Colorado’s $30.3 billion coronavirus-sickened state budget explained in 10 numbers

The state budget includes a $200 million IOU for unspecified legislation that will eliminate tax breaks or raise fees, leaders said.

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John Frank

Colorado lawmakers will begin debate Monday on the $30.3 billion coronavirus-sickened state budget — and no one is happy.
“Do we love this budget? No,” said state Rep. Daneya Esgar, a Pueblo Democrat and chairwoman of the Joint Budget Committee. “This budget is hard. There are a lot of cuts in this budget.”

The cuts in the spending plan for the fiscal year that starts July 1 are unprecedented at 16% over two years and so are the moves lawmakers used to draft a budget.

The extraordinary nature of this year’s budget package is expected to generate significant debate. On Thursday, Democratic and Republican lawmakers peppered state budget writers with dozens of questions and expressed concerns about how the cuts were made. Earlier in the day, House Speaker KC Becker, D-Boulder, said in an interview the cuts were “brutal.”
The budget bill starts in the state House with two days of debate and votes before moving to the state Senate.

Here’s a look at the 10 most important budget numbers and how they will shape the debate to come.

### $3 billion

The number that loomed large in the deliberations on the state’s spending plan is the $3 billion estimated budget shortfall for the current and next fiscal year.

It’s the ballpark figure that emerged from two economic forecasts presented earlier in May showing a deficit that amounted to $2.7 billion or $3.1 billion compared to a year earlier. Colorado lawmakers took the more optimistic projections for a lower deficit, giving them $437.5 million more to spend in the budget.

Still, the new economic landscape represented quite a whiplash for lawmakers. When the legislative session began, economic projections showed an estimated $4 billion more for the current and next fiscal year than what lawmakers had to spend once the coronavirus crippled the economy.

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### $30.3 billion

The size of the state budget is a tricky figure to calculate. The legislative budget documents list the operating budget at $31.7 billion, but that includes:

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double-counted dollars and excludes spending on state capital construction projects.

Once you do the math, the state’s budget for fiscal year 2020–21 is $30.3 billion, according to The Colorado Sun’s analysis and confirmed by legislative budget analysts. It’s about 3% less overall compared to the prior year’s spending plan.

The largest portion of the total budget is the general fund at $10.9 billion. Fueled by state tax revenues, the general fund represents the discretionary spending that lawmakers approve each year.

All together, the state budget package spans 43 bills this year, the most in recent memory.

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$380.4 million

To balance the budget, it took more than just spending cuts. The legislative budget committee voted unanimously to pull $380.4 million from various state cash and trust funds, including money from BEST school construction, the unclaimed property trust fund and oil and gas severance taxes.

These diversions to the general fund lessened the amount of cuts lawmakers needed to make, but they generated controversy, too. The two Republican lawmakers on the budget committee voted against an additional $32 million in transfers. The additional transfers will move forward in separate legislation but are necessary for a balanced budget.
One of the most significant cash fund transfers came from marijuana tax revenue. A budget companion bill will change state law to allow spending the tax dollars in the same year they are collected, a one-time move that allowed for a larger transfer.

All told, the budget transfers $137 million from the account to cover other operational expenses, a significant shift in policy. The funds are traditionally earmarked for addressing enforcement and regulation of marijuana legalization, as well as related programs. In addition, to make the money available, lawmakers had to eliminate initiatives that relied on the money, including substance abuse treatment.

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For the first time, according to budget analysts, the lawmakers put an IOU in the budget. It’s a $202 million placeholder for unspecified legislation that will either reduce spending or increase state revenues through additional fees or taxes.

The $32 million in cash fund diversions that didn’t get unanimous support in the budget committee are expected to be part of this total.

But the other components are unclear, and Democratic leaders declined to offer specifics on their plans when pressed on the question.
“These are pretty unprecedented times and there just aren’t a whole lot more options that the JBC could take, and there are more obvious options that the legislature could take to balance the budget,” said Becker, the House speaker.

