to Treatment Training Grant Program from the Marijuana Tax Cash Fund is suspended and not available for expenditure.

g. Five hundred thousand dollars ($500,000) appropriated for Reproductive Health Care for Individuals Not Eligible for Medicaid from the General Fund is suspended and not available for expenditure.

h. One hundred thirty one thousand two hundred fifty dollars ($131,250) appropriated for Health Benefits for Children Lacking Access Due to Immigration Status from the General Fund is suspended and not available for expenditure.

3. Department of Higher Education (CDHE)

a. Seven million five hundred sixty nine thousand seven hundred forty seven dollars ($7,569,747) appropriated for fee-for-service contracts with state institutions from the General Fund is suspended and not available for expenditure.

b. One million five hundred fifty thousand four hundred eighty one dollars ($1,550,481) appropriated for fee-for-service contracts with state institutions for specialty education programs from the General Fund is suspended and not available for expenditure.

c. Three million two hundred twenty thousand one hundred eighty eight dollars ($3,220,188) appropriated for limited purpose fee-for-service contracts with state institutions from the General Fund is suspended and not available for expenditure.

d. Ninety seven thousand eight hundred twenty dollars ($97,820) appropriated for Colorado Mountain College from the General Fund is suspended and not available for expenditure.

e. One hundred sixteen thousand one hundred fifty one dollars ($116,151) appropriated for Aims Community College from the General Fund is suspended and not available for expenditure.

f. One hundred sixty seven thousand seven hundred seventeen dollars ($167,717) appropriated for Area Technical Colleges from the General Fund is suspended and not available for expenditure.

4. Department of Human Services (CDHS)

   a. Two hundred one thousand eight hundred forty three dollars ($201,843) appropriated for Mental Health Institute at Fort Logan Personal Services from the General Fund is suspended and not available for expenditure.

   b. One million five hundred seven thousand five hundred twelve dollars ($1,507,512) appropriated for Mental Health Institute at Pueblo Personal Services from the General Fund is suspended and not available for expenditure.

5. Department of Information Technology (OIT)

   a. One hundred thousand one hundred twenty one dollars ($100,121) reappropriated for Enterprise Solutions from the Department of Local Affairs is suspended and not available for expenditure.

6. Department of Local Affairs (DOLA)

   a. One hundred thousand one hundred twenty one dollars ($100,121) appropriated for payments to the Office of Information Technology from the General Fund is suspended and not available for expenditure.

7. Department of Public Health & Environment (CDPHE)

   a. Two million dollars ($2,000,000) appropriated for Health Disparities Grants from the General Fund is suspended and not available for expenditure.

   b. Three million dollars ($3,000,000) appropriated for Distributions to Local Public Health Agencies from the General Fund is suspended and not available for expenditure.

8. Department of Revenue (DOR)

   a. Two hundred fifty thousand dollars ($250,000) appropriated for Executive Director’s Office Administration and Support Personal

Services from the General Fund is suspended and not available for expenditure.

b. One hundred twenty five thousand dollars ($125,000) appropriated for Executive Director's Office Administration and Support Operating Expenses from the General Fund is suspended and not available for expenditure.

c. One hundred twenty five thousand dollars ($125,000) appropriated for Executive Director's Office Administration and Support Leased Space from the General Fund is suspended and not available for expenditure.

d. One hundred thirty seven thousand five hundred dollars ($137,500) appropriated for Division of Motor Vehicles Driver Services Operating Expenses from the General Fund is suspended and not available for expenditure.

D. I direct the Office of the State Controller, within the Department of Personnel and Administration, to restrict the appropriations identified in Section II(C) in the State's accounting system to ensure the balances revert to the General Fund.

III. <u>Duration</u>

This Executive Order shall take effect on September 1, 2025, and shall expire on November 30, 2025, unless modified or rescinded by future Executive Order.

GIVEN under my hand and the Executive Seal of the State of Colorado this twenty-eighth day of August, 2025.

