



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1269: BUILDING DECARBONIZATION MEASURES

Prime Sponsors:

Rep. Willford; Valdez
Sen. Ball; Kipp

Fiscal Analyst:

Matt Bishop, 303-866-4796
matt.bishop@coleg.gov

Published for: House Finance

Drafting number: LLS 25-0849

Version: First Revised Note

Date: March 13, 2025

Fiscal note status: The revised fiscal note reflects the introduced bill, as amended by the House Energy and Environment Committee.

Summary Information

Overview. The bill establishes building performance standards for 2040 and creates a new state enterprise to support building decarbonization efforts.

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

- State Revenue
- State Expenditures
- Local Governments
- School Districts

Appropriations. No appropriation is required, as the Building Decarbonization Enterprise Cash Fund is continuously appropriated to the enterprise.

Table 1
State Fiscal Impacts

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
State Revenue	\$1,992,000	\$2,656,000	\$3,419,600	\$3,519,200
State Expenditures	\$1,992,000	\$2,656,000	\$3,419,600	\$3,639,566
Transferred Funds	\$0	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$0	\$0	\$0
Change in State FTE	1.6 FTE	1.6 FTE	1.6 FTE	2.1 FTE

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

**Table 1A
 State Revenue**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	\$0	\$0	\$0	\$0
Cash Funds	\$1,992,000	\$2,656,000	\$3,419,600	\$3,519,200
Total Revenue	\$1,992,000	\$2,656,000	\$3,419,600	\$3,519,200

**Table 1B
 State Expenditures**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	\$0	\$0	\$0	\$120,366
Cash Funds	\$1,959,847	\$2,623,847	\$3,387,447	\$3,487,047
Federal Funds	\$0	\$0	\$0	\$0
Centrally Appropriated	\$32,153	\$32,153	\$32,153	\$32,153
Total Expenditures	\$1,992,000	\$2,656,000	\$3,419,600	\$3,639,566
Total FTE	1.6 FTE	1.6 FTE	1.6 FTE	2.1 FTE

Summary of Legislation

Building Decarbonization Enterprise

The bill creates the Building Decarbonization Enterprise in the Colorado Energy Office (CEO) to provide technical assistance, financing, and other programmatic support for building decarbonization measures, such as energy audits, consulting services, and energy use tracking software. Covered building owners must pay a \$400 fee to the enterprise beginning in FY 2025-26. The fee is set in the bill and will increase with inflation.

Building Performance Standards

Under current law, certain building owners must submit energy usage benchmarking data to the Colorado Energy Office (CEO). The bill delays the annual reporting deadline by five months and specifies that, if the owner lacks access to the data, the building operator must submit the report instead.

The Air Quality Control Commission in the Department of Public Health and Environment (CDPHE) must adopt rules to develop 2040 performance standards for buildings. CDPHE must propose standards by March 31, 2029, in consultation with a task force that meets during FY 2027-28.

The bill specifies the following process through 2030 for tracking and meeting emissions reduction targets for covered buildings:

- submitting 2019 benchmarking data by January 1, 2026;
- achieving a 13 percent energy use reduction by 2026 compared to 2019; and
- achieving a 29 percent energy use reduction by 2030 compared to 2019.

Alternately, a building owner may track its progress toward meeting the performance standards and seek technical support from CEO. The bill also expands CDPHE’s authority to issue civil penalties for violations of the benchmarking requirements.

Wildfire Resiliency Codes

When a local government adopts a wildfire resiliency code, the bill exempts it from adopting certain energy codes.

State Revenue

Fee Impact on Covered Building Owners

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The fee is set by the bill at \$400 for FY 2025-26, and it increases with inflation beginning in FY 2027-28. The fiscal note estimates that there are 8,300 buildings covered by the fee, and that compliance will phase in over three years. Revenue collected by the enterprise is not subject to TABOR. The table below identifies the fee impact of this bill.

Table 2
Fee Impact on Covered Building Owners

Fiscal Year	Type of Fee	Estimated Fee	Number Affected	Total Fee Impact
FY 2025-26	Decarbonization Fee	\$400	4,980	\$1,992,000
FY 2026-27	Decarbonization Fee	\$400	6,640	\$2,656,000
FY 2027-28	Decarbonization Fee	\$412	8,300	\$3,419,600
FY 2028-29	Decarbonization Fee	\$424	8,300	\$3,519,200

State Expenditures

The bill increases state expenditures by about \$2.0 million in FY 2025-26, \$2.7 million in FY 2026-27, \$3.4 million FY 2027-28, and \$3.6 million in FY 2028-29. These costs will be incurred in the Colorado Energy Office and the Department of Public Health and Environment as shown in Table 3 and described in the sections below. Costs are paid from the General Fund and the Building Decarbonization Enterprise Cash Fund.

