OPG Board meeting
Director Report
02.26.2025

Purpose: The Director Report will provide information about new matters, updates about the previous month's matters, and next steps for the following month. The Director will provide the Director Report to all Board members. Questions about the Director Report will be addressed at the Board meetings, if necessary. Board members are encouraged to reach out to the Director directly regarding any questions in between meetings.

- **Attachment 1**. COPG Monthly Budget as of 02.14.2025.
- **Attachment 2**. 02.12.2025 Meridian Public Affairs (our legislative liaisons) Update and JBC Memorandum Near- and Medium-term Projections.

I. **Budget and Administrative Update.**

a. COPG Monthly Budget. Mike Henthorn, Judicial Budget Analyst II, provided the monthly summary as of 02.14.2025. See **Attachment 1**.

b. Joint Budget Committee BC Hearing and FY2025 - 2026 Budget Request.
   1. **UPDATE**. MAP 02.12.2025 Update and Joint Budget Committee Memorandum. See **Attachment 2**.
      a. **The state's budget is unsustainable, with or without a recession.**
      b. Scenarios do not include Trump's potential impacts to Medicaid, etc.
      c. JBC will need to consider a long-term plan into 2030, including potential cuts to larger programs, such as K-12 and TABOR.
      d. COPG is weighing its strategy before figure-setting on 03.07.2025.

   2. **UPDATE**. Our Legislative Liaison, Amanda Gall, and I are scheduled to meet with JBC Analyst, Scott Thompson, on 02.26.2025, with invitations extended to Judicial Budget Analyst, Mike Henthorn, and ASIA Executive Director, Melissa Jamieson to ensure that Mr. Thompson is fully prepared for COPG's portion at figure-setting.

3. **UPDATE**. Colorado Fund for People with Disabilities informed me that the Next Fifty grant covering the SSA Rep Payee fee for older individuals was not renewed. This could result in added expenditure to our budget.

4. Judicial Budget Analyst, Mike Henthorn contacted me on 12.31.2024 and informed me that he was submitting a Budget Amendment – Attachment 1 for the lease instead of a Budget Supplement as he initially suggested earlier in 12.2024. I completed the Budget request and Mr. Henthorn submitted it to the JBC on 01.02.2025. Lease expenditure request is $190,000 in CASH FUNDS.
5. JBC Briefing on 12.09.2024 where the JBC Analyst, Scott Thompson, provided a briefing for COPG. There was confusion due to how the annualization was indicated on the Budget Request. Mike Henthorn provided updated Schedules 3D and 10 to show that the annualization of $748,844 is ***not*** extra CASH FUNDS.
6. We requested two Decision Items:
    a. $263,392 for 1.0 FTE Grants Specialist, a contracted Community Engagement Coordinator, and a contracted Data Scientist.
    b. $184,536 for Participant Enrichment Services.

c. UGCOPPA.
    1. **UPDATE**. UGCOPPA was introduced. Disability Rights Law Colorado is no longer involved. I provided a Fiscal Note impact to the Legislative Council Staff. It is our understanding that it will be pulled. The bill cannot survive on the fiscal note alone considering the state's budget situation.

d. Human Resources Update.
    i. Please recognize Josh Murphy's 1 year work anniversary as Staff Attorney.
    ii. America Paz Pastrana, Staff Assistant, resigned effective 02.14.2025. We posted for the position on 02.11.2025. Employer's Council HR Manager and KeAre' Rhea, Staff & Culture Leader, will be working together on the hiring and interviewing process.
    iii. As long as their background checks and CAPS check results are favorable, we have two guardians (2nd JD guardian and CMHI positions)

starting 02.24.2025 and we are in the process of filling the last vacant 2nd JD guardian position.

e. Legislation. So far, I have reviewed another 5 confidential bills and determined no fiscal impact on the COPG, except for UGCOPPA. I will continue to monitor as bills are introduced and sent to me by the Colorado Legislative Council Staff or as I learn of them.

f. Legal Administration. SA Murphy continues to assist with day-to-day legal matters, policy review, and mental health motions to intervene, etc. SA Murphy worked with the AG's Office on defining each of the Office's roles, which the AG's Office will memorialize in a Memorandum. SA Murphy is attending criminal and mental health cases. SA Murphy is reaching out to 16th Judicial District courts to renew our relationships for expansion. We completed a meeting with the 7th Judicial District court on 01.24.2025. I had a follow up email with the 7th Judicial District court on 02.11.2025.

g. Our article was peer reviewed and some minor editorial edits were requested. Those will be completed this weekend. Former Chair Deb Bennett-Woods, Research Assistant Grant Yoder and I are continuing with publishing our article based on the 2023 Report to the Legislature and have met several times. We are finalizing our article by 12.20.2024 to submit to the Journal of Aging and Social Policy before Christmas.

h. For this year's 2025 Annual National Guardianship Association Conference, I am part of the Public Guardianship Special Interest group planning committee. For the first time, we are trying to put together a Public Guardian track at the conference.
    1. I was asked to be part of a panel to present for a session entitled "Starting (or Restarting) a Public Guardian Program." Presentation submissions are due 02.28.2025.

i. Attorney General's Office Update – None.

j. Office of Administrative Services for Independent Agencies (ASIA) - None.
    1. I am assisting in evaluating candidates for ASIA's Manager, Budget and Financial Strategy position in February.

2. ASIA has scheduled monthly Board meetings, and Executive Director, Melissa Jamieson, is updating the Board every other week. The ED has had several meetings with SCAO, and other agencies as needed. It seems the goal is to set up ASIA as soon as possible as SCAO services are not available. The ED submitted a FY25-26 Budget Request to JBC to begin hiring ASIA staff.
3. I am serving as ASIA Board Vice-Chair again.
4. ASIA ED has been helpful in coordinating JBC Requests and the Judicial Branch Audit Management Letter.

II. **Colorado OPG Pilot Program Commission and Operating Policies Updates.** Please note that Commission and Operating Polices are available on the OPG website: https://colorado-opg.org/opg-in-depth/

a. **Trainings and Projects – Ongoing**. A list can be provided quarterly.

i. Ms. Villegas is a Physician Assistant with Longevity Health Plan, a specialized Medicare Advantage health plan serving people living in skilled nursing facilities. Next session on 01.22.2025 – Advanced Care Planning/DNR.
ii. 03.20.2025. Mental Health Transitional Living, CDHS.
iii. 03.14.2025. Brain Injury Alliance Conference.
iv. 04.16.2025. Easter Seals Training.

b. **Intake Eligibility, Prioritization and Referral Process**.

i. Update on number of registered users, referrals, accepted cases, etc. as of **02.18.2025**

