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FALLOUT FROM TRUMP TAX BILL

Polis details plans to close budget gap

Governor cut \$103M, took rest from cash, rainy-day accounts

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Gov. Jared Polis ordered \$103 million in cuts to spending across agencies and the sweeping of \$146 million from state cash accounts Thursday to help plug the rest of the state's large budget deficit.

He also plans to use up to \$328 million from the state's rainy-day account as the final part of a three-pronged plan to close the projected \$783 million budget gap for the current fiscal year.

His announcement of those actions followed a special session in which the legislature passed changes to state income tax breaks and other legislation that will raise money to help address the impact of the federal tax and spending law passed by Congress and President Donald Trump last month.

Some of Polis' specified cuts slashed from the deficit — such as nearly \$55 million from the department that oversees the Medicaid program — and some merely snipped from it, including a \$98,000 cut from Colorado Mountain College.

But he noted that the earlier work by the legislature meant public safety and K-12 education went untouched.

He made the cuts through an executive order. They include halting a pay increase to health care providers who serve low-income Coloradans, just months after an increase in rates had taken effect. And there are more than \$12 million in canceled higher-education contracts and a \$5 million cut from the Colorado Department of Public Health and Environment. About \$100 million in cash is being taken from a voter-approved housing fund.

Other cuts are in the low six figures. One eliminates \$131,000 that was slated for outreach as part of a program to provide health benefits for children who are undocumented immigrants.

Polis said the goal was "to minimize the damage of H.R. 1 referring to the federal spending and tax cut bill formerly known as the "One Big Beautiful Bill Act."

"While we succeeded in holding K-12 schools harmless, public safety harmless, the rest of the cuts are spread around," Polis said. "Nothing is singled out."

Sen. Judy Amabile, a Boulder Democrat who serves on the legislature's Joint Budget Committee, called the governor's cuts "pretty balanced" and "thoughtful," although she lamented the state needing to make the cuts.

Amabile singled out cuts to behavioral health services as likely having downstream consequences that may create greater financial costs in the long run, not to mention the human cost of people losing out on services.

"While I am worried about some of the cuts, I understand that we just needed to make some hard choices today," Amabile said. "We'll go back in January (when the legislature normally meets), and we'll figure out ... what things are OK to cut and what we need to mitigate."

'It will impact everyone'

Sen. Barbara Kirkmeyer, however, bashed Polis for cutting the rates paid to health care providers who serve Coloradans on Medicaid. During the normal budget process, Polis had proposed leaving those rates flat this year, only for the budget committee to overrule him and give those providers a 1.6% pay bump.

$$\begin{array}{r} \$146 \\ 103 \\ \hline \$249 \\ 328 \\ \hline 577 \end{array}$$

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"If those providers go away — because they're not getting paid enough — it will take years before we start building that back up again," said Kirkmeyer, a Brighton Republican on the committee. "It will impact everyone, not just make it harder for low-income people. It'll make it harder for everybody because it will put even more stress on the health care infrastructure system."

During the special session, Kirkmeyer had sought to freeze tax rebates during tight budget years, including those aimed at the lowest-income Coloradans. She renewed that call after a presentation from the governor Thursday and criticized him for not taking up that mantle.

The federal tax bill's trickle-down impact on state income tax revenue created the shortfall, which amounted to more than 4.5% of the general fund budget for the fiscal year that began July 1.

The cuts announced Thursday follow Tuesday's end of the latest legislative session, where the Democratic majority, over six days, passed bills to cut about \$150 million in tax incentives for businesses. It also authorized the sale of \$100 million in tax credits that would count against collections in future years.

The \$250 million in estimated new revenue from those bills left the state with about \$500 million it still needed to find.

Polis to send pens to GOP U.S. reps

The legislative actions — the last of which Polis signed into law Thursday — fell in line with the plan outlined by state leaders this month: About a third of the \$783 million deficit would be addressed with new revenue, another third by midyear spending cuts put in place by Polis and the final third by dipping into the state's rainy-day fund.

All told, the measures put in place will have an estimated impact of nearly \$830 million, allowing for some extra cushion.

Colorado was particularly vulnerable to the federal tax changes enacted by Republicans because it uses rolling compliance with the federal tax code, meaning that the state felt the effects on state income taxes immediately.

Polis squarely blamed Colorado's congressional Republicans for the budget cuts. At his morning news conference announcing his plan, he said he would send ceremonial signing pens to all four of them — a move usually reserved to honor people who instigated or worked closely to pass a state bill into law.

Delanie Bomar, a spokesperson for Rep. Gabe Evans, a Weld County Republican who represents Colorado's most competitive congressional district, countered: "It's no wonder Democrats are seen as weak and message-less when their toughest move is mailing a pen. Next time he should join Congressman Gabe Evans in fighting for working families, protecting the longevity of Medicaid, and cutting taxes on tips and overtime."

In a statement, Rep. Jeff Crank, a Colorado Springs Republican, said Polis and the Democratic legislature "need to get serious about spending."

"Maybe if they didn't spend so much on their woke agenda and taking care of illegal immigrants, they wouldn't be in such a bind," Crank said. "I look forward to returning the pen back to sender."