



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1269: BUILDING DECARBONIZATION MEASURES

Prime Sponsors:

Rep. Willford; Valdez

Sen. Ball; Kipp

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

Summary Information

Overview. The bill establishes building performance standards for 2040 and creates a new state enterprise to support building decarbonization efforts.

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

- State Revenue
- State Expenditures
- School Districts

Appropriations. The bill includes an appropriation of \$3 million to the Colorado Energy Office.

Table 1
State Fiscal Impacts

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
State Revenue	\$1,992,000	\$2,656,000	\$3,419,600	\$3,519,200
State Expenditures	\$1,992,000	\$2,656,000	\$3,419,600	\$3,519,200
Transferred Funds	\$0	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$0	\$0	\$0
Change in State FTE	1.6 FTE	1.6 FTE	1.6 FTE	1.6 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	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	\$0	\$0	\$0	\$0
Cash Funds	\$1,992,000	\$2,656,000	\$3,419,600	\$3,519,200
Total Revenue	\$1,992,000	\$2,656,000	\$3,419,600	\$3,519,200

Table 1B
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	\$0	\$0	\$0	\$0
Cash Funds	\$1,959,847	\$2,623,847	\$3,387,447	\$3,487,047
Federal Funds	\$0	\$0	\$0	\$0
Centrally Appropriated	\$32,153	\$32,153	\$32,153	\$32,153
Total Expenditures	\$1,992,000	\$2,656,000	\$3,419,600	\$3,519,200
Total FTE	1.6 FTE	1.6 FTE	1.6 FTE	1.6 FTE

Summary of Legislation

Building Decarbonization Enterprise

The bill creates the Building Decarbonization Enterprise in the Colorado Energy Office (CEO) to provide technical assistance, financing, and other programmatic support for building decarbonization measures, such as energy audits, consulting services, and energy use tracking software. Covered building owners must pay a \$400 fee to the enterprise beginning in FY 2025-26. The fee is set in the bill and will increase with inflation.

Building Performance Standards

Under current law, certain building owners must submit energy usage benchmarking data to the Colorado Energy Office (CEO). The bill delays the annual reporting deadline by five months and specifies that, if the owner lacks access to the data, the building operator must submit the report instead.

The Air Quality Control Commission in the Department of Public Health and Environment (CDPHE) must adopt rules to develop 2040 performance standards for buildings. CDPHE must propose standards by June 1, 2029, in consultation with a task force that meets during FY 2027-28. Buildings with significant energy usage increasing due to certain operational changes may receive individualized compliance guidelines from CEO.

A building may use 2019 benchmarking data as an alternate baseline if its owner submits accurate benchmarking data to CEO by November 1, 2027. Alternately, a building owner may track its progress toward meeting 2026 performance standards and submitting additional information to CEO in its benchmarking reports. The bill also updates how penalties are imposed on violations of the reporting requirements and allows the penalty amounts to increase with inflation.

Wildfire Resiliency Codes

When a county adopts a wildfire resiliency code, the bill exempts it from adopting certain energy codes.

State Revenue

Fee Impact on Covered Building Owners

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The fee is set by the bill at \$400 for FY 2025-26, and it increases with inflation beginning in FY 2027-28. The fiscal note estimates that there are 8,300 buildings covered by the fee, and that compliance will phase in over three years. Revenue collected by the enterprise is not subject to TABOR. The table below identifies the fee impact of this bill.

Table 2
Fee Impact on Covered Building Owners

Fiscal Year	Type of Fee	Estimated Fee	Number Affected	Total Fee Impact
FY 2025-26	Decarbonization Fee	\$400	4,980	\$1,992,000
FY 2026-27	Decarbonization Fee	\$400	6,640	\$2,656,000
FY 2027-28	Decarbonization Fee	\$412	8,300	\$3,419,600
FY 2028-29	Decarbonization Fee	\$424	8,300	\$3,519,200

State Expenditures

The bill increases state expenditures by about \$2.0 million in FY 2025-26, \$2.7 million in FY 2026-27, \$3.4 million FY 2027-28, and \$3.5 million in FY 2028-29. These costs will be incurred in the Colorado Energy Office and paid from the Building Decarbonization Enterprise Cash Fund. The bill minimally impacts workload in various other agencies, as described below.

