



Fiscal Note

Legislative Council Staff

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SB 26-178: HEALTH INSURANCE AFFORDABILITY MEASURES

Prime Sponsors:

Sen. Mullica; Jodeh
Rep. Brown; Gilchrist

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Fiscal note status: The fiscal note reflects the introduced bill. Due to time constraints, this analysis is preliminary and will be updated following further review and any additional information received.

Summary Information

Overview. The bill establishes new revenue sources for the Health Insurance Affordability Enterprise, changes how funds are allocated between programs supported by the enterprise, and establishes review requirements.

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

- State Revenue
- State Expenditures
- State Transfers (Loan)
- TABOR Refunds
- Statutory Public Entity

Appropriations. No appropriation is required. All expenditures are paid from the Health Insurance Affordability Cash Fund, which is continuously appropriated.

**Table 1
State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
State Revenue	\$39.3 million	-\$1.1 million	-\$3.2 million
State Expenditures	up to \$142 million	at least \$2 million	at least \$2 million
Transferred Funds (Loan)	\$100 million	\$0	\$0
Change in TABOR Refunds	\$0	\$0	Not estimated
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

Fund sources for these impacts are shown in the tables below. The exact timing of when new revenue and loan proceeds received by the Health Insurance Affordability Enterprise will be spent, as well as the amount by which spending within the enterprise shifts between different programs, are not known and cannot be estimated. See State Expenditure section for more detail.

**Table 1A
 State Revenue**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	\$0	\$0	-\$2,000,000
Unclaimed Property Trust Fund	-\$2,656,394	-\$3,122,392	-\$3,217,363
Health Insurance Affordability CF	\$42,000,000	\$2,000,000	\$2,000,000
Total Revenue	\$39,343,606	-\$1,122,392	-\$3,217,363

**Table 1B
 State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-2
General Fund	\$0	\$0	\$0
Health Insurance Affordability CF	up to \$142 million	at least \$2 million	at least \$2 million
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$0	\$0	\$0
Total Expenditures	up to \$142 million	at least \$2 million	at least \$2 million
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE

The timing of when revenue and loan proceeds to the Health Insurance Affordability Enterprise will be spent is not known and cannot be estimated precisely. Expenditures are shown as being up to \$142 million in FY 2026-27 for informational purposes. If less is spent, more will be available in future years (See State Expenditures section). The bill also shifts spending between programs within the enterprise, which also cannot be estimated (See Technical Note section).

**Table 1C
 State Transfers (Loan)**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Unclaimed Property Trust Fund	-\$100,000,000	\$0	\$0
Health Insurance Affordability CF	\$100,000,000	\$0	\$0
Net Transfer	\$0	\$0	\$0

Summary of Legislation

The bill transfers \$100 million from the Unclaimed Property Trust Fund (UPTF) to the Health Insurance Affordability Enterprise (HIAE) Cash Fund, imposes a one-time supplemental fee of \$40 million on all health insurance companies, and reallocates insurance tax credits to include contributions made to both the Health Benefit Exchange and HIAE.

HIAE Revenue Sources

Unclaimed Property Trust Fund Loan

On August 15, 2026, the bill requires that the State Treasurer loan \$100 million from the Unclaimed Property Trust Fund (UPTF) to the HIAE Cash Fund. The term of the loan must not exceed 25 years, and the interest rate must not exceed the rate given to an entity with an "AA" credit rating.

Supplemental Fee

No sooner than January 1, 2027, the bill requires the HIAE to collect \$40 million from a supplemental fee assessed equally on health insurance companies that covered at least 20,000 Colorado residents in calendar year 2025.

Insurance Premium Tax Credit Revenue Diversion

Under current law, through tax year 2028, the Division of Insurance Commissioner may certify up to \$9 million in donations made to Connect for Health Colorado as eligible for insurance tax credits. The bill extends these tax credits for donations and reallocates eligible donations from Connect for Health Colorado to the HIAE. Specifically, the bill requires the Commissioner to certify up to \$5 million of donations to Connect for Health Colorado and up to \$4 million of donation to the HIAE starting in tax year 2027.

Investment Authority

The bill grants the HIAE authority to invest money in the HIAE fund without going through the State Treasurer and to contract with fund manager to advise on investment strategies.

