HB 25B-1006

Fiscal Note

Legislative Council Staff

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HB 25B-1006: IMPROVE AFFORD PRIVATE HEALTH INSURANCE

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Summary Information

Overview. The bill permits the sale of insurance premium and income tax credits, transfers a total of $110 million to the Health Insurance Affordability Enterprise (HIAE) from tax credit sale proceeds and from the Refinance Discretionary Account, and requires certain reporting and audit requirements.

Types of impacts. The bill is projected to affect the following areas through FY 2033-34:

- State Revenue
- State Expenditures
- State Transfer
- TABOR Refunds

Appropriations. The bill requires appropriations of $3,173,500 to the Treasury Department for the current FY 2025-26 and $39,547 to the Department of Revenue for FY 2026-27.

Table 1
State Fiscal Impacts

Type of Impact	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	up to $103.2 million	up to -$75 million	up to -$50 million
State Expenditures	$3,173,500	$100,039,547	$8,626
Transferred Funds	$110.0 million	$0	$0
Change in TABOR Refunds	$0	up to -$75 million	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 timing of lost revenue may differ from this estimate depending on how tax credit sale agreements and taxpayer behavior. Up to $125 million in tax credits may be claimed through FY 2033-34.

Table 1A
State Revenue

Fund Source	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
Tax Credit Sale Proceeds Cash Fund	up to $103.2 million	$0	$0
General Fund	$0	up to -$75 million	up to -$50 million
Total Revenue	**up to $103.2 million**	**up to -$75 million**	**up to -$50 million**

Table 1B
State Transfers

Fund Source	Current Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Tax Credit Sale Proceeds Cash Fund	-$100.0 million	$0	$0
Refinance Discretionary Account	-$10.0 million	$0	$0
Health Insurance Affordability Fund	$110.0 million	$0	$0
Net Transfer	**$0**	**$0**	**$0**

Table 1C
State Expenditures

Fund Source	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	$0	$39,547	$8,626
Cash Funds	$3,173,500	$100,000,000	$0
Federal Funds	$0	$0	$0
Centrally Appropriated	$0	$0	$0
Total Expenditures	**$3,173,500**	**$100,039,457**	**$8,626**
Total FTE	**0.0 FTE**	**0.0 FTE**	**0.0 FTE**

Summary of Legislation

The bill raises revenue for the Health Insurance Affordability Enterprise (HIAE) though the sale of insurance premium and income tax credits and a one-time, $10 million transfer from the Refinance Discretionary Account. It specifies how revenue raised through tax credit sales is spent and requires certain reporting and audit requirements.

Tax Credits

Beginning in FY 2025-26, the bill permits the State Treasurer to sell insurance premium tax credits to insurance companies and income tax credits to C corporations that are authorized to do business in Colorado, subject to procedures established by the Treasury Department.

The State Treasurer is authorized to issue insurance premium and state income tax credit certificates up to $125 million in total certificate face value, or total sales proceeds of up to $103.2 million.

Revenue raised from tax credit sales is routed through the Tax Credit Sale Proceeds Cash Fund created in House Bill 24B-1004. Proceeds are first used to offset administration costs associated with the sales. The next $100 million in proceeds are deposited to the HIAE Cash Fund. Any proceeds above $100 million must be transferred to the General Fund, per House Bill 25B-1004.

The sale of insurance premium and income tax credits for this bill does not occur if Congress extends the federal enhanced premium tax credit, which is set to expire December 31, 2025.

Tax Credit Issuance Process and Terms

The State Treasurer may contract with an independent third party entity to conduct or consult on the bidding process. The purchase price for insurance premium and income tax credit certificates must be set either as a percentage determined in a matter consistent with market conditions as of the offer date established by the State Treasurer or independent third-party, or 80 percent of the certificate amount.