The move essentially means the budget is not balanced because it will take other legislation to do so. Republican Rep. Richard Champion blasted Democratic leaders for their approach. “Goodness gracious, that is horrible,” the first-term lawmaker from Columbine Valley said.

One option on the table is the temporary suspension of a tax break for older Coloradans and disabled veterans. The voter-approved senior homestead exemption allows those eligible to not pay taxes on 50% of the first $200,000 in actual value on their homes.

The state reimburses local governments for the lost property tax revenue and it is expected to cost $164 million next year. Even though some Republicans
lawmakers acknowledge it’s ballooned out of control, GOP lawmakers are expecting to fight to preserve the tax break. Rep. Lori Saine, R-Firestone, urged her colleagues to “find places to cut rather than balancing the budget on the back of our seniors.”

In 2010, amid the Great Recession, lawmakers suspended the tax break for three years to save state dollars.

36%

The single largest part of the state’s discretionary spending is K–12 education at more than 36%, or roughly $4 out of every $10 from the general fund.

So it’s no surprise that it took a big cut for the next year. The budget includes a $724 million reduction in state spending on education. The details on how the state makes the cuts will appear in the forthcoming School Finance Act.
The state constitution requires increases in education spending each year, but since the Great Recession, lawmakers couldn’t meet the obligation. And the cut could only add to the gap between what the state provides and what’s required — known as the negative or budget stabilization factor — which is currently $572 million.

“We are currently underfunding K-12 by the millions into billions of dollars from the last decade from not being able to pay off the BS factor,” acknowledged Rep. Julie McCluskie, a Democratic budget writer from Dillon.

93,137

The huge spike in unemployment and other economic factors are leading Gov. Jared Polis’ administration to forecast a surge in Medicaid, the health insurance program for low-income residents. In March, the monthly enrollments increased to 40,899. By June, the administration predicts the number will increase to 93,137.

The expected enrollment increase forced lawmakers to pump an additional $1.3 billion — including $393 million from the general fund — into the Department of Health Care Policy and Financing. The agency’s overall 12.4% budget boost is one of the only increases in the bill.

One move lawmakers took to compensate is to increase copays on the people in the program. The copay on prescription drugs will increase from $3 to $4 and physician visits will increase from $2 to $4. Other services — including dental and nonemergency medical transport — will get copays for the first time at $4.

Budget writers approved the move to save $8.8 million — including $2.1 million from the general fund — despite the fact department studies show that copay increases as little as $1 can reduce how often people utilize services, such as vaccinations, prescription drugs and preventative care.
One of the most profound effects of the spending cuts is how they devastated much of the Democratic agenda that Polis and lawmakers pushed in the 2019 session after winning the majority at the Capitol.

The budget includes cutbacks to nearly 100 new laws approved in the prior session and amounts to more than $140 million, according to a new analysis by The Colorado Sun. Even before now, the additional spending from the monumental 2019 session concerned budget writers, but the new programs were the first to be targeted.

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In some situations, the funding for the new initiatives was delayed or reduced, but in other cases, it was eliminated. Only a few managed to get money from other sources.

The cuts included money to build more roads, increase affordable housing, forgive student debt for teachers, address opioid abuse and boost treatment and mentor ninth graders in order to boost high school graduation rates.

In one of the tougher decisions for lawmakers, the budget bill suspends a $225 million payment designed to shore up the state’s pension system, known as PERA. The payment was put into law as part of a landmark deal to make the Colorado Public Employees’ Retirement Association solvent within 30 years. But now it will take an additional eight to 10 years because of the canceled payment, lawmakers said.
The move — outlined in House Bill 1379, a companion measure to the budget — includes another $48.9 million reduction in payments.

**Updated 7 a.m. May 29, 2020:** This story was updated to reflect the postponement of the legislative session to Monday, June 1 after protests rocked the Capitol. The budget debate is expected to begin when lawmakers return.

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