Fund Reallocation

HIAE funds are currently allocated to the following programs:

- the **reinsurance program**, which covers a portion of claims for high-cost individuals;
- **On-Exchange Subsidies**, which pay carriers to lower the cost of purchasing insurance through the Connect for Health Colorado for individuals who meet federal requirements, including having an income between 133 and 400 percent of the federal poverty line; and
- the **OmniSalud program**, which subsidizes insurance for Coloradans with incomes below 300 percent of the federal poverty line who are not eligible for federal tax credits or state-funded insurance; and

The bill reallocates funds assessed starting in calendar year 2027 to these programs as shown in Table 2.

Table 2A
Change to Funding Allocation for
the Health Insurance Affordability Enterprise

HIAE Programs	Current Law	Under SB 26-178
Reinsurance Program	Lesser of 73 percent or \$90 million	50 percent
On-Exchange Subsidies	Up to 10 percent	25 percent
OmniSalud Program	\$18 million plus any remaining	20 percent
Administration	3 percent	3 percent
Other Uses	Not Available	2 percent

Current Allocation Formula in Practice

Under current law expenditures of state funds in the HIAE differs from the current allocation formula as shown in Table 2B because:

- the HIAE has been expending surplus funds which are allocated based on which programs accrued the surplus;
- prior legislation has allocated certain funds outside of the current allocation formula; and
- administrative costs have remained constant at \$4 million even as total state funds have increased.

Table 2B
Actual and Projected Expenditure as a Percentage of State Funds
Under Current Law

HIAE Programs	FY 2025-26 Actuals	FY 2026-27 Projected	FY 2027-28 Projected
Reinsurance	52%	32%	44%
On-Exchange Subsidies	9%	45%	34%
OmniSalud	37%	22%	21%
Administration	2%	2%	1%

Hyde Amendment Compliance and Other Allocation

Under current law, the HIAE assists certain populations receiving health coverage through Connect for Health Colorado in complying with the Hyde amendment using funds allocated for On-Exchange Subsidies. Under the bill, this effort will be expanded and funded using funds allocated for "other uses". Any funds that remaining after Hyde Amendment compliance is fully funded will be allocated to other initiatives to increase coverage in the individual market, including current programs.

Review Requirements

Finally, the bill requires the HIAE to contract with a third party to evaluate the feasibility of restructuring the program and places new stakeholder engagement requirements on the HIAE board.

Background

Health Insurance Affordability Enterprise

The HIAE is regularly funded by the HIAE fee, which is assessed on health insurance carriers at 1.15 percent of premiums for nonprofit carriers and 2.1 percent for for-profit carriers, plus federal funds which must be allocated to the reinsurance program. These regular revenue sources have not sufficiently covered expenses since FY 2023-24 and the HIAE has been spending surplus accrued in previous years, which will soon be depleted.

[House Bill 25B-1006](#) planned to sustain the HIAE only in FY 2026-27 through the sale of \$100 million in insurance premium tax credits and a \$10 million transfer. Insurance entities have not yet purchased the full \$100 million of tax credits, so [House Bill 26-1346](#), if passed, would allow non-insurance entities to purchase these credits.

Unclaimed Property Trust Fund

The Unclaimed Property Division of the State Treasury holds, lost or forgotten assets of individuals and businesses in Colorado. The trust fund consists of all money collected under the Unclaimed Property Act, and interest earned on the account. The trust fund is TABOR-exempt; however, if the funds are spent by the state they generally become subject to TABOR.

Assumptions

Insurance Tax Credit Sales

The fiscal note assumes that the HIAE will receive \$2 million in annual donations beginning in FY 2026-27. This is half of the donations available for the tax credit based on experience from implementing [Senate Bill 22-081](#). However, [House Bill 25B-1004](#) and [House Bill 25B-1006](#) also allow for the sale of insurance premium tax credits. The ability to purchase tax credits at a discount is expected to be more attractive to insurers than the ability to contribute to the Health Benefit Exchange and the HIAE Cash Fund and receive a tax credit of equivalent value, which could cause donations to the HIAE to be less than the \$2 million assumed by the fiscal note.

Investments

Lacking information, the fiscal note assumes that the HIAE investments will not perform better than the investments managed by the State Treasurer and thus assumes no fiscal impact from the independent investment authority granted under the bill.

