HB 25-1101

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1101: STATE DISBURSEMENT PROCESS

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Sen. Weissman

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Fiscal note status: The fiscal note reflects the introduced bill. This analysis is preliminary and will be updated following further review and any additional information received.

Summary Information

Overview. The bill updates procurement procedures for state agencies, including requiring retainer payments to nonprofit agencies.

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

- State Revenue
- State Expenditures
- TABOR Refunds

Appropriations. For FY 2025-26, the bill requires an appropriation of $681,251 to the Department of Personnel and Administration.

Table 1
State Fiscal Impacts

Type of Impact[1]	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	Indeterminate	Indeterminate
State Expenditures	$696,542	$112,339
Transferred Funds	$0	$0
Change in TABOR Refunds	Indeterminate	Indeterminate
Change in State FTE	0.8 FTE	1.0 FTE

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

Table 1A
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	$681,251	$93,226
Cash Funds	$0	$0
Federal Funds	$0	$0
Centrally Appropriated	$15,291	$19,113
Total Expenditures	**$696,542**	**$112,339**
Total FTE	**0.8 FTE**	**1.0 FTE**

Summary of Legislation

The bill updates procurement procedures for state agencies and updates definitions (see Technical Note). Current law requires state agencies to make payments within 45 days upon receipt from any nongovernmental entity of a correct notice of the amount due. The bill requires payments within 45 days upon receipt of a correct notice from a nonprofit organization or a good faith effort from a nonprofit organization to provide a correct notice.

State agencies must award a retainer to a nonprofit organization as part of a grant award or other contract, beginning December 31, 2025. The nonprofit organization must spend the retainer within one year and is not required to complete any of the contracted work in advance.

Beginning January 1, 2026, each nonprofit organization that receives payments from the state must submit information about the ethnicity of its leadership, its business structure, and if it has previously received payments from the state. Additionally, the State Controller in the Department of Personnel and Administration (DPA) must make the submitted information available upon request.

Assumptions

Some state agencies act as pass-through grantors of federal funds. In cases where state agencies award federal grants to nonprofit organizations and federal rules prohibit advanced payments, the fiscal note assumes that state agencies will comply with federal requirements and this bill does not apply based on the Supremacy Clause.

State Revenue

The bill will decrease state revenue by an indeterminate amount. Requiring retainers to be paid in advance shifts some payments forward in time, which reduces interest revenue earned to the funds from which the revenue is paid. The amount of the revenue decrease depends on the how much sooner payments are made and interest rates, which will vary based on the fund. For informational purposes, for each $500 million in grants and contracts awarded to nonprofit organizations, if payments occurred six months earlier on average and the interest rate were 3 percent, the total revenue decrease would be about $7.5 million. Most interest revenue is subject to TABOR.

State Expenditures

The bill increases state expenditures in the Department of Personnel and Administration by about $700,000 in FY 2025-26 and $110,000 in FY 2026-27 and subsequent years. These costs, paid from the General Fund, are summarized in Table 2 and discussed below. The bill also affects workload in other state agencies.

Table 2
State Expenditures
Department of Personnel and Administration

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	$57,557	$71,946
Operating Expenses	$1,024	$1,280
Capital Outlay Costs	$6,670	$0
CORE Updates	$416,000	$0
Database	$200,000	$20,000
Centrally Appropriated Costs	$15,291	$19,113
Total Costs	**$696,542**	**$112,339**
Total FTE	**0.8 FTE**	**1.0 FTE**

Staff

The Office of the State Controller in DPA requires a database to maintain disbursement data and to house additional data collected from nonprofit organizations. Soliciting and maintaining the database, supporting state agencies that collect the data, and responding to inquiries from stakeholders requires 1.0 FTE beginning in FY 2025-26. Standard operating and capital outlay costs are included, and costs are prorated for the bill’s effective date.

CORE Updates

The Colorado Operations Resource Engine (CORE) is the state's accounting system. Given the large number of contracts subject the retainer requirements, DPA will update the CORE system to automate the accounting processes related to advanced payments. This is estimated to require 2,080 contractor hours through the CORE vendor at a rate of $200 per hour, resulting in $416,000 in expenses for FY 2025-26 only.

Database

The database described above is estimated to cost $200,000 to build in FY 2025-26, with $20,000 in ongoing system maintenance costs.

Other Agency Impacts

The bill increases workload in every state agency that awards grants or contracts to nonprofit organizations beginning in FY 2025-26. For payment requests that are not correct, workload may increase to evaluate if requests reflect a good faith effort. Making advanced payments may also increase workload to track retainers and harmonize program expenditures. Workload will minimally increase to collect additional required information on nonprofit organizations and submit them to new DPA database.

If the retainer payments result in any noncompliance from nonprofit organizations who do not fulfill the work after receiving the retainer, agencies may experience additional workload to seek repayment. The fiscal note assumes that contract monitoring and compliance activities undertaken by state agencies are generally unchanged and no change in appropriations are required. If particular programs result in substantial workload increases, or if the rate of noncompliance is great enough to require more audits and compliance checks, affected state agencies will request additional resources through 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 may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are shown in the expenditure table above.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by an indeterminate amount as discussed in the State Revenue section above. Because TABOR refunds are paid from the General Fund, decreased cash fund revenue will increase the amount of General Fund available to spend or save. 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.

Effective Date

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

State Appropriations

For FY 2025-26, the bill requires a General Fund appropriation of $681,251 to the Department of Personnel and Administration, and 0.8 FTE.

Departmental Difference

A number of state agencies anticipated substantial workload increases and technology needs to implement the bill, totaling about $3.8 million and 26.8 FTE in FY 2025-26. Given the complexity of the procurement process, different implementation approaches proposed across state agencies, and the limited information available at the time of publication, the fiscal note has excluded these costs, and only represents the impacts to the Department of Personnel and Administration. The fiscal note assumes that DPA will provide guidance to these agencies on how to implement the bill using existing resources. The fiscal note will be updated as more information becomes available.

Technical Note

Section 1 of the bill specifies procurement rules for agencies before and after July 1, 2025; the rules after July 1, 2025 change the supplying agency from "nongovernmental entity" to "nonprofit organization." There are nongovernmental entities that may not be nonprofit organizations. The fiscal note assumes that these nongovernmental entities may still supply to state agencies under current practice.

State and Local Government Contacts

All State Agencies