



Fiscal Note

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HB 26-1274: STATE AGENCY PAYMENTS TO GRANT RECIPIENTS

Prime Sponsors:

Rep. Lindsay; Garcia
Sen. Wallace; Weissman

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Summary Information

Overview. The bill allows state agencies to dispense up to 25 percent of the total value of a grant to grantees upon executing or renewing contracts.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis starting in FY 2026-27:

- State Revenue
- State Expenditures

Appropriations. For FY 2026-27, the bill requires an appropriation of \$34,146 to the Department of Personnel and Administration.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$42,423	\$44,279
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.4 FTE	0.5 FTE

Fund sources for these impacts are shown in the tables below.

**Table 1B
State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$34,146	\$33,932
Cash Funds	\$0	\$0
Federal Funds	\$0	\$0
Centrally Appropriated	\$8,277	\$10,347
Total Expenditures	\$42,423	\$44,279
Total FTE	0.4 FTE	0.5 FTE

Summary of Legislation

The bill allows state agencies contracting with a grantee for the provision of services to dispense, or “advance,” up to 25 percent of the total value of a grant upon executing or renewing a contract for services. Agencies may use new or existing infrastructure to make advance payments. Agencies may also use waivers allowed under state or federal rules to make advance payments. Nothing prevents an agency that already dispenses advance amounts from continuing to do so in the same manner.

Grantees may only spend advance amounts on expenses incurred in connection with the contract and must comply with all reporting requirements specified in the contract.

Assumptions

While many state agencies do not administer grant programs, those that do would require additional funding to actively make more advance payments authorized by the bill, except for those distributing federally funded grants, which largely prohibit recipients from advancing funding to subrecipients. Additional funding would go toward accounting staff to ensure deliverables are met, no fraud is occurring, and that the advance payments are accounted for correctly.

Because the bill makes advance payment amounts to grantees permissive rather than required, the fiscal note includes the minimum central costs to allow this to occur. As noted above, additional staff and spending authority would be required for any state agency that chooses to provide advance payments. Overall, the fiscal note assumes participation will be minimal in the state’s current budget environment.

State Revenue

Starting in FY 2026-27, the bill may decrease state revenue from interest income if more advance payments to grantees are made than under current law. This reduction would occur from less money being retained in interest-bearing accounts, as more money is advanced to grantees. Based on the Assumptions section, the fiscal note estimates a minimal decrease in state revenue from a minimal number of new advance payments. However, if the practice of making advance payments become more common, lost interest could be significant, potentially in the millions of dollars.

State Expenditures

The bill increases state expenditures in the Department of Personnel and Administration (DPA) by about \$45,000 in FY 2026-27 and future years. These costs, paid from the General Fund, are summarized in Table 2 and discussed below. The bill also minimally affects workload in other state agencies administering grant programs.

Table 2
State Expenditures
Department of Personnel and Administration

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$26,634	\$33,292
Operating Expenses	\$512	\$640
Capital Outlay Costs	\$7,000	\$0
Centrally Appropriated Costs	\$8,277	\$10,347
Total Costs	\$42,423	\$44,279
Total FTE	0.4 FTE	0.5 FTE

Department of Personnel and Administration

The Office of the State Controller within the DPA requires 0.5 FTE Grants Specialist III to address the increased volume of advance payments made by state agencies, as well as handle additional communications with submitting agencies and grantees. This amount represents the minimum number of staff required to handle any additional advance payments. Amounts above include standard operating and capital outlay costs, and are prorated for a September 1, 2026, start date.

Agencies Administering Grant Programs

For agencies administering grant programs, workload will increase to address inquiries from grantees regarding the changes to advance payments made by the bill as it relates to specific grant programs. Workload will also increase to award new advance payments and ensure reporting requirements are met. Based on an assumption of minimal advance payments, this workload increase is estimated to be minimal, requiring no change in appropriations.

Reduced Cash Fund Expenditures

If cash funds receive less interest revenue, cash fund expenditures to support grants and administrative expenses may be reduced. As noted in the State Revenue section above, this lost revenue is assumed to be minimal, but could begin to have a more significant impact on available cash fund balances if the practice of issuing advances to grantees becomes more common.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

TABOR Refunds

To the extent the bill reduces state interest revenue to various cash funds, it may decrease the amount of state revenue required to be refunded to taxpayers. Because TABOR refunds are paid from the General Fund, decreased cash fund revenue will increase the amount of General Fund available to spend or save in any year when the state is over its revenue limit.

Local Government

To the extent that local governments are the recipients of state grant funding and receive advance payments, cash flow will increase.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2026-27, the bill requires a General Fund appropriation of \$34,416 to the Department of Personnel and Administration, and 0.4 FTE.

Departmental Difference

Four agencies estimate that the bill will increase state expenditures, as shown in Table 3 and discussed below.

Table 3
State Expenditures Estimated by Departments

Department	Budget Year FY 2026-27	Out Year FY 2027-28
Department of Early Childhood	\$232,780	\$347,716
Department of Military and Veterans Affairs	\$153,734	\$174,667
Department of Public Safety	\$77,846	\$88,558
Office of the Governor	\$137,000	\$153,636
Total Costs	\$601,360	\$764,578
Total FTE	5.3 FTE	7.3 FTE

These impacts occur based on these departments' assumption that they will make advance payments as allowed under the bill and in a greater number than under current law. For FY 2026-27, these expenditure impacts would require the following General Fund appropriations:

- \$168,017 to the Department of Early Childhood, and 1.8 FTE;
- \$120,791 to the Department of Military and Veterans Affairs, and 1.6 FTE;
- \$61,291 to the Department of Public Safety, and 0.8 FTE; and
- \$111,464 to the Office of the Governor, and 1.1 FTE.

Other grant making departments may also have costs to make more advance payments. However, the fiscal note does not include these costs. As discussed in the Assumptions section, the fiscal note reflects that the bill provides permissive authority. The least-cost implementation for this bill is that departments will only make advance payments if they are able to do so within existing appropriations. Based on this assumption, the fiscal note does not include these costs. If it is the intent of the General Assembly to allow state agencies to make more advance payments, then appropriations are required for these and other departments that administer grants.

State and Local Government Contacts

All State Agencies