Jared Polis
Governor

Budget Savings Table

Department	Description	Savings	Notes
DOC	Right-sizing Transgender Healthcare Appropriation	-$3,681,100	Right-sizes the appropriation based on actual spending and anticipated future need with no cut to services.
HCPF	Accountable Care Collaborative (ACC) Incentive Reduction	-$750,000	Reduces payments to providers and Regional Accountable Entities for meeting performance outcomes.
HCPF	Adjust Community Connector rate to align with similar services	-$3,000,000	Adjusts rates to align with similar services
HCPF	Adjust pediatric behavioral therapy rates to 95% of the benchmark based on updated, current average rates	-$2,720,223	Reduces provider rates to reflect updated data from a benchmark analysis and adjust rates to 95% of the updated benchmark.
HCPF	Behavioral Health Incentive Reduction	-$3,000,000	Reduces payments to providers and Regional Accountable Entities for meeting performance outcomes for behavioral health.
HCPF	Continuous Coverage End	-$5,613,712	Ends provisions for continuous coverage for children to age 3, to align with expected loss of federal matching dollars
HCPF	Definitive Drug Testing	-$1,719,785	Implements prior authorization for utilization exceeding 16 tests per year, to align with best

Attachment B: Budget Savings Table

Department	Description	Savings	Notes
			practice
HCPF	Eliminate Cover All Coloradans Outreach	-$131,250	Eliminates funds for outreach with no reduction to services
HCPF	Eliminate the nursing facility minimum wage payment	-$4,359,961	Eliminates supplemental payments as the prevailing minimum wage has increased above $15/hr
HCPF	Immigrant Family Planning Reduction	-$500,000	Reduces a historically underspent appropriation with no expected impact to services
HCPF	Implement pre- and post-claim review of all pediatric autism behavioral therapy codes	-$7,000,000	Reviews pediatric autism behavioral health therapy codes to address recent dramatic increase in utilization
HCPF	Reduce dental provider rates	-$2,500,000	Reduces FY 2024-25 dental rate increase by 44%
HCPF	Reduce Individual Residential Services and Supports (IRSS) rate to align with host home rate	-$1,450,279	Aligns rates for similar services provided under IRSS and host home rates
HCPF	Reduction to the Access Stabilization Payments	-$1,500,000	Reduces payments to rural, small, and pediatric providers that do not receive cost-based reimbursements as part of the Accountable Care Collaborative.
HCPF	Reinstate prior authorization of outpatient psychotherapy for services that exceed clinical best	-$6,120,810	Reinstates prior authorization to align utilization with best practices for outpatient psychotherapy services

Attachment B: Budget Savings Table

Department	Description	Savings	Notes
	practices		
HCPF	Rollback FY 2024-25-26 1.6% provider rate increase	-$38,277,175	Maintains provider rates at the FY 2024-25 level by rolling back the 1.6% increase.
HCPF	SBIRT grants: Reduce training grants for screening and interventions related to substance use	-$500,000	Reduces SBIRT grants by 33%
CDHE	College Invest Transfer to the General Fund	-$9,200,000	Transfers available fund balance with no expected impact to programs in this fiscal year.
CDHE	Half-year reduction to limited purpose fee-for-service contracts (FFS) program	-$3,220,188	Reduces limited purpose fee-for-service contracts to the Institutions of Higher Education Governing Boards by 50%.
CDHE	IHE Operating Increase Reduction	-$9,501,916	Reduces 30% of the incremental increase for FY 2024-25-26 to IHE Governing Boards, SEPs, and LDCs/ATCs. Higher education institutions are still seeing a $22.1M increase in the current budget year relative to the previous year.
CDHS	Mental Health Hospitals Personal Services Reduction	-$1,709,355	Reduces General Fund for costs that can be supported by existing patient revenue. Therefore, it will not impact programs in this fiscal year.
CDLE	Disability Support Fund Transfer to the General Fund	-$5,000,000	Transfers available fund balance with no expected impact to programs in this fiscal year.

