



## Fiscal Note

### Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## HB 25-1125: STATE AGENCY BUDGET TRANSPARENCY

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**Prime Sponsors:**

Rep. Luck

**Fiscal Analysts:**

Emily Dohrman, 303-866-3687

Anna Gerstle, 303-866-4375

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**Fiscal note status:** The fiscal note reflects the introduced bill.

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### Summary Information

**Overview.** The bill requires state agencies to submit two budget scenarios as part of their annual budget request, and once every ten years, requires state agencies to submit a zero-based budget proposal in place of their standard incremental budget request.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis beginning in FY 2027-28:

- State Expenditures

**Appropriations.** No appropriation is required.

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**Table 1**  
**State Fiscal Impacts**

<b>Type of Impact<sup>1</sup></b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
State Revenue	\$0	\$0	\$0
State Expenditures	\$0	\$0	\$519,940
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE	3.0 FTE

<sup>1</sup> Fund sources for these impacts are shown in the tables below.

**Table 1A**  
**State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
General Fund	\$0	\$0	\$460,026
Cash Funds	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$0	\$0	\$59,914
<b>Total Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$519,940</b>
<b>Total FTE</b>	<b>0.0 FTE</b>	<b>0.0 FTE</b>	<b>3.0 FTE</b>

## Summary of Legislation

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Beginning in FY 2027-28, the bill requires that state agencies submit the following budget scenarios to the Joint Budget Committee (JBC) as part of their annual budget request for the upcoming fiscal year:

- an ideal budget that identifies the least critical 10 percent of the budget, and any duplicative programs; and
- a budget that is at least five percent less than the current year appropriations for the agency.

Each year, at least two principal state departments will be designated by the JBC to submit a zero-based budget request for each agency within their scope in lieu of their standard incremental budget request. Each department is required to submit a zero-based budget request once every 10 years. A zero-based budget request is one that justifies and explains every expense of the agency, not just changes and adjustments from the prior year.

The bill requires that zero-based budget requests and a report of all grants made to the agency be included in each principal department's SMART Act presentation.

## Assumptions

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The fiscal note estimates the costs to implement the new budget processes; it does not assume any changes to state department budgets as a result of the new processes. Any changes to the state budgets will be determined by the Joint Budget Committee and General Assembly.

## State Expenditures

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The bill increases state expenditures by about \$520,000 per year beginning in 2027-28. These costs will be incurred by the Joint Budget Committee Staff in the Legislative Department, the Office of State Planning and Budgeting in the Governor’s Office, and two state departments each year. Costs are assumed to be paid from the General Fund.

**Table 2**  
**State Expenditures**

<b>Department</b>	<b>FY 2027-28 Cost</b>	<b>FTE</b>
Two Zero-Based Budget Agencies	\$200,000	-
Joint Budget Committee Staff	\$212,877	2.0 FTE
Office of State Planning & Budgeting	\$107,063	1.0 FTE
<b>Total Costs</b>	<b>\$519,940</b>	<b>3.0 FTE</b>

### Two Zero-Based Budget Agencies

Under the bill, two state departments will use zero-based budgeting each year, beginning in FY 2027-28. The fiscal note assumes that departments will incur one-time costs every 10 years to develop their budget using zero-based budgeting.

Costs begin in FY 2027-28; however, it is unknown when each department will be scheduled to complete zero-based budgeting. The fiscal note assumes that in most years, \$200,000 will cover the additional costs for two state departments to implement it, either through hiring term-limited staff or contracting with a third-party vendor. Costs are estimated to approximate 1.0 FTE in each of the two departments; however, some agencies with larger and more complex budgets, such as the Department of Human Services, Department of Corrections, and Department of Health Care Policy and Financing, may incur higher costs. Actual funding amounts will be requested through the annual budget process.

### Joint Budget Committee Staff

The JBC Staff in the Legislative Department requires \$213,000 for 2.0 FTE beginning in FY 2027-28 to review and analyze multiple budget submittals for each state agency, as well as the more complex zero-based budget proposals for two departments each year. Costs assume the current starting salary for a JBC staff analyst, and include standard operating capital outlay costs.

**Table 2A**  
**State Expenditures**  
**Legislative Department – JBC Staff**

<b>Cost Component</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Personal Services	\$0	\$0	\$164,192
Operating Expenses	\$0	\$0	\$1,900
Capital Outlay Costs	\$0	\$0	\$6,670
Centrally Appropriated Costs	\$0	\$0	\$40,115
<b>Total Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$212,877</b>
<b>Total FTE</b>	<b>0.0</b>	<b>0.0</b>	<b>2.0 FTE</b>

**Office of State Planning and Budgeting**

The Office of State Planning and Budgeting (OSPB) in the Governor’s Office requires about \$107,000 for 1.0 FTE in FY 2027-28 to support executive branch agencies in preparing multiple budget submissions, and the zero-based budgeting proposal for two departments each year. Standard operating capital outlay cost are included.

**Table 2B**  
**State Expenditures**  
**Governor’s Office - OSPB**

<b>Cost Component</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Personal Services	\$0	\$0	\$79,314
Operating Expenses	\$0	\$0	\$1,280
Capital Outlay Costs	\$0	\$0	\$6,670
Centrally Appropriated Costs	\$0	\$0	\$19,799
<b>Total Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$107,063</b>
<b>Total FTE</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0 FTE</b>

**All Other State Departments**

Beginning in FY 2027-28, all other state departments will incur additional workload and costs to submit multiple budget proposals each year. The fiscal note assumes that a majority of the work will replace or supplement the current budget development process, and that identifying the least critical 10 percent in the budget and any duplicative programs can be accomplished within current resources. Additionally, state agencies have at times been asked to submit to the OSPB and JBC proposals to reduce their budgets, so the fiscal note assumes some framework is already in place to submit alternative proposals.

## **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 the expenditure tables above.

## **Effective Date**

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

## **Departmental Difference**

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State departments estimated a range of costs to implement the bill—from minimal, absorbable workload, up to 8.0 FTE and a cost of \$1.0 million. Departments used varying assumptions for handling the periodic zero-based budgeting requirement and the amount of work required to submit the alternate budget scenarios required by the bill. The fiscal note assumes that state departments will not require additional appropriations for the annual modifications to the budget requirements, but will incur costs every ten years to implement a zero-based budget. As a result, the fiscal note includes a placeholder to be allocated each year based on which departments must complete the zero-based budget. Additional information on individual department estimates is available upon request.

## **State and Local Government Contacts**

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All State Agencies

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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](#).