



# Fiscal Note

## Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

### BILL 2: INCENTIVES FOR REGIONAL JAIL APPROACH

**Prime Sponsors:**

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**Fiscal note status:** The fiscal note reflects the bill draft requested by the Legislative Oversight Committee Concerning Colorado Jails Standards.

### Summary Information

**Overview.** The bill allows jails to enter into intergovernmental agreements to operate jails, allows certain counties to be covered by the state’s Risk Management Fund for intergovernmental agreements, and creates a grant program to support implementation of agreements.

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

- State Expenditures
- State Revenue
- State Transfers
- TABOR Refunds
- Local Government

**Appropriations.** For FY 2025-26, the bill requires an appropriation of \$1.0 million to the Department of Public Safety.

**Table 1  
State Fiscal Impacts**

Type of Impact <sup>1</sup>	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0
State Expenditures	\$1,000,000	\$1,000,000
Transferred Funds	\$1,000,000	\$1,000,000
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.9 FTE	1.0 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>
General Fund	\$0	\$0
Cash Funds	\$982,124	\$980,138
Federal Funds	\$0	\$0
Centrally Appropriated	\$17,876	\$19,862
<b>Total Expenditures</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>
<b>Total FTE</b>	<b>0.9 FTE</b>	<b>1.0 FTE</b>

**Table 1B  
State Transfers**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
General Fund	-\$1,000,000	-\$1,000,000
Cash Funds	\$1,000,000	\$1,000,000
<b>Net Transfer</b>	<b>\$0</b>	<b>\$0</b>

## Summary of Legislation

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The bill exempts counties from the requirement of operating a jail if the jail maintains an intergovernmental agreement with another county. Counties with a population of less than 40,000 that enter into an intergovernmental agreement are eligible for liability coverage from the state’s Risk Management Fund. Counties may choose to opt out of state coverage and may maintain an independent risk management program. Finally, the bill creates a grant program in the Department of Public Safety (CDPS) for counties entering into intergovernmental agreements to cover incremental operational costs related to the agreement. The bill transfers \$1.0 million from the General Fund to the newly created cash fund to fund the grant program.

## Background

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**Risk Management Fund.** The state’s Risk Management Fund pays liability claims and expenses brought against the state. The Department of Personnel and Administration (DPA) oversees the fund and the Liability Program. The fund receives allocations from departments based on the department’s past liability claims. For example, in FY 2024-25, the Department of Corrections (DOC) allocated \$9.3 million of its budget to the fund, while the Department of Agriculture allocated \$419,000.

**Settlement costs.** According to the DPA, on average, inmate claims against the state through the DOC average about \$200,000 per case, including legal defense and settlement costs.

## State Revenue

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The bill may increase revenue to two cash funds, the Risk Management Fund and the Regional Jail Approach Grant Program Cash Fund, as described below.

**Risk Management Fund.** Starting in FY 2026-27, revenue to the Risk Management Fund may increase from payments made by any counties covered by the state's Risk Management Fund. The exact increase is unknown, as it is unknown how many counties will enter into intergovernmental agreements, how many will choose to opt out of coverage, and what liability counties will have. Using the average settlement cost for DOC inmate claims, and assuming there will be 5 jail claims per year, revenue to the fund would be about \$1.1 million. Revenue starts in FY 2026-27, due to the fact counties will be charged based on the prior year's liability claims. Revenue from county payments are subject to the state's TABOR limit.

**Regional Jail Approach Grant Program Cash Fund.** Starting in FY 2025-26, revenue to the Regional Jail Approach Grant Program will increase to the extent the fund receives gifts, grants, and donations. At the time of this writing, no source of gifts, grants, and donations have been identified. Gifts, grants, and donations are not subject to the state's TABOR limit.

## State Transfer

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In FY 2025-26, the bill transfers \$1.0 million from the General Fund to the newly created Regional Jail Approach Grant Program Cash Fund. Starting in FY 2026-27, the fiscal note assumes that this level of funding will continue into future years of the grant program. Therefore, \$1.0 million will be transferred to the cash fund annually through an appropriation from the General Fund. Out year transfers are at the discretion of the General Assembly.

## State Expenditures

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The bill increases state expenditures in the CDPS by \$1.0 million in FY 2025-26 and FY 2026-27. These costs, paid from the Regional Jail Approach Grant Program Cash Fund, are summarized in Table 2 and discussed below. The bill also affects costs in the DPA by an indeterminate amount.

**Table 2**  
**State Expenditures**  
**Department of Public Safety**

<b>Cost Component</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
Personal Services	\$71,370	\$79,300
Operating Expenses	\$1,152	\$1,280
Capital Outlay Costs	\$6,670	-
Grants	\$902,932	\$899,558
Centrally Appropriated Costs	\$17,876	\$19,862
<b>Total Costs</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>
<b>Total FTE</b>	<b>0.9 FTE</b>	<b>1.0 FTE</b>

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The CDPS requires 1.0 FTE to process payment requests, verify allowable expenses, review applications, execute grant agreements, and provide technical assistance. This assumes there will be about 26 potential grantees. Costs in FY 2025-26 are prorated for an August 1 start date.

### Grants

After accounting for administrative expenses, about \$900,000 of the transfer amount will be available for grantees. Assuming 26 potential grantees, this is about \$34,615 per grantee per year.

### Department of Personnel and Administration

Starting in FY 2025-26, costs to the Risk Management Fund within the DPA will increase based on the number of counties choosing to enter into intergovernmental agreements. For informational purposes, if there were on average five claims per year against counties and assuming settlement claims paralleled DOC claims, this would increase costs by \$1.1 million. Because the fund receives allocations based on the prior year's liability, costs would come from the General Fund in FY 2025-26 and the Risk Management Fund thereafter.

### 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

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The bill may to increase the amount of state revenue required to be refunded to taxpayers as described in the State Revenue section above.

## Local Government

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The bill increases workload to counties to develop, negotiate, and enter into intergovernmental agreements. In addition, costs will increase to pay into the state's Risk Management Fund, if a county chooses not to opt-out. The exact increase will depend on the liability of that county. The bill may also decrease costs for some counties who no longer are required to run a jail, and revenue to counties will increase if they receive a grant from the grant program.

## Technical Note

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**County payment.** The fiscal note assumes that counties eligible for participation in the Risk Management Fund will be required to pay into the fund based on their liability. The bill does not provide for these payments or a mechanism for deposit to the Risk Management Fund. Without contributions from participating counties, liability costs for counties would likely be shared among other state agencies. If this is the intent of the bill, the fiscal note will be revised to reflect those liability costs across all state agencies.

**Effective date.** The bill states that the State Treasurer must transfer \$1.0 million to the Regional Jail Approach Grant Program Cash Fund on July 1, 2025. However, the bill also states that section of the bill does not take effect until August 1, 2025, after the required transfer. The fiscal note assumes the transfer will occur August 1, 2025, on the effective date of the section.

## Effective Date

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The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except that sections 3 and 4 of the bill take effect August 1, 2025.

## State Appropriations

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For FY 2025-26, the bill requires an appropriation of \$1.0 million from the Regional Jail Approach Grant Program Cash Fund to the Department of Public Safety and 0.9 FTE.

## State and Local Government Contacts

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Counties

Law

Personnel

Public Safety

Sheriffs

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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](#).