HB 26-1429

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1429: COUNTY ADMINISTRATION PUBLIC ASSISTANCE PROGRAMS

Prime Sponsors:
Rep. Brown; Sirota
Sen. Bridges; Kirkmeyer

Fiscal Analyst:
Aaron Carpenter, 303-866-4918
aaron.carpenter@coleg.gov

Published for: Senate Appropriations
Drafting number: LLS 26-0425

Version: First Revised Note
Date: May 9, 2026

Fiscal note status: This revised fiscal note reflects the reengrossed bill, which was recommended by the Joint Budget Committee.

Summary Information

Overview. The bill creates a new model to deliver and investigate fraud of certain public benefits.

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

- State Revenue
- State Expenditures
- Local Government

Appropriations. For FY 2026-27, the bill requires an appropriation of $9.9 million to multiple state departments.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
State Revenue	Indeterminate	Indeterminate	Indeterminate	Indeterminate
State Expenditures	$10,187,433	$18,149,177	$36,517,002	$35,748,093
Transferred Funds	$0	$0	$0	$0
Change in TABOR Refunds	Indeterminate	Indeterminate	Not estimated	Not estimated
Change in State FTE	9.8 FTE	11.2 FTE	11.2 FTE	11.2 FTE

The state will receive funding from counties and future fraud recoveries; however, the amount of funding received is indeterminate. Fund sources for expenditures impacts are shown in the table below.

Table 1A
State Expenditures

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
General Fund	$2,961,237	$3,561,087	$6,677,089	$6,387,033
Cash Funds	$1,340,695	$3,454,263	$5,539,118	$5,400,728
Federal Funds	$5,601,076	$10,747,093	$23,914,061	$23,573,598
Centrally Appropriated	$284,425	$386,734	$386,734	$386,734
Total Expenditures	**$10,187,433**	**$18,149,177**	**$36,517,002**	**$35,748,093**
Total FTE	**9.8 FTE**	**11.2 FTE**	**11.2 FTE**	**11.2 FTE**

Summary of Legislation

The bill requires the Departments of Health Care Policy and Financing (HCPF), Human Services (CDHS), and Early Childhood (CDEC) to create a new public benefits delivery model and to create a centralized member integrity service to investigate fraud. The public benefits impacted are: Medicaid, Children's Basic Health Plan (CHP+), Supplemental Nutrition Assistance Program (SNAP), child care assistance program (CCCAP), Temporary Assistance for Needy Families (TANF), and adult financial programs.

Public Benefits Delivery Method

Starting on January 1, 2028, the departments must oversee a public benefit delivery model for the impacted benefits made up of up to 12 cohorts. A cohort is a group of counties that are required to work together to administer public assistance benefits through shared work and pooled resources. The CHDS is required to employ up to 12 human service regional managers to provide guidance, direction, and technical assistance to the cohorts. The bill outlines the requirements of the state departments including monitoring and supervision requirements.

By July 1, 2026, the state departments in consultation with the county departments must contract with a third-party contractor to help the implementation work group, which is created by the bill, to develop and implement a transition plan to the new system. The bill outlines the requirements of the working group and the transition plan, which must include the operation of shared services such as a call center, quality assurance, and security administration services. The working group must provide progress reports either monthly or quarterly, as outlined by the bill.

The bill also creates the state cross-departmental policy alignment team to review and update policies for public assistance program; analyze federal, state, and local polices; create policy guidance; review internal policies and procedures of programs; and submit quarterly reports.

Performance-based Contracts

On or before February 1, 2026, the state departments must establish aligned minimum requirements for county departments through performance-based contracts. The bill outlines the purpose of the contracts and what they must include. The state departments remain the ultimate supervisory authority to ensure a county's compliance with the performance-based contract. If a county is not compliant, the county must submit a corrective action plan within 10 days of receiving notice of a state department's performance concern. The bill outlines sanctions a state department can put on a non-compliant county. When the public benefit delivery method is up and running, contracts will be with each cohort.

Integrity Service

The bill requires the departments to contract with a county department to administer a centralized member integrity service by July 1, 2027. The service is responsible for conducting fraud investigations for the impacted public benefits.

