



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1261: CONSUMERS CONSTRUCTION DEFECT ACTION

Prime Sponsors:

Rep. Bacon
Sen. Rodriguez; Winter F.

Fiscal Analyst:

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Published for: House Trans., Hous., & Local Gov.**Drafting number:** LLS 25-0299**Version:** Initial Fiscal Note**Date:** February 19, 2025**Fiscal note status:** This fiscal note reflects the introduced bill.

Summary Information

Overview. The bill modifies construction defect standards and consumer protections for real property owners, and requires certain reporting by the Department of Regulatory Agencies.

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

- State Expenditures
- State Revenue
- State Diversion

Appropriations. For FY 2025-26, the bill requires an appropriation of \$50,800 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	\$0	\$0
State Expenditures	\$61,676	\$36,541
Diverted Funds	\$61,676	\$36,541
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.5 FTE	0.3 FTE

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

**Table 1A
State Expenditures**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$0	\$0
Cash Funds	\$50,800	\$30,055
Federal Funds	\$0	\$0
Centrally Appropriated	\$10,876	\$6,486
Total Expenditures	\$61,676	\$36,541
Total FTE	0.5 FTE	0.3 FTE

**Table 1B
State Diversions**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	-\$61,676	-\$36,541
Cash Funds	\$61,676	\$36,541
Net Diversion	\$0	\$0

Summary of Legislation

The bill modifies disclosure requirements, claim timelines, court awards, contract provisions, and department reporting for construction defect claims, as described below.

Claimants

The bill requires construction professionals to provide claimants with certain information after receiving a notice of a claim. If the construction professional fails to disclose the identifying details of other construction professionals that performed work on the claimant's property, they may not be listed as nonparties at fault. Additionally, the bill extends the time that a claim for relief arises to both the discovery of the property improvement's physical defect and its cause.

The bill also directs courts to award 8 percent prejudgment interest to prevailing claimants on damages for construction defect claims, compounded annually to the date of the first notice.

Contracts

The bill voids any contract to sell real estate that limits a property owner's right to bring or join an action against a construction professional.

Reporting

Beginning January 1, 2026 and each January thereafter, the Department of Regulatory Agencies (DORA) must report certain information to the General Assembly regarding construction liability insurance availability, costs, and terms during the annual SMART Act hearing.

State Revenue

Starting in FY 2025-26, the bill may increase revenue to the Judicial Department from an increase in civil case filings fees if claimants bring action against construction professionals. The fiscal note assumes that construction professionals will comply with the law and any increase will be minimal. Revenue from filing fees is subject to TABOR.

State Diversion

This bill diverts around \$62,000 in FY 2025-26 and \$37,000 in FY 2026-27 and ongoing from the General Fund to the Division of Insurance Cash Fund. This revenue diversion occurs because the bill increases costs in the Division of Insurance in the Department of Regulatory Agencies, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases state expenditures in DORA by about \$62,000 in FY 2025-26 and \$37,000 in future years. These costs, paid from the Division of Insurance Cash Fund, are summarized in Table 2 and discussed below. The bill also minimally affects workload in the Judicial Department.

Table 2
State Expenditures
Department of Regulatory Agencies

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$50,160	\$29,671
Operating Expenses	\$640	\$384
Centrally Appropriated Costs	\$10,876	\$6,486
Total Costs	\$61,676	\$36,541
Total FTE	0.5 FTE	0.3 FTE

Department of Regulatory Agencies

Starting in FY 2025-26, costs will increase in DORA to establish new requirements for insurance filings, compile construction liability information, and report to the General Assembly.

Staff

In FY 2025-26, DORA requires 0.3 FTE Rate/Financial Analyst IV and 0.2 FTE Actuary III to review and analyze construction liability form filings. Based on the level of detail required by the bill, the fiscal note estimates that the department will need to review 200 filings annually to compile sufficient data, and that each filing will take six hours to review in the initial year. In future years, the fiscal note estimates that DORA can accomplish a review in half the time. Therefore, DORA only requires 0.3 FTE to review filings and compile data starting in FY 2026-27. Staff costs are prorated in the first year based on the bill's effective date.

HOA Information and Resource Center

The HOA Information and Resource Center in DORA serves as a resource for consumers to understand rights and responsibilities under current law. The center also registers common interest communities like HOAs and other housing cooperatives, and tracks complaints. Workload may increase for the center to respond to questions from HOAs and residents.

Judicial Department

Trial courts in the Judicial Department may experience a minimal increase in workload if additional civil cases are filed under the bill. The fiscal note assumes that construction professionals will comply with the law and any increase will be minimal.

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(s) above.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, and applies to causes of action that arise on or after this date.

State Appropriations

For FY 2025-26, the bill requires an appropriation of \$50,800 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies, and 0.5 FTE.

State and Local Government Contacts

Judicial

Regulatory Agencies

Law

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](#).