For tax credit certificates issued in FY 2025-26, the Treasury Department, in consultation with the Governor's Office of State Planning and Budget (OSPB), may determine the calendar years in which the taxpayer may claim the credit. The insurance premium and income tax credits are nonrefundable but may carried forward through calendar year 2033.

The Treasury Department is required to provide a list of eligible taxpayers to the Department of Regulatory Agencies (DORA) and the Department of Revenue within thirty data after the close of the fiscal year.

The bill allows the Treasury Department to cover consultation and administrative costs with the issuance of the credits with the proceeds from the sale of the insurance premium and income tax credits.

Allocation of Revenues

Of the proceeds generated from the sale of the tax credits and transferred to the HIAE, the bill requires up to $50 million be allocated to the Reinsurance Program Cash Fund and up to $50 million to carriers to reduce the costs of individuals health plans for individuals who purchase an individual health benefit plan on the exchange and receive the premium credit.

The bill allows the HIAE to allocate up to $5 million of the proceeds generated from the sale of the tax credits for HIAE programs specified under current law.

Transfer of Money in the Refinance Discretionary Account

The bill requires a $10 million transfer from the Refinance Discretionary Account in the American Rescue Plan Act Refinance State Money Cash Fund to the HIAE Cash Fund. The transferred money may not include any funds that originated from the Coronavirus State Fiscal Recovery Fund.

Reporting Requirement and Audit

The bill requires the Health Insurance Affordability Board to seek input and recommendations from individuals directly affected by programs funded by the Health Insurance Affordability Enterprise before making any final recommendations. The board shall provide opportunities for individuals to provide recommendations in English and Spanish. Finally, the bill requires the board to prepare a report by February 15 of each year, beginning in 2026, detailing certain financial information about the enterprise. The board is also required to provide the report to the General Assembly by February 28 of each year, beginning in 2026, and post it to the Division of Insurance’s website. Finally, the bill requires the State Auditor to complete a performance audit of the Health Insurance Affordability Enterprise by December 31, 2027.

Background

Health Insurance Affordability Enterprise

Senate Bill 20-215 created the HIAE in the Division of Insurance in the Department of Regulatory Agencies. The HIAE draws federal funds and assesses a fee on health insurance carriers to fund three initiatives to reduce individual insurance market premiums, including:

- the **Reinsurance program** which covers a portion of claims for high-cost individuals;

- 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
- **On-Exchange Subsidies**, which pay carriers to lower the cost of purchasing insurance through the Health Insurance Exchange for individuals who meet federal requirements, including having an income between 133 and 400 percent of the federal poverty line.

Federal funds coming into the HIAE must be spent on the Reinsurance program. Funds from the fee on insurance carriers are available for use by all three programs, subject to allocation rules, 18 months after the initial assessment on premiums. Surplus funds and interest from fee revenue are spent in accordance with the allocation rules from the years when the revenue was initially collected. Currently fee funds are allocated as follows:

- to the Reinsurance program: the lesser of 73 percent of total fee revenue or $90 million;
- to the OmniSalud program: at least $18 million plus any remaining fee revenue;
- to On-Exchange subsidies: up to 10 percent of total fee revenue; and
- to administrative needs: up to 3 percent of total fee revenue.

Current Status of the HIAE

Due to increased medical and pharmacy costs for program enrollees, as well as increased enrollment in health care coverage, the HIAE has been spending surplus funds accrued in previous years. The funds are expected to be fully spent in FY 2025-26 and the HIAE will rely only on incoming revenue sources by FY 2026-27. Also by FY 2026-27, incoming revenue sources are expected to decrease, due to the expiration of the enhanced premium tax credit, among other factors. Current projections estimate that revenue available for expenditure in FY 2026-27 will be around roughly half of the projected FY 2025-26 revenue. Thus, under current law, FY 2026-27 HIAE expenditures will need to be reduced by about $300 million. Based on federal and statutorily defined revenue allocation rules, expenditures are expected to be reduced as shown in Table 2. Projections for FY 2027-28 are not yet available.

