HB 25-1302

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1302: INCREASE ACCESS HOMEOWNER'S INSURANCE ENTERPRISES

Prime Sponsors:
Rep. Brown; McCluskie
Sen. Amabile

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Fiscal note status: This revised fiscal note reflects the introduced bill, as amended by the House Finance Committee.

Summary Information

Overview. The bill creates two enterprises in the Department of Regulatory Agencies to address the availability of homeowner's insurance for properties susceptible to extreme weather events.

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

- State Revenue
- State Expenditures

Appropriations. No appropriation is required. The Strengthen Colorado Homes Enterprise Fund and the Wildfire Catastrophe Reinsurance Enterprise Fund are continuously appropriated to the Department of Regulatory Agencies.

Table 1
State Fiscal Impacts

Type of Impact[1]	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	$13.2 million	$26.4 million
State Expenditures	up to $13.2 million	up to $26.4 million
Transferred Funds	$0	$0
Change in TABOR Refunds	$0	$0
Change in State FTE	1.9 FTE	3.2 FTE

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

Table 1A
State Revenue

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	$0	$0
Cash Funds	$13,200,000	$26,400,000
Total Revenue	**$13,200,000**	**$26,400,000**

Table 1B
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	$0	$0
Cash Funds	up to $13,170,074	up to $26,340,148
Federal Funds	$0	$0
Centrally Appropriated	$29,926	$59,852
Total Expenditures	**up to $13,200,000**	**up to $26,400,000**
Total FTE	**1.9 FTE**	**3.2 FTE**

Summary of Legislation

The bill creates the Strengthen Colorado Homes Enterprise and the Wildfire Catastrophe Reinsurance Enterprise as government-owned businesses in the Department of Regulatory Agencies (DORA). These enterprises repeal on September 1, 2035, following a sunset review. Additionally, the bill expands the accessibility of replacement-cost property insurance policies.

Strengthen Colorado Homes Enterprise (SCHE)

Governance

The enterprise is governed by a five-member board, which includes the Commissioner of the Division of Insurance (DOI), insurers, subject matter experts, and a consumer. The board has the power to:

- collect fees from certain insurers;
- award grants to homeowners;
- issue revenue bonds to cover administrative expenses;
- adopt rules to administer the enterprise;
- enter into public-private partnerships; and
- accept grants from the federal government, among other things.

Fee Collection

The bill directs insurers and the FAIR Plan Association to collect annual fees from certain homeowner’s insurance policyholders in high risk areas, and pay these fees to the enterprise. The fee is equal to 0.5 percent of the premiums collected by insurers on homeowner’s insurance policies for properties that do not have resilient roof systems. The enterprise may not collect more than $100 million in fees over the first five years.

The enterprise may request the DOI to impose a civil fine or penalty on insurers that violate these provisions. Fines and penalties are credited to the SCRE Fund, which is created to collect fees, grants, and other sources of revenue. The fund is continuously appropriated to the enterprise.

Grant Program

The bill creates the SCHE Grant Program to award grants to homeowners for retrofitting residential property against extreme weather events. The enterprise may develop policies, determine eligibility, establish an application process, and contract with a third-party administering entity.

Grant recipients must have an insured residential property, obtain construction permits, comply with building codes, arrange inspections, construct a roof with resilient materials that meet certain standards, and use a licensed contractor. Recipients may also use awards to repair roof damage caused by an extreme weather event.

Reporting

Starting July 2027, the enterprise must submit an annual report to the General Assembly outlining the amount of fees collected, the number and amount of grants awarded, and other information.

Wildfire Catastrophe Reinsurance Enterprise (WCRE)

Governance

The enterprise is governed by a five-member board, which includes the Commissioner of the Division of Insurance (DOI), insurers, subject matter experts, and a consumer. The board has the power to:

- collect fees from certain insurers;
- issue revenue bonds to cover administrative expenses;
- make reinsurance payments to eligible insurers;
- adopt rules to administer the enterprise;
- enter into public-private partnerships; and
- accept grants from the federal government, among other things.

The enterprise may also establish an advisory committee to advise the board on its bond issuances and enterprise financing.

Fee Collection

The bill directs insurers to collect annual fees from homeowner's insurance policyholders who have not conducted wildfire mitigation on high risk properties, and pay these fees to the enterprise. The fee is equal to 0.5 percent of the premiums collected by insurers on homeowner's insurance policies. The enterprise may not collect more than $100 million in fees over the first five years.

The enterprise may invest revenue from bonds and fees to provide additional funding for reinsurance, which is credited to the newly created WCRE Fund. The fund is continuously appropriated to the enterprise.

Reinsurance Program

The bill creates the WCRE Program to provide reinsurance payments to eligible insurers for mitigating risk and losses in the event of a wildfire disaster. The enterprise may develop policies, determine eligibility, take legal action, and purchase reinsurance from the private market.

In exchange for access to the reinsurance program, insurers must provide policy coverage and reduce premiums to areas of the state with the highest risk of wildfire.

Reporting

Starting July 2027, the enterprise must submit an annual report to the General Assembly outlining the amount of money collected through fees and bonds, the effect of the enterprise on insurance availability across the state, and other information.

