



Fiscal Note

Legislative Council Staff

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BILL 8: CHANGES TO NATURAL DISASTER MITIGATION ENTERPRISE

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Fiscal note status: The fiscal note reflects the bill draft requested by the Wildfire Matters Review Committee.

Summary Information

Overview. The bill increases the fee collected on insurance policies to fund the Natural Disaster Mitigation Enterprise, modifies the enterprise grant program requirements, and extends the enterprise indefinitely.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis beginning FY 2025-26:

- State Revenue
- State Expenditures
- State Transfers

Appropriations. No appropriation is required. The Natural Disaster Mitigation Cash Fund is continuously appropriated to the Colorado Department of Public Safety.

**Table 1
State Fiscal Impacts**

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue (Cash Funds)	\$22,000,000	\$22,000,000
State Expenditures (Cash Funds)	up to \$22,000,000	up to \$22,000,000
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

In 2021, the General Assembly passed [House Bill 21-1208](#), which established the Natural Disaster Mitigation Enterprise (NDME) in the Colorado Department of Public Safety (DPS) to provide grants and technical assistance to local governments for the implementation of resilience and natural disaster mitigation measures. The enterprise funds the NDME Grant Program by collecting fees from insurance companies that offer certain property and casualty products.

This bill makes changes to the NDME and grant program by:

- increasing the fee that insurance companies pay from \$2.00 to \$10.00 per policy or contract beginning in calendar year 2025;
- requiring that 35 percent of annual grant money be awarded to support fuels mitigation;
- expanding the enterprise's focus to include planning for natural disaster mitigation measures related to extreme heat, wildfires, drought, post-fire flooding, and extreme precipitation;
- permitting the transfer of continuously appropriated money in the NDME Cash Fund to the newly created Fire Claims Cash Fund; and
- removing the enterprise's 2030 repeal date.

Background

The Natural Disaster Mitigation Enterprise began collecting annual fees from insurers on July 1, 2023. In that year, the enterprise generated approximately \$5.3 million in fee revenue and expects to collect around \$5.7 million in 2024. Additionally, the enterprise has not yet disbursed any grant funds but anticipates opening the first round of grant applications by the end of 2024. As of September 2024, the NDME Cash Fund holds a balance of \$10.8 million.

State Transfers

The bill authorizes transfers from the Natural Disaster Mitigation Enterprise Cash Fund to the Prescribed Fire Claims Cash Fund created in Wildfire Matters Review Committee Bill 7 (LLS 25-0188). At this time, an exact estimate of any future transfers is not available. However, based on the initial General Fund transfers to the fund in Bill 7, around \$1 million per year may be required for prescribed burn damage claims. The actual amount of any future transfers will depend on the number and costs of prescribed burn claims permitted under Bill 7 and the fund balance available from other revenue or transfers to the Prescribed Fire Claims Cash Fund. It is assumed that any future transfers will be addressed through the annual budget process or future legislation once more information is known.

State Revenue

The bill increases state cash fund revenue from fees by about \$22 million per year starting in FY 2025-26, paid to the Natural Disaster Mitigation Cash Fund, to provide grants and technical assistance to local governments related to natural disaster mitigation measures. These impacts are shown in Table 2 and discussed in more detail below.

Table 2
Annual Fee Impact on Insurance Companies
FY 2025-26 and Future Years

Type of Fee	Fee Increase	Policies Affected	Total Fee Impact
NDME Policy Fee	\$8.00	2,750,000	\$22,000,000

Fees on Insurance Companies

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Currently, the state collects annual fees from insurance companies that offer certain policies at a rate of \$2.00 per policy. Starting in calendar year 2025, the bill increases this fee by \$8.00 to a total of \$10.00 per policy, which will increase revenue to the DPS by \$22 million per year starting in FY 2025-26. After accounting for this fee increase, the Natural Disaster Mitigation Enterprise is projected to collect \$27.5 million each year beginning in FY 2025-26. State enterprise fee revenue is exempt from TABOR.

State Expenditures

The bill increases state expenditures in the DPS by up to \$22 million beginning in FY 2025-26, paid from the Natural Disaster Mitigation Cash Fund. Expenditures are shown in Table 3 and detailed below.

Table 3
State Expenditures
Department of Public Safety

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Grants	at least \$18,700,000	at least \$18,700,000
Technical Assistance	up to \$2,200,000	up to \$2,200,000
Administrative Costs	up to \$1,100,000	up to \$1,100,000
Total Costs	up to \$22,000,000	up to \$22,000,000

Grant Program

Current law requires the NDME to disburse at least 85 percent of annual fund revenue for grant awards. The bill increases revenue in the fund by \$22 million per year, and therefore increases the amount allotted for grants by at least \$18.7 million. Beginning in FY 2025-26, 35 percent of annual grant must be awarded to support fuels mitigation efforts.

Technical Assistance

Current law permits the NDME to expend up to 10 percent of annual fund revenue for technical assistance to support communities with limited capacity to plan, prepare, and submit grant proposals. The bill increases revenue in the fund by \$22 million per year, and therefore increases the amount allotted for technical assistance by up to \$2.2 million.

Administrative Costs

Current law permits the NDME to expend up to 5 percent of annual fund revenue for administration of the grant program. The bill increases revenue in the fund by \$22 million per year, and therefore increases the amount allotted for administrative expenditures by up to \$1.1 million.

Effective Date

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

State and Local Government Contacts

Law	Personnel	Regulatory Agencies
Local Affairs	Public Safety	

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.