HB 25-1268

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1268: UTILITY ON-BILL REPAYMENT PROGRAM FINANCING

Prime Sponsors:
Rep. Joseph; Froelich
Sen. Mullica; Winter F.

Fiscal Analyst:
Matt Bishop, 303-866-4796
matt.bishop@coleg.gov

Published for: Senate Finance
Drafting number: LLS 25-0286

Version: Fourth Revised Note
Date: April 25, 2025

Fiscal note status: The revised fiscal note reflects the reengrossed bill.

Summary Information

Overview. The bill creates a financing mechanism for energy efficiency and electrification measures using money from the Unclaimed Property Trust Fund.

Types of impacts. The bill is projected to affect the following areas from FY 2025-26 to FY 2045-46:

- State Revenue
- State Loans
- State Expenditures
- TABOR Refunds

Appropriations. The bill includes appropriations totaling $3.2 million to the Colorado Energy Office. No appropriation is required from the On-Bill Cash Fund, which is continuously appropriated to the Colorado Energy Office. See the State Appropriations section.

Table 1
State Fiscal Impacts

Type of Impact[1]	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	-$319,551	-$515,274
State Expenditures	$20,235,025	$20,178,361
State Loans	$25,000,000	$25,000,000
Change in TABOR Refunds	$142,949	$291,887
Change in State FTE	0.8 FTE	1.3 FTE

[1] Fund sources for these impacts are shown in the tables below.

Table 1A
State Revenue

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	$0	$0
On-Bill Program Administration Cash Fund	$87,500	$150,000
On-Bill Cash Fund	$142,949	$291,887
Unclaimed Property Trust Fund[1]	-$550,000	-$957,161
Total Revenue	**-$319,551**	**-$515,274**

1 This impact is conditional upon the state being no more than $50 million below the Referendum C cap.

Table 1B
State Loans[1]

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
Unclaimed Property Trust Fund	-$25,000,000	-$25,000,000
On-Bill Cash Fund	$25,000,000	$25,000,000
Net Transfer	**$0**	**$0**

1 This transfer is in the form of an interest-free loan from the Unclaimed Property Trust Fund to the On-Bill Cash Fund. The loan must be repaid by July 1, 2046. Use of the Unclaimed Property Trust Fund to make the loan is conditional upon the state being no more than $50 million below the Referendum C cap. If the state is more than $50 million below the cap, money from the sale of insurance premium tax credits would be the source of money to the On-Bill Cash Fund instead.

Table 1C
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	$0	$0
Cash Funds	$20,217,109	$20,149,290
Federal Funds	$0	$0
Centrally Appropriated	$17,916	$29,071
Total Expenditures	**$20,235,025**	**$20,178,361**
Total FTE	**0.8 FTE**	**1.3 FTE**

Summary of Legislation

The bill creates the On-Bill Program in the Colorado Energy Office (CEO). The office can lend money to a participating utility, which can use the money to complete energy efficiency or electrification measures at the request of an eligible utility customer. The customer then repays the utility through a charge on their utility bill.

Participating utilities must occasionally report on their on-bill programs to the Colorado Energy Office, unless they already file a similar report to the Public Utilities Commission. A utility with more than 500,000 customers must file an application with the commission to establish an on-bill program by December 31, 2026, and they must either propose participating in the state financing program or explain why it will not participate by December 31, 2027.

The bill loans $50 million from the Unclaimed Property Trust Fund to the new On-Bill Cash Fund over two years to support the program, unless certain conditions are met and the program is funded by the sale of insurance premium tax credits instead, as described below. CEO must repay the loan, without interest, by July 1, 2045. If the money is loaned, subsequent loans that CEO makes to a utility earn 1 percent interest, which accrues to the Unclaimed Property Trust Fund. If claims of unclaimed property exceed the balance of the fund, those claims must be paid from the General Fund. By December 31 each year, CEO must submit a report to the State Treasurer and the State Controller summarizing the status of the loans made to utilities that originated from the Unclaimed Property Trust Fund.

If state revenue subject to TABOR is forecasted to be at least $50 million below the Referendum C cap in either FY 2025-26 or FY 2026-27, the bill transfers no money from the Unclaimed Property Trust Fund. Instead, the Department of the Treasury will sell insurance premium tax credits to insurance companies to generate $25 million in that year, which is subsequently transferred to the On-Bill Cash Fund.

House Bill 25-1269 creates the Building Decarbonization Enterprise in the Colorado Energy Office. If that bill is enacted, this bill requires the enterprise to support the On-Bill Program. A participating utility must pay an annual administration fee to the enterprise throughout the life of the loan, at a level that depends on the amount it borrows from the On-Bill Program. The enterprise provides technical assistance to the utility for on-bill program models, meeting reporting obligations, program administration, and consumer education.

