



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1377: MANAGED CARE ENTITY PAYMENTS

Prime Sponsors:

Rep. Sirota; Taggart
Sen. Amabile; Kirkmeyer

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Fiscal note status: The fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee as part of its FY 2026-27 budget package.

Summary Information

Overview. The bill specifies that certain revenues are excluded from the calculation of state fiscal year spending for the purposes of TABOR.

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

- State Expenditures
- TABOR Refunds

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	-\$7.1 million	-\$7.1 million
Change in State FTE	0.0 FTE	0.0 FTE

The change in TABOR refunds will affect the amount distributed through the six-tier sales tax refund mechanism.

Summary of Legislation

The state revenue limit in the Colorado Constitution's TABOR amendment applies to all state revenue that is not specifically excluded. Federal funds are one of the exclusions listed in TABOR.

The bill specifies that federal or state funds expended by the Department of Health Care Policy and Financing (HCPF) and received by the Colorado Department of Human Services (CDHS), regardless of whether these funds pass through a managed care entity, are excluded from the calculation of state fiscal year spending for the purposes of TABOR.

Background

The CDHS operates two mental health hospitals and several mental health transitional living homes, or transitional homes, which are funded, in part, by patient revenues, including from Medicaid. For Medicaid-eligible patients, payments to CDHS originate in HCPF appropriations of TABOR-exempt federal funds and state General Fund revenue, which HCPF distributes to managed care entities (MCEs). The MCEs then pay CDHS for the services provided at state mental health hospitals and transitional homes. Because MCEs are nonstate entities, the payments from MCEs to CDHS are counted as state fiscal year spending for the purposes of TABOR.

State Expenditures

By reclassifying revenue as exempt from TABOR, the bill increases the amount available to spend or save by \$7.1 million in FY 2026-27 and ongoing, as described in the TABOR refunds section below.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$7.1 million in FY 2026-27 and FY 2027-28. The state is not projected to have a refund obligation for the current FY 2025-26. This estimate assumes the March 2026 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28.

These changes in TABOR refunds occur due to the exclusion of revenue from the calculation of state fiscal year spending for the purposes of TABOR. Because TABOR refunds are paid from the General Fund, decreasing the TABOR refund obligation, while also maintaining the same level of total revenue, increases the amount of General Fund revenue available to spend or save.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Joint Budget Committee Staff

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).