



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1216: STATE AGENCIES IMPLEMENT ZERO-BASED BUDGETING

Prime Sponsors:

Rep. Brooks
Sen. Carson

Fiscal Analyst:

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

Summary Information

Overview. The bill requires that all state agencies implement zero-based budgeting for their budget requests, on a schedule specified in the bill.

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

- State Expenditures

Appropriations. The bill states that implementation shall not require further appropriations; however, for FY 2025-26, this analysis estimates that the bill will increase state agency workload and costs, and thus require an appropriation of \$246,095 to multiple state agencies.

Table 1
State Fiscal Impacts

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0	\$0
State Expenditures	\$296,639	\$2,155,472	\$3,652,575
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	2.5 FTE	18.5 FTE	32.5 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	Out Year FY 2027-28
General Fund	\$215,247	\$1,735,949	\$2,953,874
Cash Funds	\$30,848	\$50,196	\$50,196
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$50,544	\$369,327	\$648,504
Total Expenditures	\$296,639	\$2,155,472	\$3,652,575
Total FTE	2.5 FTE	18.5 FTE	32.5 FTE

Summary of Legislation

The bill requires that all state agencies implement zero-based budgeting for their budget requests beginning with budget requests submitted in FY 2027-28, except that the Department of Revenue, Department of Education, and Department of Transportation begin in FY 2026-27. Zero-based budgeting is a method in which all new and existing expenses must be justified and every function must be analyzed for its needs and costs.

The bill also requires that:

- the Office of State Planning and Budgeting develop and implement training on zero-based budgeting, and annually report to the Joint Budget Committee (JBC) on the effectiveness of zero-based budgeting;
- the Office of the State Auditor (OSA) conduct an audit of each state agency to ensure compliance with the zero-based budgeting requirements;
- all budget requests that implement zero-based budgeting be published on the General Assembly's website; and
- all work associated with the bill's requirements occur without further appropriations.

Assumptions

The bill specifies that all work associated with implementing the bill must occur without further appropriations; however, this analysis identifies additional expenditures that are required to implement the bill. Appropriations are at the discretion of the General Assembly.

Independent judicial agencies are assumed to be excluded from the requirements, except that the Office of Administrative Services for Independent Agencies in the Judicial Department is assumed to be included.

State Expenditures

The bill increases state expenditures by about \$297,000 in FY 2025-26 and \$2.2 million in FY 2026-27, and \$3.7 million beginning in FY 2026-27. These costs will be incurred in all state departments, as shown in Table 2 and described below. Costs are paid from the General Fund, cash funds, and federal funds. A breakdown of individual agency costs is available upon request.

Table 2
State Expenditures

Department	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	FTE When Fully Implemented
Agriculture	-	\$56,866	\$100,393	1.0
Corrections	-	\$93,654	\$150,589	1.5
Early Childhood	-	\$56,866	\$100,393	1.0
Education	\$93,654	\$150,589	\$150,589	1.5
Governor's Office	\$109,331	\$291,672	\$449,266	4.0
Health Care Policy and Financing	-	\$93,654	\$150,589	1.5
Higher Education	-	\$93,654	\$150,589	1.5
Human Services	-	\$93,654	\$150,589	1.5
Judicial	-	\$56,866	\$100,393	1.0
Labor and Employment	-	\$56,866	\$100,393	1.0
Law	-	\$56,866	\$100,393	1.0
Local Affairs	-	\$56,866	\$100,393	1.0
Military Affairs	-	\$36,788	\$50,196	0.5
Natural Resources	-	\$56,866	\$100,393	1.0
Personnel and Administration	-	\$56,866	\$100,393	1.0
Public Health and Environment	-	\$93,654	\$150,589	1.5
Public Safety	-	\$93,654	\$150,589	1.5
Regulatory Agencies	-	\$56,866	\$100,393	1.0
Revenue	\$56,866	\$100,393	\$100,393	1.0
State	-	\$36,788	\$50,196	0.5
Transportation	\$36,788	\$50,196	\$50,196	0.5
Treasury	-	\$36,788	\$50,196	0.5
Legislative Department - JBC	-	\$290,040	\$619,972	6.0
Legislative Department - OSA	-	\$88,500	\$324,500	0.0
Total Costs¹	\$296,639	\$2,155,472	\$3,652,575	32.5 FTE

¹ Expenditure amounts include centrally appropriated costs.

