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Revised Fiscal Note

(replaces fiscal note dated March 1, 2024)

Drafting Number: LLS 24-0281 Date: March 27, 2024
Prime Sponsors: Rep. Lieder; Hamrick Bill Status: House Appropriations
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Bill Topic: HVAC IMPROVEMENTS FOR PUBLIC SCHOOLS

Summary of Fiscal Impact: [X] State Revenue [] State Transfer [X] School District
[X] State Expenditure [X] TABOR Refund [] Statutory Public Entity

The bill requires that public schools and districts satisfy certain requirements concerning installation, inspection, and maintenance of heating, ventilation, and air conditioning systems when using federal and state funding. The bill increases state expenditures beginning FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of about \$1.5 million to the Governor's Office.

Fiscal Note Status: The revised fiscal note reflects the introduced bill, as amended by the House Education Committee.

Table 1
State Fiscal Impacts Under HB 24-1307

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue (Cash Funds, Total Revenue), Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (TABOR Refunds).

Summary of Legislation

The bill requires that all public schools and districts adhere to technical specifications for the installation, inspection, maintenance, review and reporting of heating, ventilation, and air conditioning (HVAC) systems whenever improvements are made using federal money, or a combination of federal and state funding specifically for HVAC improvements. Schools must only employ certified contractors to perform HVAC improvements.

The bill permits public schools to apply for grants from federal and state sources, including the Building Electrification for Public Buildings Grant Program in the Colorado Energy Office. Schools may also access an existing grant navigation program administered by the Department of Local Affairs, and coordinate with third parties for technical assistance related to HVAC installation and in obtaining grant funding. The Governor's office may use money in the Infrastructure Investment and Jobs Act Cash Fund to provide grant writing support to schools and districts, and to coordinate with third parties providing technical assistance to schools.

State Revenue

The bill increases state revenue in the DPS by up to \$140,382 in FY 2025-26 from fees charged to public schools and districts. As described below, the Department of Public Safety has an increase in cash fund expenditures for inspections of public school fire suppression systems, including HVAC improvements or installations beginning in FY 2025-26. The revenue impact is calculated to match the expenditures in the State Expenditure Section. Fee revenue is subject to TABOR.

State Expenditures

The bill increases state expenditures in the Colorado Energy Office by about \$1.5 million in FY 2024-25 and FY 2025-26, paid from the Infrastructure Investment and Jobs Act Cash Fund. The bill increases expenditures in the Division of Fire Prevention and Control (DFPC) in the Department of Public Safety (DPS) by about \$140,000 in FY 2024-25, and by about \$248,000 in FY 2025-26, paid from the General Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 24-1307

	FY 2024-25	FY 2025-26
Colorado Energy Office		
Personal Services	\$361,810	\$361,810
Operating Expenses	\$5,120	\$5,120
Capital Outlay Costs	\$26,680	-
Travel	\$6,480	\$6,480
Third-Party Contracts	\$1,085,000	\$1,085,000
Centrally Appropriated Costs ¹	\$83,930	\$83,930
FTE – Personal Services	4.0 FTE	4.0 FTE
Governor’s Office Subtotal	\$1,569,020	\$1,542,340
Department of Public Safety		
Personal Services	-	\$73,331
Operating Expenses	-	\$1,280
Capital Outlay Costs	-	\$6,670
Statewide Travel Expenses	-	\$10,000
Radios	-	\$8,600
Uniforms	-	\$2,250
Personal Protective Equipment	-	\$2,500
Leased Vehicles	-	\$9,957
Variable Vehicle Costs	-	\$5,664
Centrally Appropriated Costs ¹	-	\$20,130
FTE – Personal Services	-	1.0 FTE
DPS Subtotal	-	\$140,382
Total Costs	\$1,569,020	\$1,682,722
Total FTE	4.0 FTE	5.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Governor's Office

Staff. Under current law, the Governor's office provides grant writing support and project planning for local governments and tribes. The office may authorize spending from the money provided under the federal Infrastructure Investment and Jobs Act for infrastructure projects, and other permissible uses. Expanding the current program to include HVAC improvements or installations in schools and districts, the Governor's Energy Office will add 1.0 FTE Contract Administrator to oversee third party contracts, review and approve payments, and manage memoranda of understanding between the office and schools and districts. The office will also add 3.0 FTE School Grant and Tax Credit Navigators to market available state resources to public schools, identify grants and other funding and financing opportunities, and provide technical assistance for grant writing and project planning.

Third-party contracts. The office uses outside vendors and consulting firms to provide additional assistance to current program participants. The office will contract with additional consultants with expertise in the expanded assistance authorized in the bill, including HVAC engineering systems, compliance with federal labor standards, project financing, and tax credits and other incentives for HVAC improvements in schools.

Department of Public Safety

Staff. The DFPC in DPS provides building, fire, and safety code enforcement and fire-related training and education to local governments, including public schools and districts. Within the division, the Fire and Life Safety Section administers the fire, building, and life safety codes adopted by the division for all public schools, and the Building Codes Branch of the division is the designated code official. Inspectors conduct plan reviews and construction inspections for building, mechanical, energy conservation, and fire suppression code adopted by the DFPC. This bill is estimated to increase the number of HVAC improvement or replacement projects in public schools. The DFPC currently estimates that HVAC inspections number about 15 annually. Assuming this bill doubles the number of projects beginning in FY 2025-26, the DFPC requires an additional 1.0 FTE Inspector and related costs such as travel, uniforms, personal protective equipment, etc. The number of annual inspections is expected to continue to increase in subsequent years, which may require additional FTE and resources; however, this amount has not been estimated and must be addressed during the annual budget process.

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 include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

School District

Public schools and districts will receive specialized grant writing support and other technical assistance from the Governor's energy office and third-party partners in order to address HVAC system upgrades. Cost may increase to pursue additional HVAC projects, with costs offset to the extent that additional grants and other resources become available. These costs will vary by school district. When improvements are completed, districts pay the DPS for the final inspection.

Effective Date

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

State Appropriations

For FY 2024-25, the bill requires an appropriation of \$1,485,090 from the Infrastructure Investment and Jobs Act Cash Fund to the Governor's Office, and 4.0 FTE.

State and Local Government Contacts

Labor

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](#).