Colorado faces $6.8 billion coronavirus hit to state budget in coming years, new forecast projects

The financial landscape is worse than Colorado lawmakers were expecting after preliminary estimates suggested an immediate budget shortfall between $2 billion and $3 billion in the next few years.

MAY 12, 2020 9:19AM MDT

John Frank
The coronavirus is projected to deliver as much as a $6.8 billion hit to the state budget in the next three years, according to a new economic forecast released Tuesday, an alarming figure that will force Colorado lawmakers to make deep cuts to spending on education and health care and repeal priority initiatives.

The decline in tax revenue — compared to the December forecast from legislative economists — is driven by decreases in income and sales tax collections as the pandemic spikes unemployment spikes and suppresses the retail and tourism economy.

The negative number reverses a decade of growth in Colorado and is the first decline since the start of the Great Recession hit in the 2008–09 fiscal year.

“What has transpired over the last two month has been, in many ways, unimaginable,” said Kate Watkins, the chief legislative economist, in a presentation to state lawmakers.

The immediate focus is the $3.3 billion shortfall for the next year — which includes an $896 million deficit in the current budget. The shortfall will force...
lawmakers to cut 25% from how much they spent in the current year. The actual shortfall is slightly less because the numbers don’t include the $229 million reduction in state spending from governor’s action April 30.

The Polis administration presented a more optimistic economic outlook but still showed a $6.6 billion impact in the next three years. In the near term, the revenue is projected to fall $3.4 billion short from what Gov. Jared Polis proposed in November, or a $2.7 billion cut from the current year spending.

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The financial landscape is worse than Colorado lawmakers expected after preliminary estimates suggested an immediate budget shortfall between $2 billion and $3 billion.

So far, lawmakers approved about $700 million in cuts, according to a tally from the governor’s office, but deferred action on another $800 million. To balance the budget, lawmakers will need to go even deeper.

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AP  The Associated Press

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Moe Clark

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