State Department Budget Offices

All affected state departments will incur additional costs to implement zero-based budgeting annually. The fiscal note assumes that costs begin in FY 2025-26 for the Department of Revenue, Department of Education, and Department of Transportation, in advance of the November 2026 budget request deadline. For all other state departments, the fiscal note assumes that costs begin in FY 2026-27, in advance of the November 2027 budget request deadline. Further, the fiscal note assumes a half year impact in the first year of department costs.

Costs are summarized in Table 2 above. The fiscal note assumes that each state department falls into one of three tiers, and assigns each tier a standard cost and FTE amount, based on a Budget Analyst II position and standard operating and capital outlay costs:

- small or with a less complex budget (about \$50,000, or 0.5 FTE);
- a medium level of budget size and complexity (\$100,000, or 1.0 FTE); and
- very complex budgets (\$150,000, or 1.5 FTE).

Governor's Office

The Office of State Planning and Budgeting in the Governor's Office requires 1.0 FTE in FY 2025-26 (prorated to reflect a January 2026 start date), 2.0 FTE in FY 2026-27, and 3.0 FTE beginning in FY 2027-28 to develop and offer training to department staff on zero-based budgeting, support departments in the development of more complex budgets. The FTE phases in to develop the training and processes in FY 2025-26, support three departments in implementing the new process and offer preemptive training to other agencies in FY 2026-27, and support all state departments and report to the Joint Budget Committee beginning in FY 2027-28.

The Governor's Office also requires the costs associated with 1.0 FTE beginning in FY 2026-27, as discussed in the other state departments section below, to prepare zero-based budgets for the Office of Information Technology, the Office of Economic Development and International Trade, and the Colorado Energy Office.

Legislative Department

Office of the State Auditor

The Office of the State Auditor will incur additional costs to audit all state departments to ensure proper use of zero-based budgeting. Costs are estimated at \$88,500 in FY 2026-27 and \$324,500 per year beginning in FY 2027-28, based on 750 hours and 2,750 hours, respectively, at a standard rate of \$118 per hour.

Joint Budget Committee Staff

The Joint Budget Committee Staff in the Legislative Department requires 3.0 FTE in FY 2026-27 and 6.0 FTE beginning in FY 2027-28 to review and analyze more detailed and complex zero-based budget proposals for all state departments. Costs assume the current starting salary for a JBC staff analyst, and standard operating capital outlay costs.

Legislative Council Staff

The bill also increases workload for Legislative Council Staff to post department budget proposals on the General Assembly website. No change in appropriations is required.

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 Table 1 above.

Effective Date

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

State Appropriations

The bill states that implementation shall not require further appropriations; however, for FY 2025-26, the fiscal note estimates that the bill requires the following General Fund appropriations:

- \$90,465 to Governor's Office, and 0.9 FTE;
- \$77,815 to the Department of Education, and 0.8 FTE;
- \$46,967 to the Department of Revenue, and 0.5 FTE.

The bill also requires an appropriation of \$30,848, and 0.3 FTE, to the Department of Transportation from the State Highway Fund.

Departmental Difference

State departments estimated that the costs to implement the bill for each agency would range from minimal, absorbable workload up to 8.0 FTE and a cost of \$1.0 million, with significant variation in the assumptions used. The fiscal note applies a standard methodology based on the size and complexity of each department's budget.

State and Local Government Contacts

All State Agencies