Colorado Energy Office

The bill increases expenditures in CEO to operate the new enterprise beginning in FY 2026-27. Based on the assumptions above, spending by the enterprise will increase in subsequent years as fee revenue increases.

Table 3
State Expenditures
Colorado Energy Office

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Personal Services	\$158,708	\$158,708	\$158,708	\$158,708
Operating Expenses	\$1,792	\$1,792	\$1,792	\$1,792
Capital Outlay Costs	\$6,670	\$0	\$0	\$0
Decarbonization Activities	\$1,586,295	\$2,334,873	\$3,098,473	\$3,198,073
Planning Costs	\$75,000	\$0	\$0	\$0
Indirect Cost Assessment	\$72,886	\$69,978	\$69,978	\$69,978
Legal Services	\$53,496	\$53,496	\$53,496	\$53,496
Board Costs	\$5,000	\$5,000	\$5,000	\$5,000
Centrally Appropriated Costs	\$32,153	\$32,153	\$32,153	\$32,153
FTE – Personal Services	1.4 FTE	1.4 FTE	1.4 FTE	1.4 FTE
FTE – Legal Services	0.2 FTE	0.2 FTE	0.2 FTE	0.2 FTE
Total Costs	\$1,992,000	\$2,656,000	\$3,419,600	\$3,519,200
Total FTE	1.6 FTE	1.6 FTE	1.6 FTE	1.6 FTE

Staff

CEO requires 1.4 FTE beginning in FY 2025-26 to support rulemaking, conduct planning, engage stakeholders, and develop the decarbonization program. This includes staff for administrative support. Standard operating and capital outlay costs are included.

Decarbonization Activities

The fiscal note estimates the amount of funding available for decarbonization activities in support of covered building owners based on the revenue assumptions above.

Planning Costs

The enterprise will incur about \$75,000 in planning costs to develop the new programs in FY 2025-26 only. This includes stakeholder engagement, budget development, and developing metrics for program performance.

Indirect Cost Assessment

The enterprise will incur additional costs from indirect support from CEO, including leased space and additional operating costs. CEO's indirect cost rate is projected to be 43.6 percent of the enterprise's administrative costs, excluding decarbonization activities.

Legal Services

The enterprise requires 400 hours of legal services per year for rulemaking and ongoing general counsel. Legal services are provided by the Department of Law at a rate of \$133.74 per hour.

Board Costs

Travel reimbursement costs for the board are estimated at \$5,000 per year.

Department of Public Health and Environment

The bill may increase workload in CDPHE to incorporate building performance standards data into rulemaking. This updates existing rulemaking requirements in FY 2027-28, and can be accomplished within the normal course of business.

Judicial Department

Compliance decisions made by CEO or CDPHE are subject to judicial review, which may increase workload in the trial courts. Any increase in cases is expected to be minimal and no change in appropriations is required.

Governor's Office of Boards and Commissions

Workload will minimally increase for the Governor's Office of Boards and Commissions to make the required appointment under the bill. This work can 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 include employee insurance and supplemental employee retirement payments, are shown in the expenditure table above.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and it applies to conduct occurring on or after that date.

State Appropriations

For FY 2025-26, the bill includes an appropriation of \$3,000,000 from the Building Decarbonization Enterprise Cash Fund to the Colorado Energy Office. This cash fund spending authority is higher than the fiscal note's estimate to give the CEO more spending flexibility for decarbonization activities after the bill was amended to require annual appropriation from the fund.

State and Local Government Contacts

Colorado Energy Office	Municipalities
Counties	Personnel
Governor's Office	Public Health and Environment
Judicial	Regulatory Agencies
Law	Treasury