

Colorado State Budget Update

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2021 Session by the Numbers

- 678 bills, memorials & resolutions introduced
- 556 passed, 122 postponed indefinitely
- 3 different budgets (Long Bill, State Stimulus, ARPA Funding)
- Session had starts and stops as we all navigated the COVID pandemic

FY2021-22 State Budget

- Restoration of cuts made in SFY 20-21 due to the pandemic:
 - \$480 million to decrease the K-12 budget stabilization factor
 - \$473 million for higher education
 - \$124 million for transportation
 - \$100 million to the State Education Fund
 - \$1.5 billion for Colorado's reserve fund
- After the March 2021 Economic Forecast, the JBC ended up with a historic \$5.29 billion surplus, representing a nearly 11% increase from this year's budget.
- \$800M for state stimulus funding set aside

FY2021-22 State Budget

- One-time funding created challenges, but a few new items:
 - 3% across the board increase for state employee salaries
 - 2.5% across the board increase for community provider rates
 - \$87 million for SNAP benefits
 - \$48.2 million for disproportionate share hospitals
 - \$100 million to the Building Excellent Schools Today (BEST) Fund
 - \$380 million for future PERA direct distribution payments

“Colorado Comeback” State Stimulus Themes for \$800M

- Strengthening Small Business
- Revitalizing Infrastructure
- Supporting Families
- Investing in Rural Communities
- Developing Workforce

ARPA Federal Stimulus in Colorado: \$5.7 Billion

- \$5.7B for Colorado in total
- \$3.8B for the State through 2024
 - \$2.2B was committed in the 2021 session
 - \$1.8B spending plan will be decided in interim committees for the 2022 session
 - Funds will be heavily focused on expanding affordable housing and behavioral health programs
- \$1.1B for counties
 - \$551M for Denver metro counties
 - \$265M for rural local governments

ARPA Federal Stimulus State Spending

- Of the \$3.8 billion in federal funds, the following has been allocated this session:
 - \$1 billion for fortifying the state budget and making up for lost tax revenue
 - \$300 million for ongoing COVID-19 response
 - \$450 million for affordable housing and homeownership
 - \$450 million for mental and behavioral health programs
 - \$200 million for workforce development and education
 - \$817 million for economic recovery and relief.
 - \$400 million for transportation, infrastructure, parks and agriculture.

Interim Committees for ARPA Funds

- Two interim committees are currently meeting to develop plans for ARPA funds.
- Affordable Housing Transformational Task Force is developing plans to spend \$400 million to address the housing crisis.
- Behavioral Health Transformational Task Force is developing recommendations to spend \$450 million for one-time investments in behavioral health.
- Recommendations from both task forces expected before the beginning of the 2022 Session.

Tax Reform Bills

HB21-1311

Income Tax

Sponsors: Reps. Sirota and Weissman; Sens. Hansen and Moreno

The bill makes various changes to Colorado income tax policy, including taxable income additions and subtractions, income tax credits, corporate income tax policy, and the tax treatment of certain captive insurance companies. Most changes will impact the wealthy, capping their deductions on tax forms. The bill also seeks to add tax credits for low-income groups.

HB21-1312

Insurance Premium Property Sales Severance Tax

Sponsors: Reps. Weissman and Sirota; Sens. Hansen and Moreno

The bill makes changes to the state insurance premium tax, sales and use tax, and the severance tax. The bill is designed to eliminate tax breaks for insurance companies, diverting savings to low income individuals and small businesses through increased business personal property tax exemptions.

SB21-293

Property Tax Classification and Assessment Rates

Sponsors: Sens. Hansen and Rankin; Reps. Esgar and Gray

This bill is in response to conservative group Colorado Rising Action who is collecting signatures to refer a \$1 billion property tax cut, Initiative 27 on the 2021 November ballot. Many worry about what would happen to funding for school districts, fire departments and other public services if voters approve the initiative. SB 293 is lawmakers' solution. The bill provides \$200 million in property tax relief that would run for only two years. But in going from two classifications — commercial and personal property taxes — to six classifications, the bill undercuts Initiative 27 because the taxation categories it's based on would be outdated by November.

Looking Ahead

June 2021 Economic Forecast

- The forecast contained mostly good news for Colorado. The economic recovery continues and GDP now surpasses pre-pandemic levels.
- Due to higher than expected income tax collections, the General Assembly is projected to have a **\$3.2 billion surplus** for FY 2022-23.
- Most of the increase in revenue is one-time in nature.
- The General Assembly will continue to have growth in available revenue constrained by TABOR.

The Joint Budget Committee will hear the September 2021 Economic Forecast next week on Tuesday September 21, 2021.

Governor Polis releases his FY2022-23 Budget Proposal on November 1, 2021.

The 2022 legislative session begins on Wednesday, January 12, 2022.

Questions?