



Fiscal Note
Legislative Council Staff
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SB 25-137: GREENHOUSE GAS CREDITS FOR WATER QUALITY PROJECTS

Prime Sponsors:
Sen. Simpson

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Bill Outcome: Postponed Indefinitely
Drafting number: LLS 25-0779

Version: Final Fiscal Note
Date: July 21, 2025

Fiscal note status: The fiscal note reflects the introduced bill. This bill was postponed indefinitely by the Senate Transportation & Energy Committee on March 5, 2025; therefore, the impacts identified in this analysis do not take effect.

Summary Information

Overview. The bill would have allowed water quality green infrastructure projects to qualify for greenhouse gas emissions credits.

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

- State Expenditures

Appropriations. For FY 2025-26, the bill would have required an appropriation of \$564,793 to the Department of Public Health and Environment.

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	\$577,697	\$209,707
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.6 FTE	1.2 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	\$564,793	\$188,200
Cash Funds	\$0	\$0
Federal Funds	\$0	\$0
Centrally Appropriated	\$12,904	\$21,507
Total Expenditures	\$577,697	\$209,707
Total FTE	0.6 FTE	1.2 FTE

Summary of Legislation

The bill allows water quality green infrastructure projects, upon third-party certification of greenhouse gas emissions savings, to receive greenhouse gas credits that they can trade through the credit accounting and trading system operated by the Department of Public Health and Environment (CDPHE).

Background and Assumptions

[Senate Bill 24-037](#), which originated from the Water Resources and Agriculture Review Committee, directed the University of Colorado and Colorado State University to conduct a feasibility study on substituting green infrastructure, a planned and managed network of natural green spaces, for traditional centralized wastewater and drinking water treatment mechanisms. Following the feasibility study, the universities may establish up to three pilot programs. The study must be completed by April 1, 2026, and its final report is due on November 1, 2026. The fiscal note assumes that any pilot projects will commence no earlier than January 1, 2027.

CDPHE operates an emissions trading programs for industrial and manufacturing processes, focusing on energy-intensive facilities that emit over 25,000 metric tons of greenhouse gas emissions per year. While CDPHE's emissions trading environments are isolated by sector in order to meet sector-specific emissions reduction goals, the fiscal note assumes that the water quality green infrastructure projects will trade credits in the industrial sector program.

State Expenditures

The bill increases state expenditures in CDPHE by about \$580,000 in FY 2025-26 and \$210,000 in FY 2026-27. These costs, paid from the General Fund, are summarized in Table 2 and discussed below.

Table 2
State Expenditures
Department of Public Health and Environment

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$58,605	\$97,674
Operating Expenses	\$768	\$1,280
Capital Outlay Costs	\$6,670	\$0
Credit Trading System	\$498,750	\$41,100
Legal Services	\$0	\$48,146
Centrally Appropriated Costs	\$12,904	\$21,507
FTE – Personal Services	0.6 FTE	1.0 FTE
FTE – Legal Services	0.0 FTE	0.2 FTE
Total Costs	\$577,697	\$209,707
Total FTE	0.6 FTE	1.2 FTE

Department of Public Health and Environment

The department will have staff, legal services, and information technology costs beginning in FY 2025-26 to implement the bill. The ongoing workload is estimated at about \$25,000 and 0.2 FTE, though this persists only as long as the pilot projects, which under current law may operate for up to five years. These impacts are described below.

Staff

CDPHE requires additional staff to establish an emissions baseline for water quality projects, manage updates to its emissions trading platform, and adopt rules. This requires 0.2 FTE beginning in FY 2025-26 to liaise with the IT developers and to manage the integration of new projects into the credit trading scheme. CDPHE also requires 0.8 FTE in calendar year 2026 only to facilitate the rulemaking process. Standard operating and capital outlay costs are included, and costs have been prorated for the bill's effective date.

Credit Trading System Updates

The existing IT system is built specifically for the types of facilities covered by current rules, and will require updates to accommodate water quality green infrastructure projects. This is estimated at about \$500,000 in FY 2025-26 and \$40,000 in subsequent years.

Legal Services

CDPHE requires 360 hours of legal services to conduct rulemaking in FY 2026-27 only. Legal services are provided by the Department of Law at a rate of \$133.74 per hour.

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.

State Appropriations

For FY 2025-26, the bill requires a General Fund appropriation of \$564,793 to the Department of Public Health and Environment, and 0.6 FTE. Of this amount, the Governor's Office of Information Technology requires \$498,750 in reappropriated funds.

Departmental Difference

CDPHE estimates costs at \$1,006,985 and 1.4 FTE in FY 2025-26 and \$366,791 and 1.4 FTE in FY 2026-27, decreasing to about \$270,000 and 1.0 FTE in FY 2027-28 and ongoing. This estimate assumes that water quality projects require their own, parallel trading program, that the costs to develop the credit trading system are \$850,000 in the first year and \$150,000 ongoing, and that implementing this program requires 1.0 FTE. The fiscal note instead assumes that water quality projects will be integrated into the existing industrial sector system, in part because wastewater facilities are not currently covered by the credit trading program and it is unclear what market would exist for credits generated by water quality green infrastructure projects if they cannot sell credits to currently regulated entities. In addition, the fiscal note assumes that the scope of the IT development is well defined, given that the Office of Information Technology will build off existing systems, and that the workload impact is less than the department's estimate.

State and Local Government Contacts

Colorado Energy Office

Law

Information Technology

Public Health and Environment