Table 3
State Expenditures
All Departments

Department	Budget Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Colorado Energy Office	\$1,992,000	\$2,656,000	\$3,419,600	\$3,519,200
Department of Public Health	\$0	\$0	\$0	\$120,366
Total Costs	\$1,992,000	\$2,656,000	\$3,419,600	\$3,639,566

Colorado Energy Office

The bill increases expenditures to operate the new enterprise beginning in FY 2026-27. Based on the assumptions above, spending by the enterprise will increase in subsequent years as fee revenue increases.

Staff

CEO requires 1.4 FTE beginning in FY 2025-26 to support rulemaking, conduct planning, engage stakeholders, and develop the decarbonization program. This includes staff for administrative support. Standard operating and capital outlay costs are included.

Decarbonization Activities

The fiscal note estimates the amount of funding available for decarbonization activities in support of covered building owners based on the revenue assumptions above.

Indirect Cost Assessment

The enterprise will incur additional costs from indirect support from CEO, including leased space and additional operating costs. CEO's indirect cost rate is projected to be 43.6 percent of the enterprise's administrative costs, excluding decarbonization activities.

Planning Costs

The enterprise will incur about \$75,000 in planning costs to develop the new programs in FY 2025-26 only. This includes stakeholder engagement, budget development, and developing metrics for program performance.

Legal Services

The enterprise requires 400 hours of legal services per year for rulemaking and ongoing general counsel. Legal services are provided by the Department of Law at a rate of \$133.74 per hour.

**Table 3A
 State Expenditures
 Colorado Energy Office**

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Personal Services	\$158,708	\$158,708	\$158,708	\$158,708
Operating Expenses	\$1,792	\$1,792	\$1,792	\$1,792
Capital Outlay Costs	\$6,670	\$0	\$0	\$0
Decarbonization Activities	\$1,586,295	\$2,334,873	\$3,098,473	\$3,198,073
Planning Costs	\$75,000	\$0	\$0	\$0
Indirect Cost Assessment	\$72,886	\$69,978	\$69,978	\$69,978
Legal Services	\$53,496	\$53,496	\$53,496	\$53,496
Board Costs	\$5,000	\$5,000	\$5,000	\$5,000
Centrally Appropriated Costs	\$32,153	\$32,153	\$32,153	\$32,153
FTE – Personal Services	1.4 FTE	1.4 FTE	1.4 FTE	1.4 FTE
FTE – Legal Services	0.2 FTE	0.2 FTE	0.2 FTE	0.2 FTE
Total Costs	\$1,992,000	\$2,656,000	\$3,419,600	\$3,519,200
Total FTE	1.6 FTE	1.6 FTE	1.6 FTE	1.6 FTE

Department of Public Health and Environment

The bill increases expenditures in CDPHE to conduct rulemaking. This begins with legal review and research in FY 2025-26, followed by rulemaking proceedings in FY 2027-28. Rulemaking is expected to require an estimated 900 hours in FY 2027-28. This fiscal note assumes any increase workload for legal review can be accomplished within existing appropriations. Legal services are provided by the Department of Law at a rate of \$133.74 per hour. These costs are paid from the General Fund.

**Table 3B
 State Expenditures
 Department of Public Health and Environment**

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Legal Services	\$0	\$0	\$0	\$120,366
Total Costs	\$0	\$0	\$0	\$120,366
Total FTE – Legal Services	0.0 FTE	0.0 FTE	0.0 FTE	0.5 FTE

Judicial Department

Compliance decisions made by CEO or CDPHE are subject to judicial review, which may increase workload in the trial courts. Any increase in cases is expected to be minimal and no change in appropriations is required.

Governor's Office of Boards and Commissions

Workload will minimally increase for the Governor's Office of Boards and Commissions to make the required appointment under the bill. This work can be accomplished within existing appropriations.

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.

Local Government – School District

The bill increases expenditures for any local government or school district that owns a building covered by the enterprise fee.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and it applies to conduct occurring on or after that date.

State and Local Government Contacts

Colorado Energy Office	Municipalities
Counties	Personnel
Governor's Office of Boards and Commissions	Public Health and Environment
Judicial	Regulatory Agencies
Law	Treasury