State Revenue

On net the bill increases state revenue by about \$39 million in FY 2026-27 and decreases state revenue by about \$1.1 million in FY 2027-28, \$3.2 million in FY 2028-29, and greater amounts in later years. As shown in Table 4 and discussed below, the bill impacts state revenue through:

- a one-time fee on health insurers;
- assumed donations to the HIAE starting in FY 2026-27 that will increase state revenue, decrease revenue to Connect for Health Colorado (a statutory public entity);
- starting in FY 2028-29, decreased premium tax revenue from extending tax credits for eligible donations; and
- lost interest to the UPTF, which is partially offset by increased interest to the HIAE cash fund, increased fees starting in FY 2026-27;

Most of the bill's impacts are to revenue exempt from TABOR; however, insurance premium tax revenue is subject to TABOR.

**Table 4
 State Revenue by Source**

Revenue Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Fees on Insurers – HIAE	\$40,000,000	\$0	\$0
Donations – HIAE	\$2,000,000	\$2,000,000	\$2,000,000
Insurance Premium Taxes – General Fund	\$0	\$0	-\$2,000,000
Interest – UPTF	-\$2,656,394	-\$3,122,392	-\$3,217,363
Interest – HIAE	Not estimated	Not estimated	Not estimated
Total Revenue	\$39,343,606	-\$1,122,392	-\$3,217,363

HIAE Fees

No sooner than January 1, 2027, the bill requires the HIAE to collect \$40 million from a supplemental fee assessed equally on all health insurance companies that covered at least 20,000 Colorado residents in calendar year 2025. The fiscal note assumes that the full \$40 million will be collected in FY 2026-27. Enterprise fee revenue is not subject to TABOR.

Donations and Taxes

As discussed in the Assumption Section, the fiscal note assumes that insurers will donate \$2 million per year to the HIAE in order to claim a tax credit. The sections below discuss the impact of this assumption on state revenue.

Donations

Current law incentivizes private entities to donate to Connect for Health Colorado, a statutory public entity, through tax year 2028. The bill alters and continues these incentives such that an estimated \$2 million of donations will be diverted to the HIAE. Since the HIAE is a state enterprise, these donations will be newly recorded as state revenue. Donations are not subject to TABOR.

Taxes

By continuing the expanded tax credit set to expire August 2028, the bill reduces General Fund revenue by an estimated \$2 million starting in FY 2028-29. Any unused credits may be carried forward to future tax years. Premium tax revenue is subject to TABOR (see TABOR Refund Section).

Interest

The bill reduces revenue from interest earnings starting in FY 2026-27, as shown in Table 4. This lost interest will be partially offset by increased interest in the HIAE cash fund that will accrue until the new revenue and loan proceeds are fully expended. These impacts are discussed below.

Reduced Interest Earnings to the Unclaimed Property Trust Fund

The bill reduces interest revenue earned on money held in the UPTF. The amount of lost revenue depends on interest rates and other changes to the trust fund's balance. Assuming a 3 percent annual interest rate, compounded monthly, and that the transferred money and interest earnings would have otherwise stayed in the fund, the amount of lost revenue is estimated to be about \$2.6 million in FY 2026-27, prorated to the transfer date. The lost revenue will compound over time. Interest earned on the UPTF is not subject to TABOR. Lost interest earnings will be partially offset by loan interest paid by the HIAE. Loan interest is subject to the terms of the loan and has not been estimated.

Increased Interest Earning to HIAE Cash Fund

Since the fiscal note cannot estimate when revenue and loan proceeds to the HIAE Cash Fund will be expended, this increase in interest earnings has not been estimated.

State Transfers (Loan)

On August 15, 2026, the bill transfers \$100 million from the UPTF to the HIAE Cash Fund as a loan. It must be repaid, with interest within 25 years.

State Expenditures

Preliminarily, the bill increases expenditures in the HIAE by up to \$140 million in FY 2026-27 and at least \$2 million in future years, based on the expected revenue and loan proceeds described above. However, the exact expenditure impact cannot be estimated because 1) the timing of when revenue will be spent by the HIAE is not known and 2) it is unclear what percentage of the total expenditures for each year will be subject to the new allocation formula. The remainder of this section discusses state expenditures to the extent that they are known. All costs are paid from the HIAE Cash Fund, which is continuously appropriated to the enterprise.

Known Expenditures with Unknown Timing

On a one-time basis, the bill generates \$140 million in revenue to the HIAE from the UPTF loan and supplemental fee in FY 2026-27. On an ongoing basis, the bill generates an estimated \$2 million annually from donations starting in FY 2026-27. It is unknown exactly when this revenue will be spent.