Replacement-Cost Policy

The bill also permits an insurer to offer replacement-cost policies that include a coverage limit or percentage cap for additional living expenses if the insurer decreases premiums as approved by DOI.

State Revenue

The bill increases state revenue by $13.2 million in FY 2025-26 and $26.4 million in future years from fee revenue to the SCHE and WCRE. Additional revenue may be received from interest income, the issuance of bonds, or gifts, grants, and donations to the enterprises. These impacts are shown in Tables 2 and discussed below.

Table 2
Enterprise Revenue

Revenue Source	Budget Year FY 2025-26	Out Year FY 2026-27
SCHE – Fees on Policyholders	$6.6 million	$13.2 million
WCRE – Fees on Policyholders	$6.6 million	$13.2 million
Total	**$13.2 million**	**$26.4 million**

Fees on Policyholders

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The SCHE and WCRE must collect fees from insurers that are levied on homeowner's insurance policyholders to generate revenue for grants, reinsurance, and program administration. These fee amounts depend on the total premiums collected on homeowner's insurance policies, and the percentage of those collected on properties that do not have resilient roof systems or wildfire mitigation. In 2024, insurance carriers in the state issued an estimated $3.3 billion in homeowner's insurance policies. Assuming that 20 percent of those already have a resilient roof system or wildfire mitigation, the SCHE and WCRE will each collect a 0.5 percent fee on $2.6 billion of premiums, or $13.2 million per year. Revenue in FY 2025-26 is prorated to a half year impact assuming that the enterprises will begin collecting fees on January 1, 2026. Fees paid to a state enterprise are exempt from TABOR.

Bond Issuances

Additionally, the enterprises may issue bonds to generate revenue and cover administrative expenses. However, the fiscal note assumes that fee revenue will be sufficient and therefore, bond revenue has not been estimated.

Interest Income

Both enterprises are permitted to invest revenue from bonds and fees to provide additional funding for resilient roofing and reinsurance programs, which is credited directly to the SCHE Fund and WCRE Fund. In addition, any money held in these funds will also accrue interest. This revenue is not subject to TABOR.

Gifts, Grants, and Donations

The bill potentially increases state revenue to the SCHE Fund and WCRE Fund from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

State Expenditures

The bill increases state expenditures in the Department of Regulatory Agencies by about up to $13.2 million in FY 2025-26 and up to $26.4 million in future years. These costs, paid from the SCHE and WCRE Funds, are summarized in Table 3 and discussed below. The bill also minimally affects workload in the Department of Personnel and Administration and Governor's Office.

Table 3
State Expenditures
Department of Regulatory Agencies

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	$121,420	$242,842
Operating Expenses	$1,920	$3,840
Capital Outlay Costs	$20,010	$0
SCHE Grants	$6.5 million	$13.0 million
WCRE Reinsurance	up to $6.5 million	up to $13.0 million
Legal Services	$106,992	$53,496
Centrally Appropriated Costs	$29,926	$59,852
FTE – Personal Services	1.5 FTE	3.0 FTE
FTE – Legal Services	0.4 FTE	0.2 FTE
Total Costs	**up to $13.2 million**	**up to $26.4 million**
Total FTE	**1.9 FTE**	**3.2 FTE**

Department of Regulatory Agencies

Staff

Starting in FY 2025-26, DORA requires 3.0 FTE to manage both enterprises, collaborate with insurers and policyholders, determine program eligibility, promulgate rules, establish fee collection and bond issuances, and generate annual reports. Each enterprise requires 1.0 FTE Rate/Financial Analyst IV to perform the enterprise program duties, and 0.5 FTE Program Assistant to support the board. Staff costs and FTE have been prorated in the first year to reflect a January 1, 2026 start date.

SCHE Grants

After the SCHE's administrative costs, about $6.5 million is expected to be available for the grant program in FY 2025-26, and $13.0 million each year beginning in FY 2026-27. The number of grants issued will depend on the number of applicants, size of awards, and actual revenue collected. The fiscal note assumes that available grant funds will be expended in full each year. However, the bill does not require grants to be awarded within a specific timeframe; therefore, expenditures from awarding grants could be greater or less each year.

WCRE Reinsurance

After the WCRE's administrative costs, about $6.5 million is expected to be available for reinsurance payments in FY 2025-26, and $13.0 million each year beginning in FY 2026-27. If a wildfire disaster does not occur and reinsurance payments are not required, these funds remain available in future years. For example, if a wildfire disaster occurs in the third year of the enterprise, up to $19.5 million will be available from fees collected in the first two years.

Legal Services

DORA requires 800 hours of legal services in FY 2025-26 and 400 hours in future years for rulemaking, program implementation, and bond issuance support. Legal services are provided by the Department of Law at a rate of $133.74 per hour.

Other Agency Impacts

Workload in the Governor's Office and the Department of Personnel and Administration will minimally increase to assign members to the enterprise boards, and extend risk and liability coverage to enterprise activities, respectively. This workload is expected to be minimal and no change in appropriations is required.

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, leased space, and indirect cost assessments, are shown in the expenditure table above.

Effective Date

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

State and Local Government Contacts

Governor's Office	Personnel
Law	Regulatory Agencies