



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

SB 26-137: MEASURES TO REDUCE ADMINISTRATIVE BURDENS

Prime Sponsors:

Sen. Coleman; Simpson
Rep. McCluskie; Caldwell

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Fiscal note status: The fiscal note reflects the introduced note.

Summary Information

Overview. The bill modifies rule review procedures and related reporting requirements.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures

Appropriations. For FY 2026-27, the bill requires an appropriation of \$167,209 to the Legislative Department.

**Table 1
State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$210,222	\$196,222
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	2.0 FTE	2.0 FTE

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

**Table 1A
State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$167,209	\$153,209
Cash Funds	\$0	\$0
Federal Funds	\$0	\$0
Centrally Appropriated	\$43,013	\$43,013
Total Expenditures	\$210,222	\$196,222
Total FTE	2.0 FTE	2.0 FTE

Summary of Legislation

The State Administrative Procedure Act (APA) outlines procedures for reviewing the effectiveness and authority of rules promulgated by state agencies. The bill modifies this procedure by:

- requiring rule reviews to happen at least every five years, with an exception for years before and after a sunset review of a program;
- specifying additional criteria for determining a rule's effectiveness;
- requiring departments to present their rule review report during their annual SMART Act hearing; and
- allowing departments to establish their own rule review schedule without consulting the Department of Regulatory Agencies (DORA).

The bill requires information presented in the SMART Act to also be presented to the Legislative Audit Committee to determine if rules should be subject to performance or financial audits. The bill also allows the joint committee presiding over the SMART Act hearing to determine if rules should be subject to a sunset review, for which additional legislation would be required.

Finally, the bill clarifies the Attorney General's responsibility regarding litigation discovery on behalf of the state of Colorado or on behalf of the people of the State of Colorado.

State Expenditures

The bill increases state expenditures in the Office of the State Auditor by about \$210,000 in FY 2026-27 and \$196,000 in FY 2027-28 and ongoing. These costs, paid from the General Fund, are summarized in Table 2 and discussed below. The bill also affects workload in a variety of departments, including DORA and the Department of Law.

**Table 2
 State Expenditures
 Office of the State Auditor**

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$150,649	\$150,649
Operating Expenses	\$2,560	\$2,560
Capital Outlay Costs	\$14,000	\$0
Centrally Appropriated Costs	\$43,013	\$43,013
Total Costs	\$210,222	\$196,222
Total FTE	2.0 FTE	2.0 FTE

Office of the State Auditor

The OSA requires 2.0 FTE to review the regulatory agenda of all departments to determine if additional audits are necessary. To the extent that the bill increases the number of programs subject to an audit, OSA workload will increase. Any additional audit workload is expected to be accomplished within existing appropriations. If a large number of audits are requested, additional resources will be sought through the annual budget process.

Department of Regulatory Agencies

To the extent that the bill increases the number of programs subject to a sunset review, workload in the Colorado Office of Policy, Research, and Regulatory Reform will increase. This workload is expected to be accomplished within existing appropriations. If a large amount of sunset reviews are requested, additional resources will be sought through the annual budget process.

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.

Modification to Department Rule Review

The bill's modifications to rule review process mostly codify current practice, except as discussed below.

Five-Year Timeline

It is assumed that the vast majority of agency rules are currently reviewed on a five-year timeline. Any agencies with a longer review schedule for some or all of their rules will have an increase in workload to conduct rule reviews more frequently. Any additional workload from more frequent reviews can be accomplished within existing appropriations.

Effectiveness Evaluation

The bill requires a new type of analysis for the rule review process. However, the fiscal note assumes that this evaluation requires a similar level of analysis as the assessments required under current law. Given the flexibility in rule review schedule, any increase in workload can be absorbed within current resources. In making this assessment, the fiscal note assumes that departments are not required to conduct more in-depth work such as cost benefit analysis, additional stakeholder outreach, or a historical analysis.

SMART Act Presentations

The Conservation Trust Fund under the Department of Local Affairs (DOLA) is the only program that the fiscal note identified as having department-promulgated rules that is not subject to a SMART Act hearing. The fiscal note assumes that the bill subjects the program to a SMART Act hearing, which will result in an absorbable workload impact on DOLA.

Rule Review Schedule

The bill shifts responsibility for establishing rule review schedules from DORA to the departments. Since DORA currently consults with departments to establish the schedule, this change mostly codifies current practice and no change in appropriations is required.

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 \$167,209 to the Office of State Auditor in the Legislative Department, and 2.0 FTE.

State and Local Government Contacts

All State Agencies

State Auditor

Legislative Council Staff