FY 2021-22 BUDGET REQUEST
Governor Jared Polis

Presentation to the Colorado School Finance Project
November 13, 2020
This budget includes three key elements that will boost Colorado’s economy and invest in our state’s future.

1. Restoring major reductions made to key areas in FY20-21 and ensuring essential services across government

2. Economic stimulus that will bridge us to recovery and helps us build back stronger -- investing in jobs and growth

3. Saving for the future
REVENUE UP, BUT DEFICITS REMAIN

- Colorado’s economy is improving but the forecast projects an annual operating deficit through FY23 (in red)

- One-time funds carried forward (in green) can be used to reduce deficits and stimulate the economy to help Colorado recover faster and better
Restoring major reductions made to key areas in FY20-21 and ensuring essential services across government
The Budget maintains essential services

- **Total Funds**: $35.4 Billion
  - +$3B / +9% above enacted
- **General Fund**: $13.6 Billion
  - +$2.3B / +20% above enacted
- **Agency operating budgets**: +7.3% above FY 2019-20
RESTORE MAJOR REDUCTIONS

- Restores and increases per pupil funding for education by $902 and returns the Budget Stabilization Factor to the FY 2019-20 level of $572M, leaving the funding gap at a nearly 11-year low of 6.6%
- Restores funding for higher education institutions to FY 2019-20 level and maintains financial aid for students who need it
- Restores funding for the PERA direct distribution to protect pensions for public servants
- Funds caseload needs in Medicaid and human services
- Invests in high need capital projects
RESTORE FUNDING FOR K-12

K-12 Budget Stabilization Factor reduced to nearly an 11-year low

Source: Colorado Department of Education
Economic Stimulus that will bridge us to recovery and helps us build Back Stronger -- investing in jobs and growth
### Economic Stimulus and Recovery Package

<table>
<thead>
<tr>
<th>Bridge to Recovery</th>
<th>$ in millions</th>
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</thead>
<tbody>
<tr>
<td>Benefits for low- and mid-income earners with job loss</td>
<td>$168</td>
</tr>
<tr>
<td>Winter support for small businesses hit by capacity restrictions</td>
<td>$105</td>
</tr>
<tr>
<td>Housing and rental assistance, direct benefits</td>
<td>$50</td>
</tr>
<tr>
<td>Sustainability payments for early childhood centers during low capacity</td>
<td>$50</td>
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<table>
<thead>
<tr>
<th>Building Back Stronger</th>
<th>$ in millions</th>
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</thead>
<tbody>
<tr>
<td>Create jobs by investing in shovel ready public works and infrastructure projects, including transportation, new “outdoor” economy</td>
<td>$220</td>
</tr>
<tr>
<td>Package of broadband investments for our new normal to give Colorado a competitive edge, including telehealth and education investments</td>
<td>$160</td>
</tr>
<tr>
<td>Upskilling and investment</td>
<td>$140</td>
</tr>
<tr>
<td>Strengthen wildfire response and reduce risks of climate change</td>
<td>$78</td>
</tr>
<tr>
<td>Investing in Behavioral Health, Promoting Social Equity, and Disease Response</td>
<td>$38</td>
</tr>
<tr>
<td>Capital</td>
<td>$48</td>
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</tbody>
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| Other Stimulus in FY 2021-22 budget                                               | $23            |
| Funding for one-time stimulus legislative priorities                              | $200           |
| TOTAL                                                                              | $1,280         |

- Package targeted to proposals with a high economic multiplier effect to strengthen economy
- Puts Coloradans back to work and invests in our state’s competitive advantage
- Not a given Colorado will remain a top economy, action needed
- We need to make strategic investments to recover quicker and build back stronger
Criteria for stimulus investments

- Is one-time spending that does not add to future deficits
- Spends out quickly in 12 to 18 months
- Has a high multiplier to stimulate the economy
- Makes an investment in the new economy of the future
- Shores up a challenge brought on by the crisis, with immediate relief for people and Colorado businesses
3

Saving for the future
INCREASE RESERVES TO 10%

- This recession will put pressure on our budgets for years to come
- Budget increases the State’s reserves to highest level on record (back to 1985)
  - General Fund reserves from 2.86% to 10% for FY 2021-22
  - Carries forward $1.26 billion to reduce the forecasted deficit in FY 2022-23 and protect against future uncertainty
  - Proposes a responsible savings package of $422 million ($272 million General Fund)
Stimulus is needed to recover lost economic growth

- Although Colorado’s economy is recovering, we have lost ground relative to where we were pre-recession
- Trajectory under both forecasts is a long haul to converge with where we were pre-recession
- Immediate stimulus is necessary to restart the growth of our economy and recover lost growth
Estimated impacts of $1.3 billion stimulus package

Even under conservative assumptions, a $1.3 billion stimulus package likely to yield:

- more than 10% boost in growth
- 10,000-15,000 jobs**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td>GDP estimate</td>
<td>-4.9%</td>
<td>+3.7%</td>
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<tr>
<td>Stimulus impact*</td>
<td></td>
<td>+0.4%</td>
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<tr>
<td>Total</td>
<td></td>
<td>+4.1%</td>
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<tr>
<td>% growth rate increase</td>
<td></td>
<td>11%</td>
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*based on Congressional Budget Office and Council of Economic Advisors multiplier estimates
**based on estimates from multiple sources including CBO, CEA, and IMPLAN