1. 71 Active guardianships
2. 0 referrals pending in court proceedings
3. 0 Complete referrals
4. 1 Partial referral
5. 3 Registered referring parties
6. 34 clients passed away since COPG appointment
7. 1 Terminated – Successor Guardian
8. 1 Terminated – Client no longer meets the standard for continuing guardianship
9. 37 Hold status (now includes OBH/CHMI-Ft. Logan/Pueblo referrals that are non-OBH/Momentum contract referrals)
10. The OBH/Momentum dedicated caseload for one guardian is 12 guardianships; 11 are active (1 client passed and is included in the

total passed)

11. 7th Judicial District
    a. Accepted – 1 Montrose
    b. Declined Not incapacitated – 1 Delta
    c. Withdrawn due to AIP death – 1 Delta
    d. Declined No OPG Capacity – 1 Montrose
    e. Withdrawn – 2 Montrose
12. Declined referrals – pre-Hold status
    1. 147 Denver declined referrals (some declined were prior to establishing the Hold status)
        a. 10 - Family available to serve
        b. 64 - Expired/Incomplete information
        c. 13 – Not appropriate referral
        d. 5 - Not adult
        e. 3 – Not Indigent
        f. 4 - Withdrawn by Ft. Logan
        g. 12 - No OPG Capacity
        h. 4 - Withdrawn Death
        i. 11 - Withdrawn, not incapacitated
        j. 21 - Withdrawn, other Guardian Available non- Family member
    2. Texas inquiry - 1
    3. Nebraska referral - 1
    4. Alaska inquiries – 2
    5. Colorado inquiries – 23
13. 125 streamlined referrals (Non-Denver County) – Declined
    1. Adams County – 8
    2. Alamosa County - 1
    3. Arapahoe County – 21
    4. Baca – 1
    5. Boulder County – 9
    6. Broomfield County – 1
    7. Crowley – 1
    8. "Denver County" – 2
    9. El Paso County – 25
    10. Fremont - 1
    11. Garfield County – 1
    12. Gunnison County – 1

13. Huerfano County – 3
14. Jefferson County – 13
15. Lake County - 1
16. La Plata County – 2
17. Larimer County - 6
18. Las Animas County - 2
19. Mesa County – 1
20. Montrose County – 3 *
21. Otero County – 5
22. Pueblo County – 9
23. Weld County – 8

*Montrose County: Two referrals were declined prior to April 2023. 1 referral was declined in May 2023 due to the AIP residing in Otero County

III. **Stakeholder Outreach – Ongoing**. A list can be provided if requested.

a. 01.24.2025 meeting with 7th JD District Judge Mary Deganhart, Presiding Chief Judge Cory Jackson, and Court Executive Lesle German
b. 01.27.2025 phone call with 7th JD pro bono guardian Josie Mullaly regarding needed resources
c. 02.02.2025 meeting with UC Anschutz VESPA (Vulnerable Elder Services, Protection and Advocacy) Team regarding potential collaboration
d. 02.05.2025 emails and meeting with Linnea Edwards, Director, Ouray and San Miguel Counties CHS regarding potential referral
e. 02.12.2025 meeting with Bonnie Wright, Division Director, Mental Health Transitional Living, CDHS.
f. 03.06.2025: Decisions, Competency, and Guardianship – Colorado Health Care Association & Center for Assisted Living
g. I am presenting as part of a panel "First Generation Attorneys: Challenges & Superpowers" with the Colorado Attorney Mentoring Program (CAMP) in May 2025.
h. Monthly meetings with Ft. Logan Administration to improve partnership and care management.
i. SA Murphy and I will be assisting with the Pikes Peak (4th Judicial District) Nonprofessional Guardianship training program as needed.
j. COPG hosted Colorado Guardianship Association CLE Event on 01.14.2025 "Handling Ethical Issues in the Representation of Older Clients and their Families" by Letty Maxfield, Esq.

Attachment 2. FY24 OPG Budget Summary as of 02.14.2025

OPG PS and Operating - FY 2025 - Through 12/8/2024

	FY 2025			
	Budget	Budget	YTD Exp + Projection	Surplus / (Deficit)
YTD	PS	$1,481,499	$ 1,285,094	$196,405
Operating includes Indirect Costs and Legal Services	All Oper	$911,315	$ 393,188	$518,127
Total remaining in program line	Total Appr	$2,392,814	$1,678,282	$714,532

Cash Fund Balance

	FY23 Final	FY24 Final	FY25 Projected	FY26 Projected	FY27 Projected	FY28 Projected
Revenue	$1,119,689	$1,138,411	$1,161,179	$1,161,179	$1,161,179	$1,161,179
CDHS Transfer	$198,949	$197,393	$224,513	$230,126	$235,879	$241,776
Total Revenue	$1,318,638	$1,335,804	$1,385,692	$1,391,305	$1,397,058	$1,402,955
Total Exp	$1,244,279	$1,257,718	$1,678,282	$1,986,566	$2,046,163	$2,107,548
Net Change	$74,360	$78,086	($517,103)	($825,387)	($884,984)	($946,369)
Beg Fund Bal	$1,645,409	$1,719,769	$1,797,854	$1,280,751	$455,364	($429,620)
= Fund Balance	$1,719,769	$1,797,854	$1,280,751	$455,364	($429,620)	($1,375,989)