Attachment B: Budget Savings Table

Department	Description	Savings	Notes
DOLA	Additional Severance Tax Transfer to the General Fund (DOLA)	-$3,305,993	Transfers TABOR non-exempt tax revenue that was accrued in FY 2024-25. With higher levels of severance tax revenue projected for FY 2025-26 and FY 2026-27, the Department can absorb this sweep within its fund management plan to maintain stability and continuity of programs.
DOLA	Reduction to OIT Payments	-$100,121	Reflects lower need for Payments to OIT appropriation as building and modernizing work transitions to operations and maintenance
DNR	Additional Severance Tax Transfer to the General Fund (DNR)	-$3,305,992	Transfers TABOR non-exempt tax revenue that was accrued in FY 2024-25. The revised fund balance after this revenue sweep plus forecasted FY 2025-26 revenues are estimated to provide the necessary resources to manage programs at their current appropriation levels for FY 2025-26.
CDPHE	Community Impact Cash Fund Transfer to the General Fund	-$4,000,000	Transfers available fund balance with no expected impact to programs in this fiscal year.
CDPHE	Health Disparities Grant Reduction	-$2,000,000	Reduces grant funds by 31%
CDPHE	Mobile Home Park Water Quality Fund Transfer to the General Fund	-$3,000,000	Transfers available fund balance with no expected impact to programs in this fiscal year.

Attachment B: Budget Savings Table

Department	Description	Savings	Notes
CDPHE	Reduce Distributions to Local Public Health Agencies (LPHAs)	-$3,000,000	Reduces appropriation to LPHAs while still keeping it higher than historical levels
CDPHE	School and Child Care Clean Drinking Water Fund Transfer to the General Fund	-$4,000,000	Transfers available fund balance with no expected impact to programs in this fiscal year.
DOR	DMV Driver Services - Operating Expenses (6 month impact, -$0.275M ongoing)	-$137,500	Reduces administrative costs with no expected impacts to programs
DOR	Executive Director's Office Administration and Support	-$500,000	Reduces administrative costs with no expected impacts to programs
OEDIT	OEDIT Proposition 123 Transfer	-$105,000,000	Diverts Prop 123 funds from OEDIT to the GF. Per ballot language, Proposition 123 allows for a reduction in the income diversion amount when the state's revenues are below the TABOR cap. This reduction would maintain funds for OEDIT to maximize federal dollars, sustain housing tax credits, and ensure we hold gap financing opportunities harmless.
OEDIT	Small Business Recovery and Resiliency Fund Transfer to the General Fund	-$4,000,000	Transfers available fund balance with no expected impact to programs in this fiscal year
Statewide	Hiring Freeze	-$3,000,000	Reflects expected savings in Health Life Dental costs from the statewide hiring freeze ordered in Executive Order D 2025 009.

Attachment B: Budget Savings Table

Department	Description	Savings	Notes
Statewide	Refinance Discretionary Account of ARPA Refinance State Money Cash Fund Transfer to the General Fund	-$5,400,000	Transfers available fund balance with no expected impact to programs in this fiscal year
		-$252,205,360	

Attachment C: Budget Savings Detail for Institutes of Higher Education

Budget Savings Detail for Institutes of Higher Education

Institutions of Higher Education	Fee-for-service contracts	Fee-for-service contracts for specialty education programs	Limited purpose fee-for-service contracts	Total
Trustees of Adams State University	-$209,102	$0	-$32,500	**-$241,602**
Trustees of Colorado Mesa University	-$366,065	$0	-$107,500	**-$473,565**
Trustees of Metropolitan State University of Denver	-$773,402	$0	-$107,500	**-$880,902**
Trustees of Western Colorado University	-$184,314	$0	-$82,500	**-$266,814**
Board of Governors for the Colorado State University System	-$1,098,935	-$732,918	-$370,267	**-$2,202,120**
Trustees of Fort Lewis College	-$174,006	$0	-$32,500	**-$206,506**
Regents of the University of Colorado	-$1,773,976	-$817,563	-$2,216,082	**-$4,807,621**
Colorado School of Mines	-$279,200	$0	$0	**-$279,200**
University of Northern Colorado	-$516,000	$0	-$32,500	**-$548,500**
State Board for Community Colleges and Occupational	-$2,194,747	$0	-$238,840	**-$2,433,587**

Attachment C: Budget Savings Detail for Institutes of Higher Education

Institutions of Higher Education	Fee-for-service contracts	Fee-for-service contracts for specialty education programs	Limited purpose fee-for-service contracts	Total
Education State System Community Colleges				
Total	**-$7,569,747**	**-$1,550,481**	**-$3,220,188**	**-$12,340,416**