Background

The Unclaimed Property Division of the State Treasury holds, in perpetuity or until claimed, lost or forgotten assets of individuals and businesses in Colorado. The Unclaimed Property Trust Fund consists of all moneys collected under the Unclaimed Property Act, and interest earned on the account. The Unclaimed Property Trust Fund is TABOR-exempt; however, transfers out of the fund are generally subject to TABOR.

Assumptions

The bill makes $50 million available for financing energy efficiency and electrification measures through utilities, before paying for CEO's administrative costs. The fiscal note assumes that CEO will issue $40 million in loans over two years, leaving $10 million for future loans and administrative costs. This is for illustrative purposes only; actual program expenditures will depend on the number of participating utilities and demand from utility customers.

State Revenue

The bill increases revenue from interest earned on the On-Bill Cash Fund and fees on utilities credited to the On-Bill Program Administration Cash Fund, and it decreases revenue from foregone interest earnings in the Unclaimed Property Trust Fund, resulting in a net reduction of $320,000 in FY 2025-26, and $520,000 in FY 2026-27 and ongoing. These changes in revenue are shown in Table 2 below. Interest revenue is subject to TABOR; other revenue is not subject to TABOR. The bill may decrease net revenue from insurance premium taxes and it may increase revenue from gifts, grants, or donations. These impacts are discussed below.

Table 2
State Revenue

Revenue Source	Budget Year FY 2025-26	Out Year FY 2026-27
Fees on Participating Utilities	$87,500	$150,000
Interest Earning to On-Bill Cash	$142,949	$291,887
Reduced Interest to UPTF	-$550,000	-$957,161
Total Revenue	**-$319,551**	**-$515,274**

Fee Impact on Participating Utilities

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by the Building Decarbonization Enterprise based on cash fund balance, program costs, the fee limits in the bill, and the amount of money that a utility borrows from the On-Bill Program. Table 3A identifies the fee impact of this bill on utilities, and Table 3B estimates the total revenue generated based on the assumptions above.

Table 3A
Fee Impact on Participating Utilities

Borrowed Amount	Annual Fee Amount
up to $10 million	up to $50,000
$10 million to $20 million	$50,000 to $75,000
$20 million to $40 million	$75,000 to $100,000
$40 million to $60 million	$100,000 to 200,000
$60 million to $80 million	$200,000 to $300,000
more than $80 million	$300,000 to $400,000

Table 3B
Estimated Fee Revenue

Fiscal Year	Total Amount Loaned	Fee Revenue
FY 2025-26	$20.0 million	$87,500
FY 2026-27	$40.0 million	$150,000

Interest Earnings to On-Bill Cash Fund

CEO uses the On-Bill Cash Fund to make loans to utilities. The agency's expenditures from the fund will depend on the extent to which utilities create or expand on-bill programs, and programmatic decisions made by CEO. Interest earned on the cash fund is subject to TABOR. Based on the assumptions above, this is estimated to be about $140,000 in FY 2025-26 and $290,000 in FY 2026-27. Interest earnings on the On-Bill Program Administration Cash Fund are expected to be minimal.

Reduced Interest to Unclaimed Property Trust Fund

The bill reduces interest revenue earned on the Unclaimed Property Trust Fund. The amount of revenue 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 $550,000 in FY 2025-26 and $1.0 million in FY 2026-27. Over the 20-year lifespan of the loan, the total revenue lost is an estimated $32.3 million. This assumes that the 1 percent interest earned on the loans to utilities will cover administrative costs. If the interest payments exceed administrative costs, they will partially offset this revenue loss. Interest earned on money in the Unclaimed Property Trust Fund is not subject to TABOR.

On-Bill Financing Tax Credits

The bill may increase revenue from the sale of on-bill tax credits to insurance companies by at least $25 million per year in FY 2025-26 and FY 2026-27, with a corresponding decrease in revenue from insurance premium taxes. The Treasury determines the value of the insurance premium tax credits purchased by insurance companies and the tax years for which the credits may be claimed. The bill establishes a default credit value of 133% the amount paid; this amounts to $33.3 million in tax credits for each $25 million in proceeds for a net revenue decrease of $8.8 million over multiple years, depending on when the tax credits may be claimed.

The revenue increase from the sale of tax credits accrues to the On-Bill Cash Fund. The revenue decrease from the claiming of the tax credits occurs in the General Fund. Based on the March 2025 LCS economic forecast, the conditions for selling the tax credits are not expected to occur and the fiscal note assumes that the on-bill program will be financed from the Unclaimed Property Trust Fund.