Salaries	Pos. #	Current Full Fill Salaries	Actual July	Actual August	Actual September	Actual October	Actual November	Projection December	Projection January	Projection February	Projection March	Projection April	Projection May	Projection June	Total Projected Annual Cost
Director	87001	$ 11,106	$ 11,106	$ 11,106	$ 11,106	$ 11,106	$ 11,106	$ 11,106	$ 11,106	$ 11,106	$ 11,106	$ 11,106	$ 11,106	$ 11,106	$ 133,272
Staff Assistant	87002	$ 5,153	$ 5,153	$ 5,153	$ 5,153	$ 5,153	$ 5,153	$ 5,153	$ 5,153	$ 5,153	$ 5,153	$ 5,153	$ 5,153	$ 5,153	$ 61,836
Guardian	87003	$ 5,305	$ 5,305	$ 2,894	$ 1,457	$ 4,134	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 56,045
Guardian	87004	$ 5,305	$ 5,305	$ 5,305	$ 1,263	$ 5,581	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 59,710
Vacant, Guardian	87005	$ 5,150	$ -	$ 5,741	$ 5,282	$ 3,826	$ -	$ -	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 46,542
Vacant, Guardian	87006	$ 5,150	$ -	$ 5,741	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 5,282	$ 58,561
Vacant, Guardian	87007	$ 5,150	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deputy Director	87008	$ 9,649	$ 9,649	$ 9,649	$ 9,649	$ 9,649	$ 9,649	$ 9,649	$ 9,649	$ 9,649	$ 9,649	$ 9,649	$ 9,649	$ 9,649	$ 115,788
CMHI, Guardian	87009	$ 5,150	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,150	$ 5,150	$ 5,150	$ 5,150	$ 5,150	$ 5,150	$ 30,900
CMHI Vacant, Guardian	87010	$ 5,150	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,150	$ 5,150	$ 5,150	$ 5,150	$ 5,150	$ 5,150	$ 30,900
Case Management Aide	87011	$ 4,915	$ 4,915	$ 4,915	$ 4,915	$ 4,915	$ 4,915	$ 4,915	$ 4,915	$ 4,915	$ 4,915	$ 4,915	$ 4,915	$ 4,915	$ 58,980
Guardian	87012	$ 5,443	$ 5,443	$ 5,443	$ 5,443	$ 5,443	$ 5,443	$ 5,443	$ 5,443	$ 5,443	$ 5,443	$ 5,443	$ 5,443	$ 5,443	$ 65,316
Guardian	87013	$ 5,305	$ 5,305	$ 5,305	$ 5,305	$ 5,305	$ 5,305	$ 5,305	$ 5,305	$ 5,305	$ 5,305	$ 5,305	$ 5,305	$ 5,305	$ 63,660
Legal Counsel	87014	$ 9,579	$ 9,579	$ 9,579	$ 9,579	$ 9,579	$ 9,579	$ 9,579	$ 9,579	$ 9,579	$ 9,579	$ 9,579	$ 9,579	$ 9,579	$ 114,948
Workforce Development Manager	87XXX	$ 7,460	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,460	$ 7,460	$ 7,460	$ 7,460	$ 7,460	$ 37,300
Leave Vacant, CMA	87XXX	$ 4,725	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,725	$ 4,725	$ 4,725	$ 4,725	$ 4,725	$ 4,725	$ 28,350
Total Salaries		**$ 99,695**	**$ 61,760**	**$ 70,831**	**$ 64,434**	**$ 69,974**	**$ 66,996**	**$ 66,996**	**$ 87,303**	**$ 94,763**	**$ 94,763**	**$ 94,763**	**$ 94,763**	**$ 94,763**	**$ 962,109**
Employee Benefits		**$ 32,940**	**$ 24,373**	**$ 26,602**	**$ 25,077**	**$ 25,629**	**$ 28,607**	**$ 27,528**	**$ 27,528**	**$ 27,528**	**$ 27,528**	**$ 27,528**	**$ 27,528**	**$ 27,528**	**$ 322,985**
Total Personal Services		$ 1,591,618	$ 86,133	$ 97,433	$ 89,511	$ 95,602	$ 95,603	$ 94,524	$ 114,831	$ 122,291	$ 122,291	$ 122,291	$ 122,291	$ 122,291	$ 1,285,094

Based on Prior Year Actuals

	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	Projection January	Projection February	Projection March	Projection April	Projection May	Projection June	YTD Total	Full-year Projection = YTD Actuals + PY Actuals
1920 -Other Professional Services	-	11,291	378	2,178	3,278	15,518	3,393	432	432	22,779	3,447	648	$ 11,291	$ 63,774
1935 - Attorneys	-		-				269	332	9	216	-	-	$ -	$ 825
1960 -Professional IT Services	650		-	1,300	650	650	1,158	1,045	550	550	-	1,666	$ 650	$ 8,218
2231 -IT Hardware & Software Maintenance & Repair Services	327	-	-	999	448	397	-	-	-	-	216	245	$ 327	$ 2,632
2255 -Rental of Meeting Rooms & Leased Space	4,000		-	18,775	-	8,528	-	12,050	-	4,300	4,800	4,000	$ 4,000	$ 56,453
2510 -General Travel (Employee)	-	1,208	76	2,285	342	1,431	31	895	137	442	530	2,789	$ 1,208	$ 10,168
2511 -Common Carrier Fares	-	267	267		108	267	-	-	-	-	-	274	$ 267	$ 1,183
2512 -Meals (Employee)	-	151	174	134	87	112	-	-	-	-	103	61	$ 151	$ 822
2513 -Mileage Reimbursement (Employee)	355	1,394	49	625	1,348	723	1,116	338	9	71	2,147	1,073	$ 1,748	$ 9,246
2530 -General Travel	-	-	-		1,895		48	-	-	-	-	-	$ -	$ 1,943
2531 -Common Carrier Fares	-	-	2,185		(572)		161	-	-	-	-	-	$ -	$ 1,774
2532 -Meals	-	-	-				36	-	-	-	-	-	$ -	$ 36
2533 - Mileage Reimbursement							56						$ -	$ 56
2610 -Advertising Services	-	758	1,711	745	254	344	578	82	514	599	704	1,610	$ 758	$ 7,899
2631 -Communication Services from Outside Sources	-	958	958	1,079	1,041	1,041	959	959	898	898	898	1,915	$ 958	$ 11,604
2641 -ADP Services from Outside Sources	11,140	-	-	15,490	6,295	5,135	27,005	-	8,615	-	12,505	2,815	$ 11,140	$ 89,000
2680 -Printing & Reproduction Services - Vendors	6	-	-	245	-	60	36	171	-	7	35	158	$ 6	$ 718
2690 -Legal Services	57,481	-	-		-	-	-	-	-	-	-	-	$ 57,481	$ 57,481
2820 -Monitoring Services	-	179	179	179	199	179	156	156	156	156	156	312	$ 179	$ 2,007
3110 -Identification & Safety Supplies	-	6	102			102	-	-	-	57	102	-	$ 6	$ 369
3118 -Food & Food Services Supplies	-	249	237	357	495	300	74	217	-	157	863	281	$ 249	$ 3,232
3121 -Case Jackets	230	44	66	73	44		-	293	252	-	414	-	$ 274	$ 1,415
3123 -Postage	2		-	51	45	135	25	104	-	20	70	32	$ 2	$ 483
3140 -Noncapitalized IT Software	-	-	-	1,900		-	-	$ 2,576	60	60	60	-	$ -	$ 4,655
3145 -Noncapitalized IT Purchases	504	160	-	1,007	4,128	508	14,072	826	443	443	4,032	1,643	$ 663	$ 27,765
4100 -Other Operating Expenditures				90										
4140 -Dues & Memberships	-	2,722	-		-	-	1,583	253	1,000	-	-	450	$ 2,722	$ 6,007
4170 -Miscellaneous Fees & Fines	-	20	28	28	-		10	-	10	30	-	1,373	$ 20	$ 1,499
4190 -Patient & Client Care - Excluding Housing	-	50	31										$ 50	$ 81
4220 -Registration Fees	-	2,590	258	20	300	56	-	-	-	-	93	-	$ 2,590	$ 3,317
4256 -Other Employee Benefits - Eco Pass	-	-	-		-	-	-	-	-	-	-	-	$ -	$ -
7200 - Indirect Costs	-	-	-	18,527	-	-	-	-	-	-	-	-	$ -	$ 18,527
Total	**$ 74,694**	**$ 22,045**	**$ 6,699**	**$ 66,087**	**$ 20,385**	**$ 35,485**	**$ 50,766**	**$ 20,728**	**$ 13,085**	**$ 30,784**	**$ 31,176**	**$ 21,345**	$ 96,739	$ 393,188
Total - YTD + Projections Program Line	**$ 160,827**	**$ 119,479**	**$ 96,210**	**$ 161,689**	**$ 115,988**	**$ 130,009**	**$ 165,597**	**$ 143,019**	**$ 135,376**	**$ 153,076**	**$ 153,467**	**$ 143,636**	**$ 1,678,282**	
												Over/(under) Program Line	**$714,532**	

