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Fiscal Note

Drafting Number: LLS 24-0910 Date: March 11, 2024
Prime Sponsors: Rep. Weissman; Rutinel Bill Status: House Energy & Environment
Sen. Winter F. Fiscal Analyst: Matt Bishop | 303-866-4796
matt.bishop@coleg.gov

Bill Topic: DISPROPORTIONATELY IMPACTED COMMUNITY AIR POLLUTION

Summary of Fiscal Impact: [] State Revenue [] State Transfer [] Local Government
[x] State Expenditure [] TABOR Refund [] Statutory Public Entity

The bill expands the Air Quality Control Commission's membership, restricts emissions from the industrial sector, and modifies the state's greenhouse gas credit trading program. It increases state expenditures beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires appropriations totaling \$194,216 to multiple state agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 24-1339

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

The bill expands the Air Quality Control Commission in the Department of Public Health and Environment (CDPHE) from nine members to eleven to include representation from a disproportionately impacted community and a climate scientist. It also requires that the commission adopt rules that prohibit greenhouse gas emissions from the industrial and manufacturing sector from increasing in the short-term, limit the sector’s emissions through 2030, and require direct emissions reductions from sources that have adversely impacted a disproportionately impacted community. Beginning January 1, 2025, emissions sources cannot meet compliance targets by making a payment other than for a greenhouse gas credit through a trading program.

State Expenditures

The bill increases state expenditures by about \$230,000 in FY 2024-25 and \$80,000 in FY 2025-26, paid from the General Fund. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under HB 24-1339**

| | FY 2024-25 | FY 2025-26 |
|--|------------------|-----------------|
| Department of Public Health and Environment | | |
| Personal Services | \$114,343 | \$23,098 |
| Operating Expenses | \$1,664 | \$384 |
| Capital Outlay Costs | \$6,670 | - |
| Legal Services | \$12,802 | \$51,208 |
| Centrally Appropriated Costs ¹ | \$25,709 | \$5,625 |
| FTE – Personal Services | 1.3 FTE | 0.3 FTE |
| FTE – Legal Services | 0.1 FTE | 0.2 FTE |
| CDPHE Subtotal | \$161,188 | \$80,315 |
| Colorado Energy Office | | |
| Personal Services | \$58,225 | - |
| Operating Expenses | \$512 | - |
| Centrally Appropriated Costs ¹ | \$10,460 | - |
| FTE – Personal Services | 0.4 FTE | - |
| CEO Subtotal | \$69,197 | - |
| Total Costs | \$230,385 | \$80,315 |
| Total FTE | 1.8 FTE | 0.5 FTE |

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Public Health and Environment. The bill increases expenditures to conduct the required rulemaking, as described below. The rulemaking impacts are partially mitigated as they affect previously scheduled rulemaking efforts on the same topics.

- **Staffing.** CDPHE is conducting rulemaking on limiting emissions from industrial and manufacturing sources in FY 2024-25, and ensuring that those efforts account for the bill's added requirements increases workload by 1.0 FTE in FY 2024-25 only. In addition, the source-specific emissions reduction requirement pertaining to adversely affected disproportionately impacted communities requires 0.3 FTE in FY 2024-25 and subsequent years to liaise with disproportionately impacted communities for establishing adverse impacts. Standard operating and capital outlay costs are included.
- **Legal services.** CDPHE requires 100 hours of legal services in FY 2024-25 to conduct rulemaking and 400 hours in subsequent years for general counsel and representation on regulatory efforts. Legal services are provided by the Department of Law at a rate of \$128.02 per hour.
- **Information technology.** CDPHE is currently implementing a greenhouse gas credit tracking system. The bill increases workload to ensure that the system can track an emissions allowances in line with the bill.

Colorado Energy Office. The office intervenes in rulemaking proceedings within its scope of authority. It requires 0.4 FTE in FY 2024-25 only to meet with stakeholders, review draft rules, and provide technical assistance. Standard operating and capital outlay costs are included.

Governor's Office. Workload will minimally increase for the Governor's Office of Boards and Commissions to make the required appointments 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 Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Effective Date

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

State Appropriations

For FY 2024-25, the bill requires the following General Fund appropriations:

- \$135,479 to the Department of Public Health and Environment, and 1.3 FTE. Of this, \$12,802 is reappropriated to the Department of Law, with an additional 0.1 FTE; and
- \$58,737 to the Colorado Energy Office, and 0.4 FTE.

Departmental Difference

CDPHE estimates that the bill increases its costs by \$883,248 and 2.8 FTE in FY 2024-25, and \$427,823 and 2.6 FTE in FY 2025-26. This estimate assumes that tracking the required emissions reductions from the industrial and manufacturing sector requires ongoing effort. The fiscal note instead assumes that existing appropriations for tracking these reductions are sufficient. CDPHE also assumes that the revised definition of GHG credit in the bill mandates the department to redesign the currently scoped database for tracking GHG credit trading, costing \$546,475 in system changes plus 1.3 FTE annually beginning in FY 2024-25. The fiscal note has not included these costs for two reasons: there has not been adequate time to vet these costs, and there are likely efficiencies to be gained since the system update is still underway and can be adjusted for this requirement.

State and Local Government Contacts

Colorado Energy Office
Public Health and Environment

Governor's Office

Law

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).