Table 2
Projected HIAE Expenditures under Current Law

Cost Component	Current Year FY 2025-26	Budget Year FY 2026-27
Reinsurance Program	$478 million	$236 million
On-Exchange Subsidies	$22 million	$27 million
OmniSalud Program	$90 million	$20 million
Administration	$4 million	$4 million
Total Costs	**$594 million**	**$287 million**

Refinance Discretionary Account

House Bill 24-1466 created the Refinance Discretionary Account to maintain funding for programs that were initially funded through the federal American Recovery and Prosperity Act (ARPA). The balance of the account is scheduled to be transferred to the General Fund on June 1, 2027.

The Health Insurance Affordability Cash Fund allows the Commissioner of the Division of Insurance to use federal funds to pay for subsidies for health care coverage plans to qualified individuals, and for administrative costs to increase affordability and access to health care for individuals.

As of June 30, 2025, the balance of the Refinance Discretionary Account was $39.3 million. The fiscal note assumes that all dollars that originated from the Coronavirus State Fiscal Recovery Fund have already been expended and that any money in the account may be transferred.

Assumptions

Tax Credits

Sale of Insurance Premium and Income Tax Credits

The fiscal note assumes the bill's maximum ($125 million) allowable insurance premium tax and income tax credits will be sold by the Treasury Department, generating enough revenue to transfer $100 million to the HIAE and pay the administrative costs for selling the credits in FY 2025-26 without requiring a transfer from the General Fund.

If the proceeds are less than $100 million plus the administrative costs, the bill requires a transfer from the General Fund to cover the balance and correspondingly reduce the reserve requirement by the amount of the transfer in FY 2025-26.

Claiming of Insurance Premium and Income Tax Credits

The timing and amount of tax credits that can be claimed is determined by the Treasury Department in consultation with OSPB. The fiscal note assumes that 60 percent of the total face value of credits issued in FY 2025-26 will be claimed in FY 2026-27, with the remainder of the credits being claimed in FY 2027-28 or future fiscal years through FY 2033-34. If the timing of credit claims differs, the state revenue impacts described below could be less or more than estimated for any given fiscal year.

Enterprise Expenditure

Based on the current status of the HIAE discussed above, the fiscal note assumes that expenditures will not increase in FY 2025-26 (the year of the transfer) but will be fully expended in FY 2026-27 (the year the HIAE is expected to reduce expenditures by $300 million under current law).

Federal Action

The fiscal note assumes that Congress will not extend the enhanced premium tax credits beyond 2025 and thus that the bill will increase revenue to the HIAE from the sale of state income tax credits.

State Revenue

Based on the assumptions above, the bill increases state revenue by $103.2 million in the current FY 2025-26 to the Tax Credit Sale Proceeds Cash Fund and decreases state General Fund revenue by up to $75 million in FY 2026-27 and up to $50 million in FY 2027-28. State General Fund revenue could potentially decrease through FY 2033-34 if taxpayers carry forward unused tax credits, or if taxpayers are not allowed to claim the credit as assumed in the section above. The bill affects insurance premium tax revenue and corporate income tax revenue, both of which are subject to TABOR.

State Transfers

In total the bill transfers $110 million to the HIAE Cash Fund in FY 2025-26, as outlined below.

Tax Credit Sale Proceeds

The bill transfers money from the Tax Credit Sale Proceeds Cash Fund to the HIAE Cash Fund each month starting January 1, 2026 until the total amount transferred reaches $100 million. It is assumed this full amount will be transferred in the current FY 2025-26.

Refinance Discretionary Account

In addition, the bill requires a transfer of $10 million from the Refinance Discretionary Account to the HIAE Cash Fund in the current FY 2025-26, three days after the effective date of the bill.