MERIDIAN
PUBLIC AFFAIRS

Update on Potential 2025-26 Budget Shortfall

Joint Budget Committee

Chair
Sen. Jeff Bridges (D)

Vice-Chair
Rep. Shannon Bird (D)

Members
Sen. Judy Amabile (D)
Sen. Barbara Kirkmeyer (R)
Rep. Emily Sirota (D)
Rep. Rick Taggart (R)

Presenters:
JBC Staff Director Craig Harper
LCS Chief Economist Greg Sobetski

Relevant documents:
Budget shortfall memo

Context:

The signs that 2025-26 would be a very difficult budget year were apparent last spring, not long after the legislature approved the long bill for 2024-25. JBC Staff Director Craig Harper warned the committee about its heavy reliance on one-time funds for 2024-25.

But it took awhile for that reality to sink in, and it wasn't until after the September and December 2024 revenue forecasts that the situation became more apparent, at least for Joint Budget Committee members, if not other legislators. JBC members, especially Senators Jeff Bridges and Barbara Kirkmeyer, and Representative Shannon Bird to some extent, started repeatedly warning about "a billion dollar deficit" as they've tried to browbeat state agencies into suggesting and making budget cuts.

Recently, as JBC moved into figure setting, members have asked for an update on where they stood. The memo and presentation by Harper and LCS Chief Economist Greg Sobetski were in response to those requests.

Headlines for 2025-27 budget:

Harper and Sobetski provided updated information and a graphical presentation that used the familiar format of the LCS quarterly revenue forecast to illustrate the situation. (See the three slides at the end of the document linked at sidebar.)

But there were problems. First, members found the graphical explanation of the "big swap" confusing, saying it would be especially baffling for Republican caucus members. Second, the cost of the swap may ultimately be lower than shown in the memo. Third, Harper used the wrong figures to estimate the cost of state employees' health/life/dental costs in 2025-26.

(As a reminder, the 2024 session used more than $500 million in federal pandemic aid to pay employee salaries in three large state departments. That freed up state General Fund for use in various special programs that would have been funded by federal money. Lawmakers were worried that the original allocations of federal money to those programs couldn't be spent in time to meet federal deadlines. Converting those programs to GF meant the deadlines didn't have to be met. But, the swap was only for one year, so the JBC had to devote GF money to pay those salaries in 2025-26.)

All the complexities aside, here are the bottom lines:

- The state budget will go into the 2025-26 fiscal year with $304 million available to spend.
- However, historic or projected cost increases for Medicaid, K-12, higher education, community provider rates, state employee compensation and controlled maintenance, plus the projected $350 million cost of Proposition 130, will mean a shortfall of $1 billion to $1.3 billion. (The shortfall is defined as the amount the 15 percent GF reserve would be reduced.)
- Gov. Jared Polis' budget proposal includes several tactics – sale of Pinnacol, cash fund transfers, creation of enterprises and others – that the JBC hasn't accepted (and is skeptical about). But Harper and Sobetski estimate the adoption of the Governor's ideas would mean a shortfall of only $333 million.

The memo did highlight some of the uncertainties in the Governor's plan:

Uncertainty and Points to Consider – Staff notes significant uncertainty about the impact of some of these balancing proposals. Staff does not know whether the Pinnacol conversion would generate a $100 million General Fund benefit in FY 2025-26. Some of the other proposals also include significant complications. The severance tax restructure is complicated and the benefit is entirely dependent on anticipated severance tax revenues. Finally, the TABOR-related proposals (enterprises and cash fund revenues) only benefit the General Fund if the State is above the TABOR cap. Should a recession drive revenues below the cap, those proposals would provide no General Fund help.

So, despite the updated Harper and Sobetski analyses, JBC is basically in the same situation as it was before that report.

A grim future – Harper, working with an outside consultant, also developed some projections of the state budget through 2029-30. The review applied a "stress test" methodology to examine future trends. (JBC and LCS traditionally project no more than three years out.)

He presented three scenarios – no recession, mild recession, or serious recession. Harper's conclusions are sobering.

"We do have long-term structural challenges facing Colorado….Even without a recession you really need to bend the cost curves" or raise revenues.

At this point there was lots of discussion and questions about what tax credits and rebates would turn off in case of recession.

(Material below is quoted from Harper's written memo.)

Stress test conclusion on page 4:

Take-home Message – The budget appears to be on an unsustainable path. Without significant ongoing actions to reduce obligations and/or make additional revenues available, the State would exhaust the 15.0 percent General Fund reserve before FY 2029-30, even without a recession. The recession scenarios only accelerate the depletion of the reserve. Sustaining a viable reserve will require structural change to revenues and/or obligations.

Assumptions behind the out-year scenarios:

- Medicaid/Health Care Policy and Financing: General Fund obligations grow by inflation plus population plus 2.0 percent.
- K12 Education: Appropriations for the baseline scenario align with the phased implementation of H.B. 24-1448 as proposed by the Governor through FY 2025-26 R1/BA1 (including the changes to enrollment averaging) and modeled by LCS and JBC Staff. Under the recession scenarios, the new formula under H.B. 24-1448 "turns off" and school finance appropriations go back to the previous formula.

Assumptions behind the out-year scenarios continued:

- Higher Education: Appropriations grow by inflation plus 1.0 percent.
- Human Services: Appropriations grow by inflation plus population plus 1.0 percent.
- Corrections: Appropriations grow by inflation each year.
- Judicial: Appropriations grow by inflation plus population.
- All Other Departments: Appropriations grow by inflation plus population.

Baseline scenario:

As a percentage of appropriations, the reserve would fall to 8.0 percent by the end of FY 2027-28, to 3.2 percent in FY 2028-29, and would be gone in FY 2029-30. The State would be unable to accommodate projected General Fund obligations that year.

In short, the State cannot sustain “business as usual” under the assumptions outlined above, even in the absence of a recession. Clearly, sustaining a General Fund reserve will require ongoing, structural change to either make additional revenues available or “bend the cost curves” assumed for General Fund obligations.

Moderate recession scenario:

The moderate recession scenario reduces General Fund revenues by 6.6 percent in FY 2025-26, with a further reduction of 1.4 percent in FY 2026-27, before rebounding with 9.0 percent growth in FY 2028-29. Inflation also decreases each year relative to the baseline scenario, staying below 2.0 percent for FY 2026-27 through FY 2028-29 before returning to the baseline assumption of 3.0 percent in FY 2029-30. As a result, both General Fund revenues and the TABOR cap decrease relative to the baseline scenario.