Gifts, Grants, and Donations

The bill potentially increases state revenue to the On-Bill Administration Cash Fund or the Building Decarbonization Enterprise Cash Fund from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR.

State Loans

Unless the conditions for selling insurance premium tax credits are met, the bill makes the following transfers from the Unclaimed Property Trust Fund to the On-Bill Cash Fund:

- $5 million on July 1, 2025;
- $20 million on March 1, 2026; and
- $25 million on July 1, 2026.

These transfers are in the form of interest-free loans from the Unclaimed Property Trust Fund to the State Utility On-Bill Repayment Program Cash Fund. The loans must generally be repaid in 20 years.

State Expenditures

Excluding loans issued through the new program, the bill increases state expenditures in the Colorado Energy Office by about $240,000 in FY 2025-26 and $180,000 in FY 2026-27. It is assumed that around $20.0 million in loans will be issued annually over a two-year period. Costs in CEO, paid from the On-Bill Cash Fund and the On-Bill Program Administration Cash Fund, are summarized in Table 4 and discussed below. The bill also minimally affects workload in the Department of Regulatory Agencies and may affect workload in the Department of the Treasury.

Table 4
State Expenditures
Colorado Energy Office

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	$90,251	$147,626
Operating Expenses	$1,024	$1,664
Capital Outlay Costs	$6,670	$0
Financing Loans	$20,000,000	$20,000,000
Program Administrator	$119,164	$119,164
Centrally Appropriated Costs	$17.916	$29,071
Total Costs	**$20,235,025**	**$20,178,361**
Total FTE	**0.8 FTE**	**1.3 FTE**

Colorado Energy Office

The office will have staff and contracting costs beginning in FY 2025-26 to implement the bill.

Staff

CEO requires 0.2 FTE staff beginning in FY 2025-26 to contract and liaise with an administrator for the new program. In addition, the bill increases workload in the enterprise to offer technical assistance. This is estimated at 1.1 FTE beginning in FY 2025-26. Standard operating and capital outlay costs are included. The fiscal note prorates the enterprise's costs in the first year for a January 1 start date.

Financing for Energy Efficiency or Electrification Measures

The fiscal note assumes CEO will make loans to utilities to finance energy efficiency or electrification measures over multiple years. Actual expenditures will depend on demand from participating utilities and utility customers.

Program Administrator

Based on the assumptions above and the amount of revenue available for administrative costs, the fiscal note estimates that CEO will pay administrative fees to a third-party program administer of about $120,000 per year over the life of the program.

Legal Services

CEO requires about 100 hours of legal services, provided by the Department of Law, which can be accomplished within existing legal services appropriations. If additional legal services are required, it will be addressed through the budget process. Legal services needs are expected to increase in future years as the technical assistance program grows.

Department of Regulatory Agencies

Requiring participating utilities to include an application with the Public Utilities Commission increases workload to conduct a new regulatory proceeding, likely in FY 2027-28. This can be accomplished within existing appropriations.

Department of the Treasury

If the bill results in the sale of insurance premium tax credits, it increases workload in the Treasury to establish the terms of the sale and to collect the proceeds. This workload is expected to be accomplished within existing appropriations.

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

Funds in the Unclaimed Property Trust Fund are exempt from TABOR, but may become subject to TABOR when transferred to other funds to be used for governmental purposes. If CEO 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 in FY 2045-46.

Although the revenue generated by the sale of insurance premium tax credits is subject to TABOR, it only occurs if revenue is projected be below the Referendum C cap and there is no impact on TABOR refunds. Those credits may be claimed in future years, as determined by the State Treasurer at the time of the sale. This may result in a decrease in TABOR refunds for those years.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2025-26, the bill includes the following appropriations to the Colorado Energy Office:

- $3,000,000 from the Building Decarbonization Enterprise Cash Fund; and
- $200,000 from the On-Bill Program Administration Cash Fund, with 0.8 FTE. This cash fund spending authority is higher than the fiscal note's estimate to give the CEO more spending flexibility for technical assistance activities after the bill was amended to require annual appropriation from the fund.

The appropriation from the Building Decarbonization Enterprise Cash Fund is also in HB 25-1269, and those expenditures are discussed in that fiscal note.

No appropriation is required from the On-Bill Cash Fund, which is continuously appropriated to the Colorado Energy Office.

State and Local Government Contacts

Colorado Energy Office
Law
Personnel
Regulatory Agencies
Treasury