State Expenditures

The bill increases expenditures for the Treasury Department, Department of Revenue, and the HIAE. The Treasury Department will expend $3.2 million in FY 2025-26 for the administrative costs of issuing the tax credits, which will be paid from the proceeds from the sale of the income tax credits. The HIAE will expend $100 million in FY 2026-27 on the Reinsurance and On-Exchange programs from the proceeds of the tax credits.

Costs for the Department of Revenue, which include the computer programming and income tax form updates, are conditional on House Bill 25B-1004 not becoming law. If HB 25B-1004 becomes law, the costs will be appropriated in that bill, and no additional expenditures are required in this bill. These impacts are shown in Table 3 and discussed below.

Table 3
State Expenditures – All Agencies

Department	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
Department of Treasury	$3,173,500	$0	$0
Health Insurance Affordability Enterprise	$0	$100,000,000	$0
Department of Revenue	$0	$39,547	$8,626
Total Costs	**$3,173,500**	**$100,039,547**	**$8,626**

Treasury Department

The bill will increase expenditures in the Treasury Department to administer, manage, and pay issuance costs for the insurance and income tax credits. These costs, paid from the Tax Credit Sale Proceeds Cash Fund, are shown in Table 3A and discussed below.

Table 3A
State Expenditures
Treasury Department

Cost Component	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
Consultant Services	$48,500	$0	$0
Tax Credit Issuance Costs	$3,125,000	$0	$0
Total Costs	**$3,173,500**	**$0**	**$0**
Total FTE	**0.0 FTE**	**0.0 FTE**	**$0.0 FTE**

Consultant Services

For FY 2025-26 only, the bill will require a consultant to create procedures for eligible taxpayers to apply for the credit and serve as a liaison to both potential taxpayers of the credits and to the tax credit broker. The administrator will also be responsible for issuing a list of qualified taxpayers that may claim the insurance and income tax credits to DORA and the Department of Revenue. Finally, the consultant will be responsible for notifying each taxpayer if they have been approved as a purchaser of the income tax credit.

Tax Credit Broker

The fiscal note estimates $3,125,000 in issuance costs for selling the insurance and income tax credits. These include legal costs, documentation (term sheet and contracts) compliance with IRS regulations and mitigating potential penalties and recaptures. The costs of selling tax credits can vary depending on the complexity and terms of the sale. Issuance costs can range from 2 percent to 5 percent of the total face value of the credit. The fiscal note assumes a 2.5 percent issuance fee calculated on the $125 million face value, which is paid by the proceeds received from selling the tax credits. If the issuance fee is higher than assumed in the fiscal note, the costs in Table 3A will be higher than estimated. Conversely, if the fees are less than 2.5 percent, the issuance costs will be lower than estimated in Table 3A.

Health Insurance Affordability Enterprise

The bill increases expenditures by $100 million in the HIAE in FY 2026-27 and makes other changes to program spending, as shown in Table 3C and outlined below.

Table 3C
State Expenditures
Health Insurance Affordability Enterprise

Cost Component	Current Year FY 2025-26	Budget Year FY 2026-27	Out Years FY 2027-28
Reinsurance Program	$0	$50 million	$0
On-Exchange Subsidies	$0	$50 million	$0
Other Expenditures	$0	$10 million	$0
Total Costs	**$0**	**$110 million**	**$0**

Reinsurance Program and On-Exchange Subsidies

The bill increases expenditures in the HIAE by $110 million in FY 2026-27. Of this, $100 million generated from the sale of tax credits will be split equally between the Reinsurance program and the On-Exchange Subsidies program, based on the amount transferred in FY 2025-26. The HIAE Cash fund will receive $10 million from the transfer from the Refinance Discretionary Account to the HIAE Cash Fund in the current FY 2025-26, which may be spent for other purposes within the enterprise.

Reallocation of Existing Funds

The bill allows the HIAE to shift up to $20 million in previously accrued surplus funds between programs. The timing and amount of this spending shift will be based on future determinations made by the HIAE board and has not been estimated.