Conclusions:

Staff hopes that this memorandum provides some additional context for the challenges facing the Committee and the General Assembly in planning for the budget for FY 2025-26 and beyond.

- The General Assembly faces near-term challenges for FY 2025-26. Sustaining the reserve in FY 2025-26 will require significant reductions in obligations and/or the availability of additional revenues. The stress test scenarios make clear that those changes need to be structural and ongoing; reasonable projections of “business as usual” obligations would exhaust the reserve even outside of a recessionary scenario.
- Based on that, maintaining a General Fund reserve going forward will require ongoing structural change. One-time changes can help with the “soft landing” discussed by the Committee – but they will need to be part of longer-term plan.
- The strains on the budget also highlight the difficulty of “refilling” the reserve, especially if the reserve is depleted outside of a recession. The state is clearly facing a long-term/structural challenge and would have to reduce obligations well below annual revenues in order to refill the reserve. This is unlikely to happen.
- Staff hopes that the stress test facilitates longer-term planning that has always been difficult without a clear tool to visualize potential scenarios.

At 3:30 p.m. Bridges called a five-minute recess for the JBC “to digest this terrible news we’ve just received.”

One more thing:

None of the scenarios discussed at this session considered the possible impacts of radical changes that might be pushed by the Trump administration, such as cutbacks in Medicaid and CHP+. Obviously, those could have dramatic impacts on the state budget beyond Colorado’s unique structural problems.

Joint Budget Committee Staff

Memorandum

To:	Joint Budget Committee Members
From:	Craig Harper, JBC Staff Director
	Greg Sobetski, Legislative Council Staff Chief Economist
Date:	Wednesday, February 12, 2025
Subject:	Near- and Medium-term Fiscal Projections

This memorandum, a joint effort between JBC Staff and Legislative Council Staff (LCS), responds to questions from the Committee and other members of the General Assembly. The memo and the accompanying visuals seek to capture the magnitude of the projected shortfall for FY 2025-26 and the impact of the "structural deficit" on the State's budget in FY 2025-26 and beyond. To that end, it includes two sections: (1) a look at the near-term challenges for the FY 2025-26 budget (with visual aids from built by LCS); and (2) a medium-term assessment of the strains on the budget through FY 2029-30 using a "Budget Stress Test."

Near-term: The shortfall for FY 2025-26

Barring additional action to either reduce obligations and/or make additional General Fund available, sustaining current (FY 2024-25) appropriations in FY 2025-26 leaves little room for General Fund increases. JBC Staff and LCS collaborated to produce three scenarios to illustrate the challenges for FY 2025-26.

JBC Staff Scenario A: Current Law

Scenario A holds General Fund appropriations constant at FY 2024-25 levels (including the supplemental package) and then adds $587.2 million to reverse the "Big Swap" of personal services funds in Corrections, Human Services, and Judicial. The scenario then overlays the December 2024 LCS forecast assumptions for revenues and other General Fund obligations (transfers under current law, TABOR refund obligations, etc.).

<u>This scenario leaves about $303.6 million available for potential increases in FY 2025-26</u> (see JBC Staff Scenario A in the accompanying slides).

- The scenario starts with an "excess reserve" of $1.161 billion based on the December 2024 LCS forecast. The supplemental package adds $84.6 million in General Fund appropriations for FY 2024-25 (reducing the excess reserve by that amount) – and then continues that impact in FY 2025-26. So, after accounting for the impact of the supplemental package, the excess reserve falls to $1.0 billion.

- Reversing the Big Swap of personal services funding (shown as "ARPA Rolloff") requires another $587.2 million.
- The adjustments for the FY 2024-25 supplemental package and the reversal of the Big Swap also increases the reserve requirement by $100.8 million (15.0 percent of the increase), reducing the excess reserve to $303.6 million.
- As discussed in Scenario B below, that is not enough to fund the current projection for Medicaid caseload alone (an increase of $334.7 million General Fund), much less caseload across all departments, employee compensation, provider rates, etc.

JBC Staff Scenario B: Adding the Big Buckets

JBC Staff Scenario A leaves $303.6 million available for additional General Fund obligations before accounting for any increases necessary for caseload or other purposes in FY 2025-26. This is well short of projected obligations for FY 2025-26 for caseload alone.

Adding in projected costs for caseload, higher education, state employee salary and benefits, private provider rates, and controlled maintenance would take the reserve more than $1.3 billion below the 15.0 percent requirement (see JBC Staff Scenario B in the accompanying slides). The "big buckets" of additional costs for FY 2025-26 include:

- $334.7 million General Fund currently requested for Medicaid in FY 2025-26. This amount may increase with the February 2025 request – but even the current estimate exceeds the *total* excess reserve for FY 2025-26 under Scenario A.
- $276.9 million for projected Health, Life, and Dental costs plus an additional $54.1 million for salary increases to align with the Colorado WINS agreement.
- $125.6 million for school finance and the Department of Education.
- $80.4 million for an estimated 2.0 percent provider rate increase (similar to the policy adopted for FY 2024-25).
- $62.5 million for higher education (a revised estimate of the institution's minimum costs model).

These amounts do not include the $78.3 million increase requested by the Judicial Branch for FY 2025-26. But it is already clear that the there is not sufficient revenue available to support these needs and sustain the General Fund reserve. The listed items would increase General Fund appropriations by $934.3 million above JBC Staff Scenario A, increasing the reserve requirement by 15.0 percent of that amount, or $140.1 million

Additionally, JBC Staff Scenario B includes the following transfers from the General Fund (also not included in Scenario A):

- $202.6 million for controlled maintenance, based on the recommended metric of 1.0 percent of replacement value.
- $350.0 million transferred to the Peace Officer Training and Support Fund under Proposition 130.

Governor's Request

The final scenario for FY 2025-26 illustrates the Governor's request.[1] Facing the dynamics illustrated in scenarios A and B, the Governor's request includes a number of proposals to reduce General Fund obligations *and* to make additional General Fund available. As shown in the Governor's Request slide, those changes have taken a number of forms:

- The request includes more than $130 million in additional *transfers into* the General Fund in FY 2024-25 and at least $200.8 million in FY 2025-26 (staff expects this number to continue to increase through reconciliation with OSPB).
- The request assumes a $100.0 million benefit from the Pinnacol conversion in FY 2025-26.
- The request includes a tax credit package that would phase out a number of tax credits (increasing General Fund revenues as well as the TABOR refund obligation by an estimated $83.3 million in FY 2025-26).
- However, the request offsets that increase in the TABOR refund with a number of adjustments to TABOR enterprises and cash fund revenue reductions that would reduce TABOR revenues (and thus the refund obligation) by an estimated $151.7 million.
- If the request stopped there then it would balance under the December LCS forecast, ending about $21.9 million above the reserve requirement.
- However, the Governor's January 2 submittal letter also includes a legislative placeholder to transfer $350.0 million out of the General Fund in response to the passage of Proposition 130. Combined with an additional transfer of $5.0 million proposed for "State Protection Funding," those transfers would take the General Fund an estimated $333.1 million below the 15.0 percent reserve requirement for FY 2025-26.

