



## Legislative Council Staff

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# *Fiscal Note Memorandum*

**TO:** Members of the House Appropriations Committee

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**DATE:** April 17, 2025

## Fiscal Assessment of L.005 to HB25-1078

This memorandum is an assessment of the fiscal impact of the attached proposed amendment L.005 to HB25-1078. This fiscal assessment is for the impact of the bill with inclusion of this amendment only. Any other added amendment could influence the fiscal impact.

### Summary of Proposed Amendment

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Amendment L.005 is a strike-below amendment that creates a revolving loan program for fire districts in the Department of Local Affairs (DOLA) and allows the State Treasurer to invest Unclaimed Property Trust Fund (UPTF) money in the newly created Firefighter First Home Ownership Program.

### Fire District Revolving Loan Fund

Amendment L.005 requires that the Unclaimed Property Trust Fund in the Department of the Treasury make a \$50.0 million interest-free loan to DOLA to support a zero-interest revolving loan fund that benefits fire departments, fire protection districts, and metropolitan or county improvement districts that provide fire protection. The loan must be repaid by July 1, 2065. DOLA must consult with the Department of Public Safety and a statewide organization representing firefighters regarding the rules, policies, and procedures for the program.

DOLA may use up to 2 percent of the loan to cover administrative costs and may charge an administrative fee of up to 0.5 percent of the principal amount of a loan made under the program. DOLA may also use earnings from the investment of the loan to cover administrative expenses.

### Firefighter Housing Ownership Program

Amendment L.005 creates the Firefighter First Home Ownership Program to support firefighter homeownership, address firefighter shortages, and support the retention of firefighters. The



State Treasurer may invest money from the UPTF into the program, which is managed by the Colorado Housing and Finance Authority (CHFA). If implemented, the State Treasurer must purchase mortgage products from CHFA in tranches of reasonable, mutually agreed upon amounts. CHFA is entitled to customary fees for managing the program.

CHFA must target investing 25 percent of the amount in the program with the goal of increasing houses for sale and access to homeownership in rural and underserved communities. CHFA must establish guidelines for the program that:

- incentivize first-time homebuyers;
- provide shared equity down payment assistance to firefighters;
- allow appreciation-sharing between the program and the homeowner; and,
- pair a borrower with a first mortgage loan through CHFA's lender network.

The program manager must annually report to the State Treasurer on program participation. If CHFA elects to no longer serve as program manager, the State Treasurer must select another program manager.

## **Fiscal Impact of Amendment L.005**

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Amendment L.005 removes the \$1.1 million cost for Colorado State University and Department of Public Safety identified in the fiscal note and instead increases state expenditures by at least \$50.0 million, requires a state loan, and impacts state revenue and TABOR refunds, as discussed below.

### **State Revenue**

On net, Amendment L.005 reduces state revenue from investment earnings and administrative fees by \$1.5 million per year.

### **Interest Earnings**

The \$50.0 million loan to DOLA results in a reduction of interest revenue to the UPTF. The amount of interest revenue lost depends on interest rates, and other changes to the fund's balance. Assuming a 3 percent annual interest rate, the amount of revenue lost is estimated at \$1.5 million in FY 2025-26 and FY 2026-27. Over the 40-year lifespan of the loan, the total revenue lost is an estimated \$113.1 million. Interest earned on money in the Unclaimed Property Trust Fund is not subject to TABOR.

Interest earnings will increase to the DOLA cash fund that holds the state loan funding (see Technical Note); however, this amount will depend on fund balance and loan cycles and cannot be estimated. DOLA may use this interest to fund its administrative expenditures. This revenue is subject to TABOR.



If the State Treasurer invests a portion of the UPTF in the Firefighter First Homeownership program, it may produce below-market returns. This results in a reduction of interest revenue for the UPTF. Any change is conditional upon an investment in the program and depends on the amount invested. Investment income in the UPTF is not subject to TABOR.

### Fee Revenue

Amendment L.005 allows DOLA to charge an administrative fee of up to 0.5 percent of the principal amount of a loan made to a fire district. This is expected to generate about \$215,000 based on the amount expected to be available for loan awards, \$43.2 million, each time that amount of funding is loaned. Assuming 10 percent of the amount available for loans is distributed in FY 2025-26, the fee is expected to generate \$21,598. Actual fee revenue depends on the loan principal amounts and how often new loans are made over the 40-year program.

