



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1254: AUDIT ENFORCEMENT

Prime Sponsors:

Rep. Brooks; Suckla
Sen. Frizell

Fiscal Analyst:

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Bill Outcome: Postponed Indefinitely**Drafting number:** LLS 26-0781**Version:** Final Fiscal Note**Date:** May 26, 2026

Fiscal note status: The final fiscal note reflects the introduced bill. The bill was postponed indefinitely by the House State, Civic, Military, & Veterans Affairs Committee on March 12, 2026; therefore, the impacts identified in this analysis do not take effect.

Summary Information

Overview. The bill would have established a process by which the state may restrict funding for agencies that are found to be noncompliant with audit recommendations.

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

- State Expenditures

Appropriations. No appropriation was 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	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill establishes a process by which the state may restrict funding for state agencies that are found to be noncompliant with audit recommendations. Specifically, when a state agency has failed to complete audit recommendations by the agreed-upon date, the Legislative Audit Committee in the Legislative Department must determine whether the noncompliant agency made a good faith effort to complete the recommendations on time. If the committee finds that the agency made a good faith effort, the implementation timeline may be extended. However, if it is determined that the agency did not make a good faith effort, the committee may direct the State Auditor to notify the State Controller, who must then restrict three percent of the noncompliant agency's General Fund appropriations for the upcoming fiscal year. This restriction may be undone by enacted legislation or a majority vote by the Audit Committee upon notice that the agency is in compliance.

Background and Assumptions

Over the past three years, nine state agencies have failed to implemented significant audit recommendations by the agreed-upon date. At the end of FY 2024-25, six state agencies remained noncompliant, as shown in Table 2 below.

Table 2
Number of Significant Audit Recommendations Not Implemented

State Agency	FY 2022-23	FY 2023-24	FY 2024-25
Corrections	2	0	0
Governor's Office - OIT	20	20	6
Health Care Policy & Financing	4	4	1
Higher Education	0	0	1
Labor and Employment	2	0	1
Personnel & Administration	1	2	1
Public Safety	0	1	1
Regulatory Agencies	0	2	0
Treasury	0	1	0

The fiscal note assumes that the Legislative Audit Committee will determine that noncompliant state agencies are acting in good faith, and that General Fund restrictions will not occur. If agencies are found to be acting in bad faith, however, state expenditures may decrease by the amounts identified in the State Expenditure section below.

State Expenditures

The bill minimally increases workload in the Legislative Department and the Department of Personnel and Administration (DPA). Beginning in FY 2026-27, state expenditures may decrease if noncompliant state agencies are determined to be acting in bad faith, as discussed below.

Noncompliance Hearings

Workload will minimally increase for members of the Legislative Audit Committee and the Office of the State Auditor (OSA) to conduct noncompliance hearings for state agencies that do not meet audit recommendation timelines. Workload in the OSA will further increase if timelines are extended, or if the office must coordinate with the Office of the State Controller in the DPA to restrict an agency's General Fund appropriation. Lastly, workload for noncompliant state agencies to attend hearings and prepare documentation will minimally increase if implementation deadlines are missed. This workload is expected to be minimal and no change in appropriations is required.

General Fund Restrictions

As discussed in the Background and Assumptions section above, the fiscal note assumes that state agencies are acting in good faith and that their General Fund appropriations will not be restricted. For informational purposes only, Table 3 shows the potential decrease in state expenditures if each agency that was noncompliant in FY 2024-25 is found to be acting in bad faith and their General Fund appropriations are restricted by three percent.

Table 3
General Fund Restrictions on Noncompliant State Agencies

State Agency	FY 2025-26 General Fund Appropriation	3 Percent Restriction
Governor's Office - OIT	\$6,098,115	-\$182,943
Health Care Policy & Financing	\$5,540,556,633	-\$166,216,699
Higher Education	\$1,685,201,835	-\$50,556,055
Labor and Employment	\$34,543,480	-\$1,036,304
Personnel & Administration	\$35,066,800	-\$1,052,004
Public Safety	\$269,238,653	-\$8,077,160

FY 2025-26 General Fund Appropriation includes both the General Fund and General Fund Exempt accounts.

Effective Date

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

Departmental Difference

The Department of Personnel and Administration estimates that the bill will increase state expenditures by about \$153,000 and 1.0 FTE starting in FY 2026-27 for the Office of the State Controller (OSC) to assist state agencies in meeting the statutory deadlines of financial reporting audit recommendations. Staff costs and FTE also include resources to proactively document and prepare information that demonstrates an agency's good faith effort, address outstanding audit recommendations, and mitigate the three percent General Fund restriction.

The fiscal note does not include these costs because the bill does not establish new requirements for agencies to meet deadlines already codified in statute, nor does it require the OSC to participate in noncompliance hearings. Therefore, it is assumed that the bill has no effect on an agency's current compliance, and that agencies unable to meet existing statutory deadlines will request additional appropriations and FTE through the annual or supplemental budget processes.

State and Local Government Contacts

Joint Budget Committee Staff

State Auditor

Personnel

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](#).