If HB 25B-1006 in conjunction with HB 26-1346 (as discussed in the Background section) succeeds in sustaining the HIAE through FY 2026-27, this bill's revenue will be spent later in FY 2027-28 and future years. It is also unknown what portion of this revenue will be subject to the new allocation formula (see Technical Note).

Table 5B shows the impact of this revenue by HIAE initiative if all of it were subject to the new allocation formula and assuming that current revenue remains sufficient to cover the historically stable administration costs.

Table 5B
New HIAE Revenue Impact Available to Spend

Cost Component	One-Time Revenue	Ongoing Revenue
Reinsurance	\$70 million	\$1 million
On-Exchange Subsidies	\$35 million	\$1 million
OmniSalud	\$28 million	\$0 million
Administration	\$0	\$0 million
Other Uses	\$7 million	\$0 million
Total	\$140 million	\$2 million

Unknown Expenditures

The bill's change to the allocation formula will cause expenditures to shift between HIAE programs in unknown ways. The change cannot be estimated due to ambiguity around when the new allocation formula is effective and to which revenue streams it applies, as discussed in the Technical Note, as well as the complex legal interactions that have caused the current expenditure of state funds in the HIAE to differ from the current allocation formula.

Known Expenditures with Known Timing

Known expenditures total \$1.1 million in FY 2026-27 and \$0.9 million in future years. These costs, paid from HIAE revenue and discussed below, are related to compliance with the Hyde Amendment and the feasibility study.

Hyde Amendment Compliance

The bill increases expenditures for complying with the Hyde Amendment by about \$900,000 in FY 2026-27 and future years. These costs will be paid from the allocation for "other uses", which, per the bill, will receive 2 percent of incoming state revenue starting in calendar year 2027.

The Hyde Amendment prohibits the use of federal funds for abortion services, except in cases of life endangerment, rape, or incest. As a result, insurance carriers classify \$1 per member per month as the cost of abortion services and bills the On-Exchange population separately for these costs to ensure that no federal funds are used. The HIAE currently has authority to subsidize insurance costs for roughly 70 percent of the On-Exchange population and uses that authority to pay the \$1 per member month fee for that population. The bill grants the HIAE distinct authority to cover the cost of complying with the Hyde amendment and the fiscal note assumes they will use this authority to cover these fees for 100 percent of the population.

Feasibility Study

In FY 2026-27 only, the HIAE will contract with a third party to evaluate the feasibility of restructuring the HIAE. The fiscal note assumes this will be paid from the HIAE Administrative allocation which historically has not been fully expended. Based on projects of similar scope, the fiscal note estimates that it will require \$200,000.

TABOR Refunds

The bill is expected to decrease the amount of state revenue subject to TABOR by \$2 million starting in FY 2028-29. Because a forecast of state revenue subject to TABOR is not available beyond FY 2027-28, the impact to TABOR refunds cannot be estimated at this time.

Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save in any future years when the state is over its revenue limit.

Statutory Public Entity

As discuss in the State Revenue section, the bill diverts \$2 million per year in donation revenue from Connect for Health Colorado, a statutory public entity, to the HIAE, a state enterprise, in FY 2026-27 and FY 2027-28. SB 22-081 created this revenue stream to fund the Connect for Health Colorado public education and awareness campaign, which will be defunded under the bill.

Technical Note

New Allocation Formula Timing

As currently written, the bill applies the new fund allocation formula to revenue assessed beginning in calendar year 2027. This means that the entirety of the \$100 million loan (set to be received in 2026), potentially some portion of the \$2 million in donations related to the 2027 tax year credit, and (due to an 18-month lag between when the fee is assessed and collected) all HIAE fee revenue expended until FY 2028-29 will not be subject to the bill's allocation formula. Additionally, any investment earnings made before 2027 may not be subject to the bill's allocation formula.

Tax Credit Timing

As currently written, it is unclear how the tax credit deadlines specified in the bill interact with other tax deadlines. The fiscal note assumes that the tax credit is structured such that up to \$4 million worth of donations to the HIAE may be eligible for a tax credit in tax year 2027 and that the HIAE will receive all eligible donations in FY 2026-27. If clarifying amendments are necessary, the fiscal note assumes they will be adopted.

Effective Date

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

State and Local Government Contacts

Regulatory Agencies

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](#).