



Fiscal Note

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HB 26-1274: STATE AGENCY PAYMENTS TO GRANT RECIPIENTS

Prime Sponsors:

Rep. Lindsay; Garcia
Sen. Wallace; Weissman

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Summary Information

Overview. The bill allows state agencies to make advance payments to recipients of state grants, subject to certain procedures.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis starting in FY 2026-27:

- State Revenue
- State Expenditures
- Local Government

Appropriations. For FY 2026-27, the bill requires and includes an appropriation of \$34,146 to the Department of Personnel and Administration.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$42,423	\$44,279
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.4 FTE	0.5 FTE

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

**Table 1A
State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$34,146	\$33,932
Cash Funds	\$0	\$0
Federal Funds	\$0	\$0
Centrally Appropriated	\$8,277	\$10,347
Total Expenditures	\$42,423	\$44,279
Total FTE	0.4 FTE	0.5 FTE

Summary of Legislation

The bill allows state agencies contracting with a grantee for the provision of services to make advance payments to recipients of state grants. Agencies must have an existing process or develop a new one approved by the Office of the State Controller in the Department of Personnel and Administration (DPA) that allows for dispensation of advance payments. The bill specifies other procedures for advance payments, including disclosures to grantees, and the use of a risk assessment tool by the DPA. Advance payments are only permitted when the assessment tool indicates that there is low risk.

Grantees must provide itemized budgets, required documentation, obtain insurance if necessary, develop procedures to minimize time between advance payment and expenditures, provide progress reports, and disclose internal controls related to advance payments. Advance payment amounts under the bill are limited to the immediate cash requirements of the grantee to achieve grant objectives, as proposed by the grantee and approved by the agency. Grantees must return unused advance payment amounts if unspent within the grant agreement timeline.

If the agency or the DPA denies the request for advance payment, the agency must provide a written explanation to the grantee. Agencies are not prevented from using the DPA's existing waiver process to dispense percentages of a contract's total value as an advance payment. Current payment structures and grant making authority are not limited by the bill.

Assumptions

The bill requires state agencies to use an existing process or develop a new one to make advance payments subject to the procedures outlined in the bill. The fiscal note assumes that the DPA will provide guidance on the development of any necessary new procedures, or updated guidance on using existing procedures. Accordingly, the primary workload impact of

the bill will be on the DPA rather than administering agencies. The fiscal note assumes this is the least-cost implementation of the bill, and that administering agencies will use existing procedures where practicable to minimize the workload impact of the bill on their individual operations.

State Revenue

Starting in FY 2026-27, the bill may decrease state revenue from interest income if more advance payments to grantees are made than under current law. This reduction would occur from less money being retained in interest-bearing accounts, as more money is advanced to grantees. Based on the Assumptions section, the fiscal note estimates a minimal decrease in state revenue from a minimal number of new advance payments. However, if the practice of making advance payments become more common, lost interest could be significant, potentially in the millions of dollars.

State Expenditures

The bill increases state expenditures in the DPA by about \$45,000 in FY 2026-27 and future years. These costs, paid from the General Fund, are summarized in Table 2 and discussed below. The bill also minimally affects workload in other state agencies administering grant programs.

Table 2
State Expenditures
Department of Personnel and Administration

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$26,634	\$33,292
Operating Expenses	\$512	\$640
Capital Outlay Costs	\$7,000	\$0
Centrally Appropriated Costs	\$8,277	\$10,347
Total Costs	\$42,423	\$44,279
Total FTE	0.4 FTE	0.5 FTE

Department of Personnel and Administration

The Office of the State Controller within the DPA requires 0.5 FTE Grants Specialist III to develop guidance on new and existing procedures for advance payments made by administering agencies. Staff will ensure procedures under the bill are followed, including the use of the risk assessment tool and communicating as necessary with both administering agencies and grantees. Amounts above include standard operating and capital outlay costs, and are prorated for a September 1, 2026, start date.

Agencies Administering Grant Programs

For agencies administering grant programs, workload will increase to follow the procedures for advanced payments under the bill. The fiscal note assumes that the guidance provided by the DPA will minimize this workload impact, or else administering agencies will use existing procedures where practicable. Therefore, no change in appropriations is required.

Reduced Cash Fund Expenditures

If cash funds receive less interest revenue, cash fund expenditures to support grants and administrative expenses may be reduced. As noted in the State Revenue section above, this lost revenue is assumed to be minimal, but could begin to have a more significant impact on available cash fund balances if the practice of issuing advances to grantees becomes more common.

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, indirect cost assessments, and other costs, are shown in Table 2 above.

TABOR Refunds

To the extent the bill reduces state interest revenue to various cash funds, it may decrease the amount of state revenue required to be refunded to taxpayers. Because TABOR refunds are paid from the General Fund, decreased cash fund revenue will increase the amount of General Fund available to spend or save in any year when the state is over its revenue limit.

Local Government

To the extent that local governments are the recipients of state grant funding and receive advance payments, cash flow will increase.

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 2026-27, the bill includes a General Fund appropriation of \$34,416 to the Department of Personnel and Administration, and 0.4 FTE.

Departmental Difference

Four agencies estimate that the bill will increase state expenditures, as shown in Table 3 and discussed below.

Table 3
State Expenditures Estimated by Departments

Department	Budget Year FY 2026-27	Out Year FY 2027-28
Department of Early Childhood	\$232,780	\$347,716
Department of Military and Veterans Affairs	\$153,734	\$174,667
Department of Public Safety	\$77,846	\$88,558
Office of the Governor	\$54,593	\$59,475
Total Costs	\$518,953	\$670,416
Total FTE	4.6 FTE	6.5 FTE

These impacts occur based on these departments' assumption that the procedures for advance payments under the bill increase workload for their grantmaking programs beyond an absorbable level. For FY 2026-27, these expenditure impacts would require the following General Fund appropriations:

- \$168,017 to the Department of Early Childhood, and 1.8 FTE;
- \$120,791 to the Department of Military and Veterans Affairs, and 1.6 FTE;
- \$61,291 to the Department of Public Safety, and 0.8 FTE; and
- \$45,307 to the Office of the Governor, and 0.4 FTE.

Other grant making departments may also have costs to make more advance payments. However, the fiscal note does not include these costs. As discussed in the Assumptions section, the fiscal note reflects that the DPA will provide guidance or agencies will use existing procedures, such that the overall increase in workload for individual agencies is minimal.

State and Local Government Contacts

All State Agencies