Uncertainty and Points to Consider

Staff notes significant uncertainty about the impact of some of these balancing proposals. Staff does not know whether the Pinnacol conversion would generate a $100 million General Fund benefit in FY 2025-26. Some of the other proposals also include significant complications. The severance tax restructure is complicated and the benefit is entirely dependent on anticipated severance tax revenues. Finally, the TABOR-related proposals (enterprises and cash fund revenues) only benefit the General Fund if the State is above the TABOR cap. Should a recession drive revenues below the cap, those proposals would provide no General Fund help.

Medium-term: Budget Stress Test through FY 2029-30

JBC Staff is also working with LCS to look at longer-term projections. For this purpose, the staff agencies are using a "Stress Test" originally created by a consulting firm in Colorado and built to

[1] JBC Staff and OSPB are still working to ensure alignment with the many moving parts in the Governor's request. Staff expects additional minor adjustments – but they would not change the dynamic portrayed here.

capture the unique circumstances of Colorado's budget.[2] Stress tests are designed to assess the fiscal health and stability of state budgets over a multi-year period and under multiple economic scenarios. This is a tool to visualize the budget under a variety of scenarios; it does not replace the detailed revenue forecasts and General Fund overviews used for detailed balancing decisions in a given year.

The Colorado test includes projections for five years (through FY 2029-30), allowing analysis beyond the standard three-year forecast window. Obviously, uncertainty increases significantly in the outyears. Again, it is an illustrative tool and not a prediction.

The test allows for visualizations under three scenarios:

- A *baseline* scenario that extends beyond the revenue forecast window *without a recession.*
- A *moderate recession* scenario with a 6.6 percent decrease in General Fund revenues hitting in FY 2025-26. The moderate recession scenario reflects roughly half the impact of the severe recession scenario (below).
- A *severe recession* scenario with a 13.2 percent decline in General Fund revenues in FY 2025-26. The severe recession scenario mirrors the revenue contractions and inflationary pressure experienced following the 2001 recession.

JBC Staff has updated the stress test to incorporate the December 2024 LCS revenue forecast, the impact of the FY 2024-25 supplemental package, and the impacts of the Governor's request for FY 2025-26 (including changes to revenues, appropriations, transfers in and out of the General Fund, and adjustments impacting the TABOR refund).[3]

Take-home Message: The budget appears to be on an unsustainable path. Without significant *ongoing* actions to reduce obligations and/or make additional revenues available, the State would exhaust the 15.0 percent General Fund reserve before FY 2029-30, even without a recession. The recession scenarios only accelerate the depletion of the reserve. Sustaining a viable reserve will require structural change to revenues and/or obligations.

For the purposes of this document, staff is only showing the "baseline" and "moderate recession" scenarios, as those illustrate the challenges facing the State – and the severe recession is just worse.

General Fund Obligation Assumptions

Assumptions for FY 2024-25 and FY 2025-26 align with current law as adjusted by the supplemental package and the Governor's request. For the outyear projections, all scenarios

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[2] Pew Charitable Trusts has funded the creation of stress tests in a number of states. They contracted with Bright Fox Analytics to create the test for Colorado.

[3] Staff continues to reconcile with OSPB and expects ongoing refinements to the General Fund Overview and to the stress test.

assume the following expenditure increases. While the assumptions are rough, JBC Staff agrees that these are reasonable assumptions based on historic trends.

- *Medicaid/Health Care Policy and Financing:* General Fund obligations grow by inflation plus population plus 2.0 percent.
- *K12 Education:* Appropriations for the baseline scenario align with the phased implementation of H.B. 24-1448 *as proposed by the Governor through FY 2025-26 R1/BA1* (including the changes to enrollment averaging) and modeled by LCS and JBC Staff. Under the recession scenarios, the new formula under H.B. 24-1448 “turns off” and school finance appropriations go back to the previous formula.
- *Higher Education:* Appropriations grow by inflation plus 1.0 percent.
- *Human Services:* Appropriations grow by inflation plus population plus 1.0 percent.
- *Corrections:* Appropriations grow by inflation each year.
- *Judicial:* Appropriations grow by inflation plus population.
- *All Other Departments:* Appropriations grow by inflation plus population.

Baseline Scenario

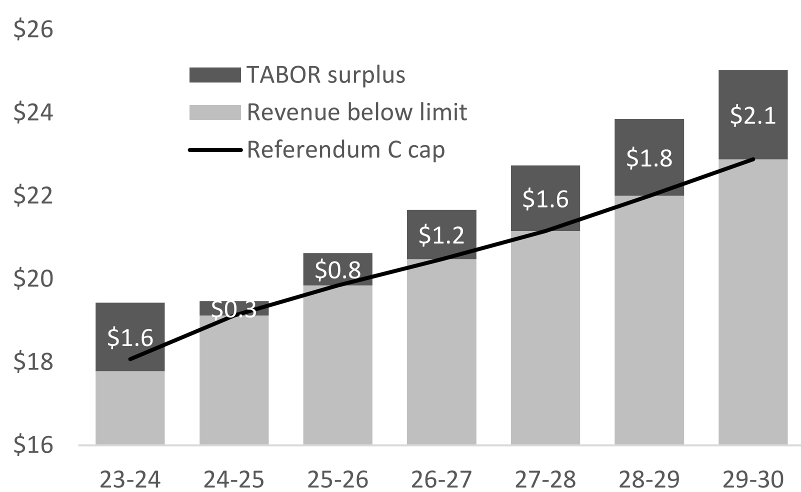
This scenario assumes a 5.0 percent annual increase in General Fund revenues and a 3.0 percent rate of inflation beyond the forecast period (FY 2027-28 through FY 2029-30).

General Fund revenues exceed the TABOR/Referendum C cap throughout the forecast period, with significant TABOR refunds anticipated each year (see Figure 1).

However, as shown in Figure 2 on the following page, projected General Fund appropriations and obligations (under the expenditure assumptions outlined above) would require the use of the General Fund reserve each year. <u>The reserve would be exhausted entirely before the end of the projection window</u>.