The bill requires the departments to collaborate with counties to create a transition plan by January 1, 2027, to help counties transition to a centralized member integrity service. The bill also creates the Centralized Member Integrity Service Cash Fund to deposit any recouped money from fraud investigations, which may be used to fund the service's function. When a county has fully transitioned to using the centralized member integrity service, the county must transfer the money in the county social services fund to the State Treasurer who must deposit the money to the new cash fund.

Quality Improvement and Data Reporting

By September 1, 2026, in collaboration with the contracted county providing integrity services, the departments must establish a continuous quality improvement process to review the metrics to identify root causes of errors and inconsistencies and to implement strategies to improve accuracy and consistency in eligibility determinations. A report that provides an update on the process must be submitted to the General Assembly annually starting by January 1, 2027.

In addition, starting on January 1, 2027, the departments must publish county-level and statewide performance data on impacted programs on an online dashboard.

State Income Tax Refund Offset

Under current law, over-payments of certain public benefits can be withheld from an individual's state income tax refund by the Department of Revenue. The bill applies this withholding to over-payments for Medicaid benefits. In addition, if the over-payment is related to the centralized member integrity service, the money must be deposited to the Centralized Member

Integrity Service Cash Fund for appropriate distribution; if it is not, the money is transferred to the county for appropriate distribution.

Assumptions

Generally, the fiscal note assumes that costs for centralized services created under the bill will be roughly split as follows: 76 percent for HCPF; 19 percent for CDHS, and 5 percent for CDEC.

State Revenue

Starting in FY 2026-27, the bill increases state cash fund revenue by an indeterminate amount by requiring counties to transfer any money in their social services funds to the newly created Centralized Member Integrity Service Cash Fund. In addition, the cash fund will also receive certain recovered federal funds, which previously went to county social services funds. The fiscal note assumes a neutral TABOR impact, as these funds initially originated from the state and federal funds.

State Expenditures

The bill increases state expenditures by $10.2 million in FY 2026-27, $18.1 million in FY 2027-28. $36.5 million in FY 2028-29, and $35.7 million in FY 2029-30. Costs for the various initiatives under the bill are shown in Table 2 below. It is assumed the new centralized services and initiatives under the bill will be housed in HCPF and paid for using a mix of General Fund, cash funds, and federal funds, both directly to HCPF and reappropriated from CDHS and CDEC according to a funding formula. The bill also increases workload and potential programming costs in the Department of Revenue.

Table 2
State Expenditures

Cost Components	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
Funding Model Preparations	$2,333,443	$1,122,638	$1,122,638	$1,122,638
Call Center	$996,597	$9,477,595	$33,319,401	$33,109,550
Integrity Services	$6,465,945	$11,932,393	$11,253,393	$10,673,542
Legal Services	$317,338	$53,000	$53,000	$53,000
Reallocation of Current Funding	$0	-$4,306,362	-$8,552,298	-$8,552,298
Other CDEC Costs/Savings	-$210,315	-$516,819	-$1,065,865	-$1,045,071
Centrally Appropriated	$284,425	$386,734	$386,734	$386,734
Total Costs	**$10,187,433**	**$18,149,179**	**$36,517,003**	**$35,748,095**
Total FTE	**9.8 FTE**	**11.2 FTE**	**11.2 FTE**	**11.2 FTE**

Staff

Across the various initiatives, the three departments require 11.0 FTE to implement the bill. This includes FTE for the joint policy team, field administrators, policy advisors, and contract managers. Costs for staff are incorporated into the amounts for each initiative in Table 2, rather than shown separately.

Joint Policy Team

The departments require 4.0 FTE to make up a joint policy team to coordinate policy and operational changes, as well to ensure alignment and consistency across programs. The fiscal note assumes that each department will have 1.0 FTE on the team, and that 1.0 FTE will represent a staff development division to represent a matrix program between CDHS and HCPF.

Field Administrators

The departments require 4.0 FTE field administrators to oversee day to day operations of assigned cohorts and to serve as the primary point of conduct between the cohorts and the departments. Costs for field administrators include $5,292 annually for travel. Of the 4.0 FTE, 2.0 FTE are at HCPF and 2.0 FTE are at CDHS. Field administrators are assumed to start on January 1, 2027.

Policy Advisor

The departments require 1.0 FTE policy advisor to serve as the subject matter expert for the statewide shard services for Medicaid programs. This includes initiating and completing rule making, conducting stakeholder engagement, issuing policy and operational guidance, and coordinating federal policy interpretation.