### State Loan

On July 1, 2025, Amendment L.005 requires a transfer of \$50.0 million from the UPTF to DOLA in the form of an interest-free loan that must be repaid by July 1, 2065.

### State Expenditures

With Amendment L.005, the bill increases state expenditures by \$50.0 million in DOLA, starting in FY 2025-26 and spent over multiple years. In addition, the bill may increase state expenditures by an additional \$200,000, conditional on the State Treasurer investing funds in the Firefighter First Home Ownership Program.

**Table 1**  
**State Expenditures for L.005**  
**Department of Local Affairs**

<b>Cost Component</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
Personal Services	\$104,981	\$117,425
Operating Expenses	\$2,176	\$2,432
Capital Outlay Costs	\$13,340	\$0
Travel	\$5,280	\$5,280
Database Costs	\$10,521	\$10,521
Loans	\$4,340,172	\$8,639,160
Centrally Appropriated Costs	\$30,881	\$34,522
<b>Total Costs</b>	<b>\$4,507,351</b>	<b>\$8,814,620</b>
<b>Total FTE</b>	<b>1.7 FTE</b>	<b>1.9 FTE</b>



## **Department of Local Affairs**

Amendment L.005 increases state expenditures by \$50.0 million in DOLA over 40 years. Of this amount, about \$167,000 is expected to be used each year for administrative costs, for a total of \$6.8 million over the 40-year program, which may be offset by fees and interest earnings, as discussed in the State Revenue section. Administrative costs include 1.9 FTE to administer the program, including underwriting, servicing loans, and promoting the program, as well as database costs, and staff travel costs.

The remaining \$43.2 million will be awarded as loans over the duration of the program. The fiscal note assumes 10 percent of the amount available for loans will be awarded in FY 2025-26, with 20 percent allocated in each subsequent year of the program. Expenditures are shown in Table 1 below.

## **Department of Treasury**

Conditional upon the State Treasurer investing money from the UPTF into the Firefighter First Homeownership Program, the bill increases state expenditures in the Department of Treasury. Costs are estimated at \$200,000, which includes about 1.5 FTE to manage the investment of funds outside the current Treasury Portfolio.

The fiscal note assumes that if the State Treasurer decides to invest UPTF into the program, the Department of Treasury will either do so when the department can absorb the additional workload, or request the additional funding through the annual budget process. As a result, the fiscal note assumes that additional costs will not be incurred in FY 2025-26.

## **Department of Public Safety**

With Amendment L.005, the bill also minimally increases workload for the Department of Public Safety to consult with DOLA on the loan program guidelines. The fiscal note assumes this workload is absorbable.

## **TABOR Refunds**

Funds in the UPTF are exempt from TABOR, but may become subject to TABOR when transferred to other funds to be used for governmental purposes. If DOLA is unable to repay the loan in full, any unpaid balance will constitute a transfer to a state cash fund and that amount will count against the state's TABOR limit.

Additionally, the bill allows for a collection of an administrative fee for loans made to a fire district and interest earnings. This revenue is subject to TABOR.



## Statutory Public Entity

Conditional upon the State Treasurer investing UPTF money into the Firefighter First Home Ownership Program, Amendment L.005 increases revenue and expenditures in CHFA to administer the program. CHFA will have revenue from the Department of Treasury purchasing mortgage products in regular tranches and fees for the services provided. Expenditures will increase to provide the services to program participants and invest the funds to increase housing supply and access to homeownership in rural areas.

## Technical Note

The bill limits DOLA's administrative costs to 2 percent of the loan, or \$1.0 million over 40 years. However, its annual expenses to administer the revolving loan program will reach this limit in about 5 years. To continue operating the program after this time, the department will require either a higher administrative cap or an alternative funding source, such as the General Fund.

The loans are made from the UPTF to DOLA, rather than to a cash fund. The revolving loan program to benefit fire protection districts has no fund identified. The fiscal note assumes that a new cash fund is required to operate the loan program, and may require annual appropriation.

## Bill's Revised Fiscal Impact with Amendment

With Amendment L.005, the bill impacts state revenue, increases state expenditures and makes a state loan, shown in Table 2.

**Table 2**  
**State Fiscal Impacts with Amendment L.005**

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	-\$1,478,299	-\$1,501,598
State Expenditures	\$4,507,351	\$8,814,620
State Loans	\$50,000,000	\$0
Change in TABOR Refunds	\$21,701	\$43,402
Change in State FTE	1.7 FTE	1.9 FTE