As a percentage of appropriations, the reserve would fall to 8.0 percent by the end of FY 2027-28, to 3.2 percent in FY 2028-29, and would

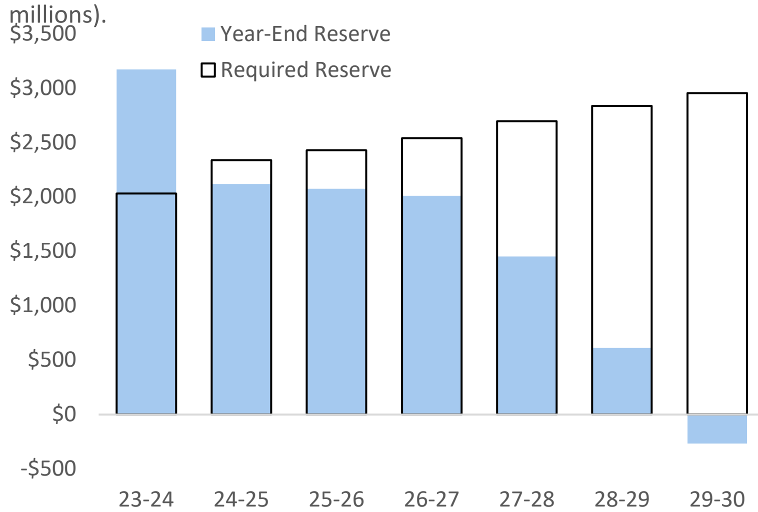
Figure 1: Under the baseline scenario, revenues would exceed the TABOR cap each year ($ in billions).



be gone in FY 2029-30. The State would be unable to accommodate projected General Fund obligations that year.

In short, the State cannot sustain "business as usual" under the assumptions outlined above, even in the absence of a recession. Clearly, sustaining a General Fund reserve will require ongoing, structural change to either make additional revenues available or "bend the cost curves" assumed for General Fund obligations.

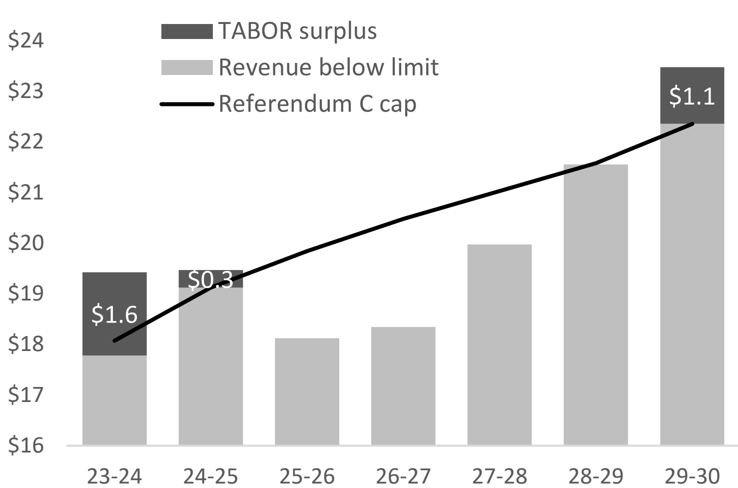
Figure 2: Projected General Fund obligations would exhaust the reserve even without a recession ($ in millions).



Moderate Recession Scenario

The moderate recession scenario reduces General Fund revenues by 6.6 percent in FY 2025-26, with a further reduction of 1.4 percent in FY 2026-27, before rebounding with 9.0 percent growth in FY 2028-29. Inflation also decreases each year relative to the baseline scenario, staying below 2.0 percent for FY 2026-27 through FY 2028-29 before returning to the baseline assumption of 3.0 percent in FY 2029-30. As a result, both General Fund revenues and the TABOR cap decrease relative to the baseline scenario (see figure 3).

Figure 3: Under a moderate recession, revenues fall well below the (decreased) TABOR cap ($ in billions).

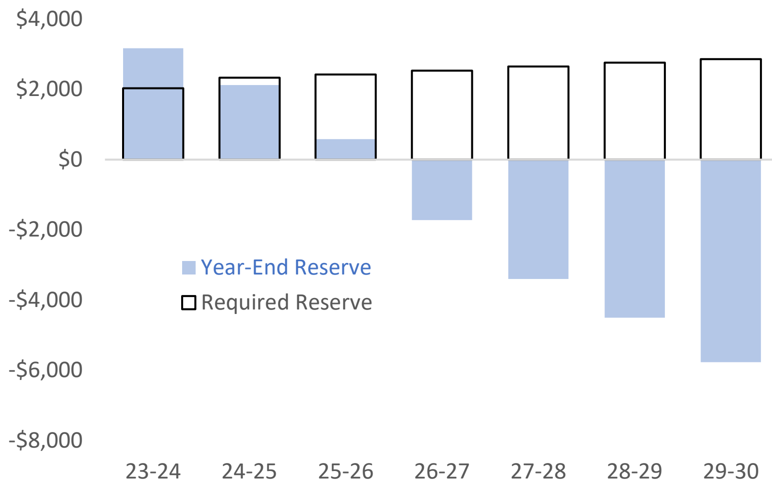


Under the recession scenario, K12 education obligations for school finance fall below the baseline scenario for several reasons. Most importantly, the test "turns off" the new school finance formula created in H.B. 24-1448. In addition, the lower inflation rate decreases pressure on school finance associated with Amendment 23 (which requires statewide base per pupil funding to increase by at least the rate of inflation each year).

However, not surprisingly, even with those adjustments the decrease in revenue under this scenario places increased strain on the General Fund. As shown in figure 4, these projections anticipate that the General Fund reserve would fall to 3.6 percent of appropriations in FY 2025-26 and be exhausted completely in FY 2026-27.

It is worth noting that the reserve cannot "go negative." Both figure 2 and figure 4 show the reserve falling below $0 as an indication of what would be necessary to sustain appropriations. That is not actually possible. However, the figures do provide a useful visual indication of the strain on the General Fund.

Figure 4: A moderate recession would exhaust the reserve entirely in FY 2026-27 ($in millions).