Contract Managers

The departments require 2.0 FTE to act as the liaison and point of accountability between the departments and the counties for the contracts of the shared services and the centralized integrity service. The manager for the call center is assumed to start January 1, 2027.

Funding Model Preparations

In addition to the staff outlined above for this purpose, the bill increases costs in the departments to hire a third-party contractor and implement a standardized workflow tool, as described below.

Third-party Contractor

In FY 2026-27 only, the bill increases state expenditures to hire a third-party contractor to help guide the planning process and to develop recommendations for a transition plan for the new benefit model. The fiscal note estimates that a contractor will cost $227 per hour and will conduct 950 hours of work for a total cost of $215,650.

Technological Upgrades

In FY 2026-27 only, the bill increases state expenditures to upgrade technology used by cohorts to ensure standardized workflows for the cohorts, including implementing a new scheduling tool. It is estimated that the associated technology upgrades increase costs by $1.2 million.

Call Center

Starting in FY 2026-27, the bill increases costs to develop a cohort call center to assist the public with eligibility and other issues concerning public benefits. Currently, counties either run their own call center or have eligibility technicians directly answer calls. The call center will aggregate county call center agents into 12 cohort teams to manage calls on behalf of counties.

Third-party Contractor

To establish the call center, HCPF will contract with a project, change management, and business process manager to help establish the call center. Contractor costs are estimated at $920,000 from FY 2026-27 through FY 2028-29, then reduced to $526,000 in FY 2029-30.

Call Center Staff

Starting in FY 2027-28, expenditures will increase in order to provide call center support to all counties. When fully operational, the consolidated call centers are expected to cost an estimated $29.2 million to hire the call center agents, supervisors, and trainers. Staffing levels are based on an average call handling time of 15 minutes and an average speed of answer of 5 minutes or less. Costs in FY 2027-28 are prorated by 25 percent for a May 2028 start date.

Software Licenses

Finally, the bill requires additional software licenses for call center staff, estimated at $3.2 million annually. This includes $168,000 to access the CDEC portal (CHATS). Costs in FY 2027-28 are prorated by 25 percent.

Integrity Services

The bill increases costs to contract with a county to implement consolidated integrity services, as described below.

Contract Staff

Starting in FY 2026-27, the departments require $658,000 in FY 2026-27 through FY 2028-29 and $263,000 in FY 2029-30, to designate and contract with a county to lead the integrity service, and to build out and support the state's existing county compliance database. Ongoing costs will facilitate process alignment, provide case reviews, evaluation reviews, and provide centralized and shared services support.

Integrity Services Contract

Assuming the service will conduct 7,500 fraud investigation per year, expenditures will increase by $9.2 million per year. Costs in FY 2026-27 are prorated by 25 percent to allow time to contract with a county to conduct the investigations.

EBT Fraud Prevention

Starting in FY 2026-27, additional costs are required to investigate fraud through electronic benefit transfer (EBT) fraud and theft protection. EBT specific investigations are estimated to cost $1.2 million per year. Costs for FY 2026-27 are prorated by 25 percent.

In addition, $150,000 is required in FY 2026-27 and $185,000 in FY 2027-28 and ongoing to add a date of birth validation before balance inquires, to enable the system to block previously used PINs to access benefits, and to allow clients to unblock card via an app for out-of-state transactions.

Technology Upgrades

The departments require upgrades to the current Colorado Benefit Management System (CBMS). This includes creating functionality to allow additional staff to submit a fraud referral, to allow clients and members to make payments for fraud recoupment, implement tax refund intercept functionality, and to add functionality for case reviews. Upgrades are estimated to cost $2.4 million in FY 2026-27 only.

Licensing

Starting in FY 2026-27, new employees with the integrity service will require licenses to access required government portals. This will increase costs by about $360,000 including licenses for the CDEC CHATS system. Costs in FY 2026-27 are prorated by 25 percent.

Legal Services

The departments require legal service for increased contracting needs and rulemaking. Costs are provided by the Department of Law at a rate of $132.50 per hour. These costs are estimated at $317,338 in the first year, which corresponds to 1.3 FTE, and $53,000 in future years, which corresponds to 0.2 FTE.

