



COLORADO
Governor Jared Polis

February 26, 2026

The Honorable Representative Emily Sirota
Chair, Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80203

Subject: 2025 Denver-Aurora-Lakewood Inflation Request

Dear Chair Sirota,

On January 13th 2026, the U.S. Bureau of Labor Statistics (BLS) published data on the 2025 annual inflation index, reporting 2.3% inflation for Denver-Aurora-Lakewood. However, unlike all prior years, that number was weighted more heavily towards the first half of the year due to a lack of a published October figure that resulted from the federal government shutdown last fall. OSPB contacted BLS to get additional information, because historically, the average of the two semi-annual reports equals the annual index. BLS confirmed that instead of using some form of interpolation for the missing October data, they averaged the 11 months of available data for the annual index publication. By doing so, the annual index puts 6/11ths weight (~55%) on the index during the first half of the year and thereby understates the actual inflationary figure if October data were available (5/11ths weight, or ~45%, used for the second half the year). OSPB believes that by the BLS using this methodology, the existing annual index of 2.3% reported by BLS understates Denver-Aurora-Lakewood inflation experienced during 2025 and that 2.4% more accurately reflects inflation over 2025.

See Figure 1 below for an illustration of the data reported by BLS. In the column labeled "Difference between Annual and Average of Halves", the historical data for the annual series is equal to the average of the two semi-annual halves. By publishing an annual number in 2025 that puts more than half of the weight on the first half of the year, the annual inflation figure published by BLS is 2.3%, while the average of the two semi-annual halves is 2.4%. This new discrepancy between the two series is important because existing statutes reference the annual figure, which OSPB believes understates the true inflationary index in 2025 based on the higher weight applied in the first half of the year.

Figure. 1 Annual and Semi-Annual Consumer Price Index Reports

	Annual	Half 1	Half 2	Average of Halves	Difference between Annual and Average of Halves	CPI % of Annual	Avg Halves CPI %
2016	246.643	245.191	248.095	246.643	0.000	2.8%	2.8%
2017	254.995	252.760	257.230	254.995	0.000	3.4%	3.4%
2018	261.958	260.790	263.127	261.959	0.000	2.7%	2.7%
2019	266.999	264.147	269.850	266.999	0.000	1.9%	1.9%
2020	272.207	271.264	273.149	272.207	0.000	2.0%	2.0%
2021	281.845	276.290	287.400	281.845	0.000	3.5%	3.5%
2022	304.424	300.002	308.847	304.425	0.000	8.0%	8.0%
2023	320.300	316.758	323.842	320.300	0.000	5.2%	5.2%
2024	327.572	325.308	329.837	327.573	0.000	2.3%	2.3%
2025	335.070	332.865	337.715	335.290	-0.220	2.3%	2.4%

Therefore, OSPB proposes a one-time change to the statutory reference to instead average the two semi-annual reports, rather than use the annual report, to calculate both the 2025 annual index number used for 2025 inflationary growth and the base number in the index for 2026 calculations. Since the semi-annual average equals the annual number in all other years, OSPB believes that this is an accurate reflection of the inflationary growth that would not have negative impacts in future years.

For existing statutory references, OSPB proposes to make this change in the 2025 and 2026 inflationary calculations apply to all mentions in statute. The most high-profile references include the TABOR cap, K-12 Total Program, and K-12 Categoricals. OSPB has developed a full list of statutory references including estimates of the fiscal impacts on General Fund balancing as a result of the change and plans to coordinate with JBC staff on the potential impacts if there is interest. First, the TABOR cap would grow by 3.3% instead of 3.2%, which would result in \$19.8 million in additional General Fund retained by the state in FY 2026-27. Note, that making this change would change the base for the FY 2027-28 inflationary growth calculation as well, so it would potentially have an impact on the availability of GF in the out-year as well. There would be no additional General Fund proposed to cover the K-12 Total Program and Categoricals requests, instead requesting that State Education Funds are used. Additionally, all remaining costs are expected to cost approximately \$0.3 million. Therefore, overall this change would net an expected \$19.5 million in General Fund availability for balancing in FY 2026-27.

We commit to working closely with the Joint Budget Committee and the General Assembly to explore this idea if there is interest.

Sincerely,

A handwritten signature in black ink that reads "Mark Ferrandino". The signature is written in a cursive style with a long, sweeping underline.

Mark Ferrandino
Director
Office of State Planning and Budgeting

CC:
Vice Chair Senator Jeff Bridges, JBC
Senator Judy Amabile, JBC
Representative Kyle Brown, JBC
Senator Barbara Kirkmeyer, JBC
Representative Rick Taggart, JBC
Craig Harper, JBC Staff Director
Greg Sobetski, LCS Chief Economist