Colorado lawmakers made billions in cuts to finish the budget. Now Gov. Polis may need to make even more.

The $30.3 billion state budget for the 2020-21 fiscal year left a slim reserve to cushion against economic fluctuations, putting the state on edge.

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John Frank
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$30.3 billion state budget after weeks of difficult work to close a $3 billion deficit. Instead of expressing relief at the finish line, the top legislative budget writer issued a warning.

“For those of you who haven’t heard the news flash, next year is going to be worse,” said state Rep. Daneya Esgar, the chairwoman of the Joint Budget Committee.

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The bad news may come sooner rather than later. On Friday, when new economic forecasts are released, Colorado lawmakers will find out if they left a large enough cushion on the bottom line to absorb revenue fluctuations.

If the projections from the Polis administration show tax revenue in the general fund — which covers core government operations — falling by half, the governor must implement immediate budget cuts by executive order.

The general fund reserve is just 3.07% for the current fiscal year and 2.86% for the one that begins July 1 — down from the prior level of 7.25%. That gives state budget writers barely any wiggle room. If the new economic project
from the governor’s office indicate a roughly $180 million decrease in revenue, it would force Polis to slash spending.

The small margin for error means that even if the June forecast is neutral or better, budget writers will remain on edge until they return in January. “It’s definitely an uncomfortable place as a budget writer,” said Sen. Rachel Zenzinger, a budget committee member and Democrat from Arvada.

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Democratic efforts to increase revenue fell short in the end

Despite the big cuts to major programs, the budget moved through the General Assembly with only a dozen changes. But other legislation needed to balance the state’s 2020–21 fiscal year budget only came together at the last minute and faced significant opposition.

Democrats struck a deal with the governor on House Bill 1420 to revoke four tax breaks and generate $179 million in new revenue needed to fill a gap in the budget — far less than originally proposed. And the school finance legislation left Democrats cringing as the negative factor in Colorado — which represents how much the state is underfunding K–12 education — ballooned to $1.2 billion, according to advocates.

Much of the moves used to balance the budget mirrored the actions taken during the Great Recession — such as reducing the reserve and sweeping money from various other accounts. The federal stimulus money built into the CARES Act served as an additional lifeline, and so did marijuana taxes, which were transferred to cover core services at the greatest level ever.
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The Democratic leaders decided against two other moves to generate more revenue and stave off cuts after Republicans in the minority expressed opposition. A resolution and related legislation drafted to declare a fiscal emergency and transfer money from tobacco taxes approved under Amendment 35 was introduced but never won approval.

And a measure pushed by Democrats to temporarily suspend the property tax break for seniors and disabled veterans never came to fruition.

Sen. Bob Rankin, a Republican budget writer from Carbondale, said his party deserves credit for blocking the efforts, particularly when it came to drawing a line in the sand against suspending the senior homestead exemption. “People had to think about it and campaigns are coming, so enough Democrats said they couldn’t vote for it,” he said.

Sen. Chris Hansen, D-Denver, said he called it “blatant political opportunism” because Democrats had to find ways to balance the budget and Republicans didn’t put forward their own ideas on where to cut.

“We had to balance the budget,” said Hansen, a former legislative budget writer. “That is the burden of majorities. It wasn’t easy, it wasn’t fun.”

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Looking ahead, the budget picture is a big question mark
At the end, the decision not to advance the fiscal emergency or pause the senior homestead tax break — combined with opposition from the governor to repealing other existing tax breaks in House Bill 1420 — forced lawmakers to shrink the reserves. The original budget bill package left 3.84% of the budget unspent for the next fiscal year but now it’s 2.86%.

The limited reserve is one reason budget writers are nervous about next year. It won’t replenish itself and the state is running out of tools to balance the budget. “We just did a lot of one-time budget tricks that we did just because we had to — and those will not be at our disposal next year,” said Zenzinger, a JBC member.

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Looking ahead, the legislature did approve two ballot questions that would help balance the budget in the future, if voters approve them. The first is a referendum on whether to repeal the Gallagher Amendment which is pinching local government budgets and trickling up to the state level. The second is a measure to increase tobacco taxes with the first dollars going toward the state budget before being earmarked for early childhood education in the future.

But first, lawmakers are keeping an eye on the new forecasts. Zenzinger said the numbers released Friday “will be especially important to how we envision the future.”

If they are near the current projections, “next year will be dire,” she said. “If it’s worse than expected, we will be in some serious trouble.”

Staff writer Jennifer Brown contributed to this report.
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