Reallocation of Current Funding

Starting in FY 2026-27, the departments will have reductions in costs to existing functions that will instead be provided through, or reduced from, the use of the shared call center. These savings will offset a portion of the costs for the bill outlined above. These reductions will be to county incentives, the Colorado Medical Assistance Program, and eligibility application partner sites, as described below.

County Incentives

Because the bill requires performance-based contracts on behalf of counties and their cohorts, costs for the county incentive program can be decreased by $3.7 million in FY 2027-28 and $6.2 million in FY 2028-29. This reduction is from the General Fund and is prorated in FY 2026-27.

Medical Assistance Program

By creating a shared call center, the bill decreases costs related to the existing CMAP call center by about 10 percent, or around $800,000 starting in FY 2027-28, since CHP+ members will have eligibility determined by the shared call centers under the bill. Funding decreases assume 35/65 percent fund split between the HAS Cash Fund and federal funds. Savings are prorated in FY 2026-27.

Eligibility Application Partner Sites

By creating a shared call center, the bill decreases the cost to reimburse eligibility application partner sites. This reduction is estimated to be $1.1 million per year, with costs prorated in FY 2027-28 by 25 percent. Savings assume a 26/74 percent fund split between the HAS Cash Fund and federal funds.

Other CDEC Costs and Savings

Excluded from funds flowing to HCPF for shared services in FY 2026-27, CDEC will have costs of about $12,000 for additional software licenses for the CHATS system. Federal Child Care Development Fund money will also be reduced by $221,806 for the Intrastate Child Care Assistance Program Redistribution, and instead be used to fund initiatives under the bill. These amounts will increase to $217,000 for CHATS licenses and $1.3 million in reductions for the intrastate redistribution in FY 2028-29 and future years. Costs in FY 2027-28 are prorated.

Department of Revenue

The Department of Revenue may have programming costs to receive withholding information related to over-payments for Medicaid benefits. These costs are still being evaluated, as existing systems may suffice. Costs, if required, will be about $10,000. These have not been included as of writing, and will be updated in a future analysis.

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 the table above.

TABOR Refunds

The fiscal note assumes that the bill increases the requirement for TABOR refunds to taxpayers by an indeterminate amount for FY 2026-27 and FY 2027-28. This assessment assumes the March 2026 LCS forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28.

In general, local government payments to the state are subject to the state TABOR limit. However, the payments received under the bill are of money that originated as federal and state funds. If the bill is administered such that these receipts are accounted as exempt from TABOR, then the bill will have no impact on the requirement for TABOR refunds to taxpayers.

Local Government

The bill decreases expenditures for counties to no longer operate county-based call centers or to investigate fraud for certain public benefits. Expenditures and workload will also increase to implement a new public benefit delivery model. Due to time constraints, exact impacts to counties have not been estimated. Additional information will be provided upon further review and any additional information received.

Effective Date

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

State Appropriations

For FY 2026-27, the bill requires total appropriations of $9,903,008 to multiple agencies, including $2,961,237 General Fund, $1,340,695 from various cash funds, and $5,601,076 from federal funds. These amounts exclude reappropriations of funds to avoid double counting. Addition detail on required appropriations and reappropriations for each agency is below.

Department of Health Care Policy and Financing

For FY 2026-27, HCPF requires appropriations totaling $9,963,323 and 8.5 FTE, including:

- $1,769,848 General Fund;
- $881,401 from the Health Care Affordability and Sustainability Cash Fund;
- $2,455,027 in reappropriated funds; and
- $4,857,047 in federal funds.

Of this amount, $317,338 is reappropriated to the Department of Law with an additional 1.3 FTE and $318,439 is reappropriated to the Office of Information Technology.

Department of Human Services

For FY 2026-27, the CDHS requires appropriations totaling $2,165,793 including:

- $968,791 General Fund;
- $459,294 from the various cash funds, and
- $744,029 in federal funds.

Of this amount, $2,022,114 is reappropriated to HCPF.

Department of Early Childhood

For FY 2026-27, the CDHS requires a net change in appropriations of $222,598, including:

- an increase of $222,598 General Fund;
- an increase of $222,598 federal funds for initiatives under the bill; and
- a decrease of $222,598 federal funds for Intrastate Child Care Assistance Program Redistribution.

Of the increase appropriation amount, $210,315 is reappropriated to HCPF.

State and Local Government Contacts

Counties

Early Childhood

Health Care Policy and Financing

Human Services