Department of Revenue

If House Bill 25B-1004 does not become law, the DOR will have computer programing and testing requirements, form changes to the corporate income tax returns, and reporting and analysis costs for FY 2026-27 to implement this bill. Reporting and analysis costs will continue through FY 2033-34. Department expenditures are presented in Table 3B and detailed below.

Table 3B
State Expenditures
Department of Revenue

Cost Component	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
GenTax Programming	$0	$14,651	$0
Computer and User Acceptance Testing	$0	$12,423	$0
Data Reporting	$0	$8,702	$8,626
Document Management	$0	$3,771	$0
Total Costs	**$0**	**$39,547**	**$8,626**
Total FTE	**0.0 FTE**	**0.0 FTE**	**0.0 FTE**

Computer Programming and Testing

The DOR will have one-time costs of $27,074 in FY 2026-27 computer programming and testing. The bill requires changes to the department’s GenTax software system. Changes are programmed by a contractor at a cost of $244.19 per hour. Approximately 60 hours of computer programming will be required to implement this bill, totaling $14,651. Additional computer and user acceptance testing are required to ensure programming changes function properly, resulting in additional costs of $12,423, including 202 hours for the Innovation, Strategy, and Delivery section in the Executive Director's Office at $41 per hour and 101 hours of user acceptance testing at $41 per hour.

Form Changes and Document Management

Document management costs to make changes to the corporate paper tax forms and process paper returns are estimated at $3,771 in FY 2026-27. Expenditures for form changes occur in the Department of Personnel and Administration using reappropriated DOR funds.

Reporting and Analysis

The Office of Research and Analysis within DOR will have costs of $8,702 in FY 2026-27 to update reporting processes, SQL code, worksheets, report templates, and GenTax database testing. These costs are ongoing through FY 2033-34.

Other State Agencies

The State Auditor will conduct the performance audit. This can be accomplished within existing resources.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by $75 million in FY 2026-27. The state is not projected to have a refund obligation for the current FY 2025-26. This estimate assumes the July update to the June 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. 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 FY 2026-27 and any future years when the state is over its revenue limit.

Enterprise Disqualification

With the $100 million transfer, over 10 percent of the HIAE's revenue will come from state support, disqualifying it as an enterprise in FY 2025-26 only. For that year, all incoming fee and interest revenue, currently estimated at $143 million, will become subject to TABOR. Federal funds and surplus funds from previous years will remain exempt.

Disqualifying the HIAE as an enterprise would also cause a one-time upward adjustment in the TABOR limit when the HIAE is absorbed into the state district. Since the HIAE will requalify as an enterprise in FY 2026-27, there would be a corresponding downward adjustment to the level of the TABOR limit that year. There is no net impact on the amount required to be refunded to taxpayers under TABOR in either fiscal year.

Technical Note

The fiscal note assumes the Treasury Department will receive proceeds above the $100 million cap to pay for administrative costs to sell the insurance and premium tax credits. If not, the amount of the transfer to HIA fund will be less than $100 million.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature. If House Bill 25B-1004 does not become law, the provisions creating the process for tax credit sales will become law in this bill instead. The sale of insurance premium and income tax credits for this bill does not occur if Congress extends the enhanced premium tax credit, which is set to expire on December 31, 2025.

State Appropriations

The bill requires the following appropriations:

- for FY 2025-26, $3,173,500 from the Tax Credit Sale Proceeds Cash Fund to the Treasury Department; and
- for FY 2026-27, if House Bill 25B-1004 does not become law, $39,547 to the Department of Revenue, of which $3,771 is reappropriated to the Department of Personnel and Administration; and

The Health Insurance Affordability Enterprise Cash Fund is continuously appropriated to the Department of Regulatory Agencies.

State and Local Government Contacts

Governor
Information Technology
Personnel
Regulatory Agencies
Revenue
State Auditor
Treasury