

The Pew Charitable Trusts' 2023 report "Tools for Sustainable State Budgeting" examines whether and how states are using long-term budget assessments and budget stress tests to measure and strengthen their fiscal outlooks.¹ This is one of 20 fact sheets describing the approaches of and opportunities to improve for each state that produces at least one of these analyses.²



Colorado: Tools for Sustainable State Budgeting

Long-term budget assessment:

Budget stress test:

Report: "FY 2022-23 Long-Range Financial Plan Executive Summary"³

Office: Office of State Planning and Budgeting

Analyses

A 2018 Colorado law required state agencies to submit annual long-range financial plans to the General Assembly's Joint Budget Committee (JBC).⁴ The Office of State Planning and Budgeting (OSPB) produces a summary of these plans each year that discusses key themes—such as the winding down of flexible federal COVID-19 aid and "a growing and aging population"—for understanding Colorado's overall budget situation.⁵

The OSPB summary has historically focused on Colorado's largest agencies—those that make up the lion's share of the state's budget.⁶ Using materials from the agencies' long-range plans, the summary provides a mix of data

and descriptive analysis. For example, the section on the Department of Corrections in the edition published in 2022 described how the pandemic led to a drop in the state prison population but also projected a growing prison population through fiscal year 2028.⁷

The 2021 edition of the summary included an estimate of Colorado's future deficit at \$2.1 billion in fiscal 2027, but the 2022 edition did not revisit this analysis because the OSPB is revamping its approach to the calculations.⁸ The office plans to include deficit estimates again in 2023.⁹

Policy impact

The information the OSPB and other agencies provide has encouraged legislators to take a longer-term perspective on budgeting.¹⁰ Agencies submit their long-range plans to the JBC along with their annual budget requests, which enable legislators to consider long-term needs, risks, and fiscal pressures when deciding how much funding each agency should receive for the next year.¹¹

Next steps

The Colorado General Assembly's mandate that agencies produce long-range financial plans covered only five years, so starting in 2024, the plans will no longer be required.¹² Even without a statutory requirement, however, the OSPB has resolved to continue conducting and improving long-term analyses and is hiring additional staff to do so.¹³ Lawmakers could re-establish the requirement for long-range financial plans to ensure that these important fiscal documents are not subject to the whims of the executive branch.

Additionally, the OSPB could build on existing recession analyses to begin conducting budget stress tests. The office's summary of the long-range plans notes that revenue fell by more than 16% in the 2001 and 2008 recessions and lists strategies the state uses to close budget shortfalls.¹⁴ A stress test could judge whether a future recession would be likely to have a similar impact as those recessions and then assess whether the state's budget-balancing strategies would be sufficient to deal with the challenge. The agency-specific long-range plans include discussions of how a recession would affect each agency's budget, which could also help inform a stress test.¹⁵

Additionally, a stress test would need to consider Colorado's Taxpayer's Bill of Rights, which requires the state to refund taxpayers when revenue exceeds certain limits. This could have budget implications during a downturn because a drop in revenue might not mean that the state has less money to spend but rather that Coloradans receive smaller refunds.¹⁶

Endnotes

- 1 The Pew Charitable Trusts, “Tools for Sustainable State Budgeting” (2023), <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting>.
- 2 The Pew Charitable Trusts, “States’ Use of Sustainable Budgeting Tools” (2023), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2023/11/states-use-of-sustainable-budgeting-tools>.
- 3 Colorado Office of State Planning and Budgeting, “FY 2022-23 Long-Range Financial Plan Executive Summary” (2021), https://drive.google.com/drive/folders/121hT1Ou9BzUmsm5S9pINpAl-qC_ZNr_x.
- 4 Colorado Rev. Stat. § 2-3-209, https://leg.colorado.gov/sites/default/files/2018a_1430_signed.pdf.
- 5 Colorado Office of State Planning and Budgeting, “FY 2023-24 Long-Range Financial Plan Executive Summary” (2022), https://drive.google.com/drive/folders/1KfQOAGZZakShyYavVQh9znxOc_ha3Syy.
- 6 *Ibid.*, 4-10.
- 7 *Ibid.*, 8-9.
- 8 *Ibid.*; Colorado Office of State Planning and Budgeting, “FY 2022-23 Long-Range Financial Plan Executive Summary,” 10.
- 9 A. Carlson, manager of long-range planning and fiscal resilience, Colorado Office of State Planning and Budgeting, email to Josh Goodman, The Pew Charitable Trusts, Aug. 14, 2023.
- 10 A. Carlson, B. Cooke, and M. Davisson (manager of long-range planning and fiscal resilience; deputy director, chief economist; former deputy director for budget, Colorado Office of State Planning and Budgeting), interview with The Pew Charitable Trusts, May 12, 2023.
- 11 Colorado Rev. Stat. § 2-3-209.
- 12 *Ibid.*
- 13 Carlson, Cooke, and Davisson, interview.
- 14 Colorado Office of State Planning and Budgeting, “FY 2023-24 Long-Range Financial Plan Executive Summary,” 11-12.
- 15 See for example, Colorado Department of Health Care Policy and Financing, “Long Range Financial Plan FY 2023-24” (2022), 10, <https://drive.google.com/drive/folders/1ZKwRVB-w2POWPbqYsM6gctMoAi5FIUdf>; Colorado Department of Higher Education, “Long Range Financial Plan FY 2023-24” (2022), 12, <https://drive.google.com/drive/folders/1tGviWUbiRaDScMn1wBW7D8enMPsRkAGr>.
- 16 G. Sobetski, chief economist, Colorado Legislative Council, email to Katy Campillo, The Pew Charitable Trusts, April 25, 2023.

For more information, please visit: pewtrusts.org/fiscaltools

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