Conclusions

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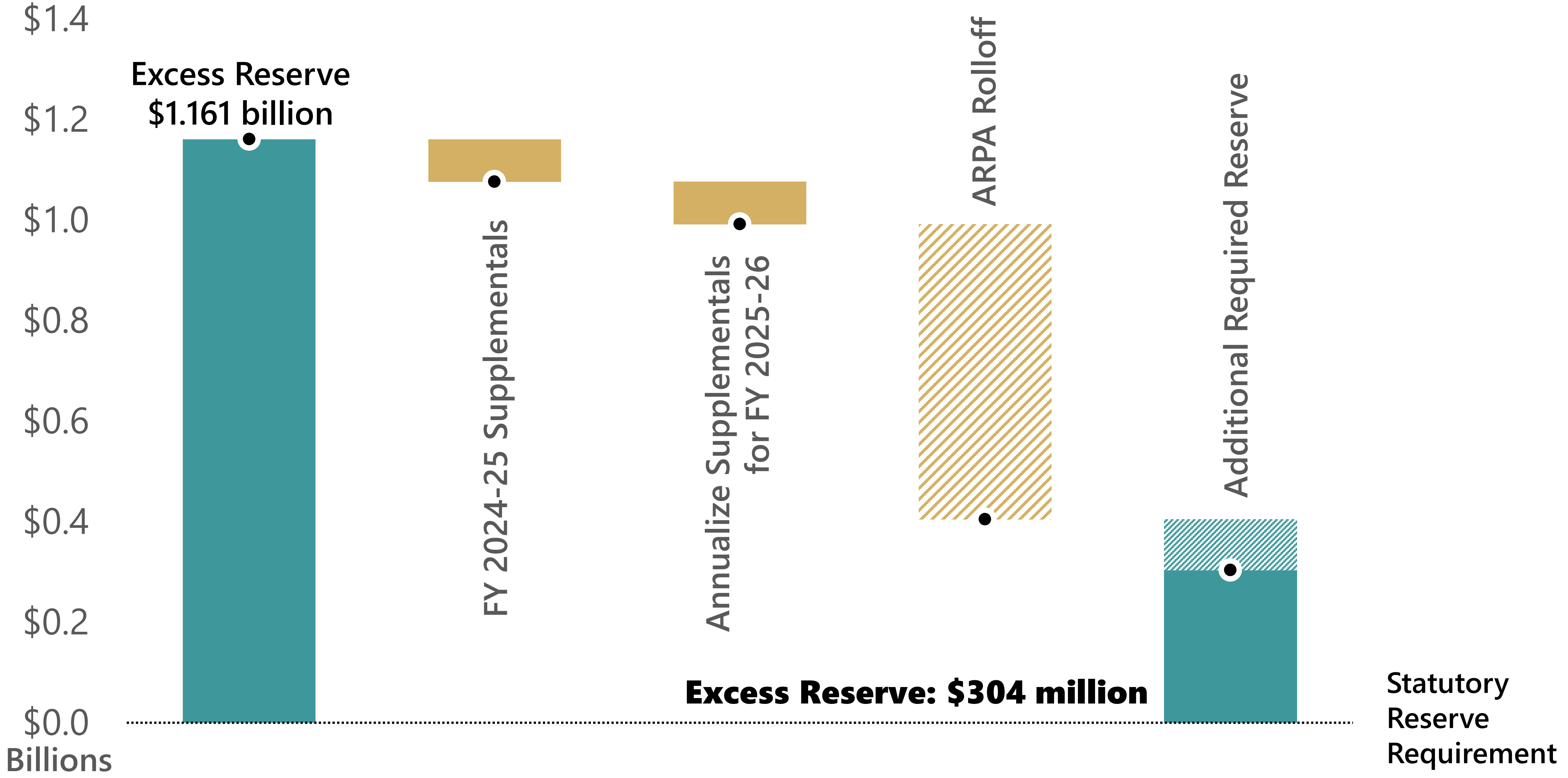
- Staff hopes that the stress test facilitate longer-term planning that has always been difficult without a clear tool to visualize potential scenarios.

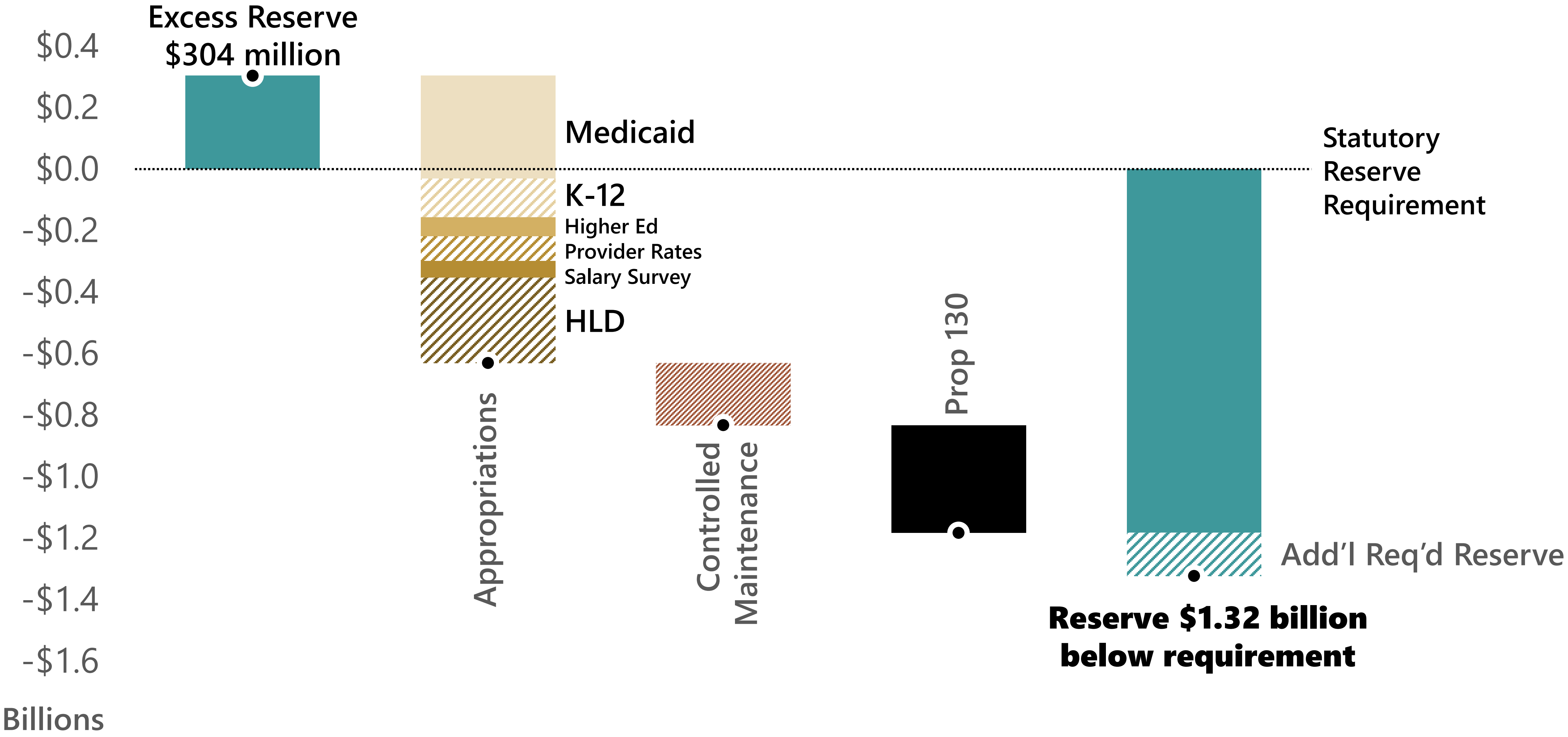
JBC Staff Scenario A

Incorporates Supplemental Package, ARPA Rolloff, Capital Transfer Placeholders



JBC Staff Scenario B

Incorporates FY 2025-26 Budget Drivers, Controlled Maintenance, and Prop 130



Governor's Request

Incorporates All Placeholders in Governor's Request and Prop 130