



## Fiscal Note

### Legislative Council Staff

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## HB 26-1364: 2025 CONSUMER PRICE INDEX CALCULATION

**Prime Sponsors:**

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**Published for:** House Appropriations

**Drafting number:** LLS 26-0930

**Version:** Initial Fiscal Note

**Date:** April 2, 2026

**Fiscal note status:** The fiscal note reflects the introduced bill which was recommended by the Joint Budget Committee as part of its FY 2026-27 budget package.

### Summary Information

**Overview.** The bill specifies that the level of 2025 Denver-Aurora-Lakewood Consumer Price Index (CPI) inflation is equal to the average of two semi-annual reports, rather than the published annual average, for the purposes of calculating the Referendum C cap, school finance obligations, and other purposes.

**Types of impacts.** The bill is projected to affect the following areas on a one-time basis:

- State Expenditures
- State Revenue
- State Transfers
- TABOR Refunds
- Local Government
- School Districts

**Appropriations.** For FY 2026-27, the bill requires an appropriation of \$9,057,742 from the State Education Fund to the Department of Education.

**Table 1**  
**State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$41,317	\$0
State Expenditures	\$9,909,620	\$0
Transferred Funds	\$224,544	\$0
Change in TABOR Refunds	-\$19,814,351	\$99,286

The change in TABOR refunds will affect the amount distributed through the six-tier sales tax refund mechanism.

**Table 1A  
 State Revenue**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Highway Users Tax Fund	\$41,317	\$0
<b>Total Revenue</b>	<b>\$41,317</b>	<b>\$0</b>

**Table 1B  
 State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
General Fund	\$292,666	\$0
State Education Fund	\$9,616,954	\$0
<b>Total Expenditures</b>	<b>\$9,909,620</b>	<b>\$0</b>

**Table 1C  
 State Transfers and Diversions**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
BEST Fund	\$165,450	\$0
State Public School Fund	-\$165,450	\$0
GOCO	\$59,094	\$0
Outdoor Equity Cash Fund	-\$5,909	\$0
BEST Fund	-\$29,547	\$0
Wildlife Cash Fund	-\$11,819	\$0
Parks and Outdoor Recreation Cash Fund	-\$11,819	\$0
<b>Net Transfers and Diversions</b>	<b>\$0</b>	<b>\$0</b>

## Summary of Legislation

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The bill specifies that the level of 2025 Denver-Aurora-Lakewood Consumer Price Index (CPI) for determining inflation is equal to the average of CPI in the first half of the year and the second half of the year, rather than the published annual value. Using the average of CPI in the two halves of the year results in 2025 inflation of 2.4 percent, whereas using the published annual value results in 2.3 percent inflation. The inflation rate in 2026 will proportionally lower as a result, such that there is no impact in later years. This change impacts the level of inflation used for the following calculations, impacting FY 2026-27 only:

- Referendum C cap;
- total program obligations for school finance;
- categorical program funding;
- universal preschool program funding;
- fees, fines, and maximum penalties that are adjusted for inflation under current law,
- revenue caps that are adjusted for inflation under current law, such as the Building Excellent Schools Today (BEST) cap and the Great Outdoors Colorado (GOCO) cap; and
- various other amounts that are adjusted for inflation under current law.

## Background

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### Consumer Price Index Inflation Calculation

Typically, the published annual level of CPI is equal to the average of CPI in the 12 months of the year. However, the 2025 federal government shutdown resulted in the U.S. Bureau of Labor Statistics (BLS) being unable to collect inflation data for October 2025. Because no data was published for October, the BLS's published annual average of CPI for 2025 was equal to the average of only 11 months data. As a result of the missing data point, the published annual value over-weights the first half of the year and under-weights the second half of the year. Using the average of the halves weights the first and second halves equally.

### Distribution of Lottery Proceeds

Net lottery proceeds are distributed as follows:

- 40 percent to the Conservation Trust Fund;
- 10 percent to the Division of Parks and Outdoor Recreation; and
- 50 percent to the Great Outdoors Colorado (GOCO) Trust Fund, up to the "GOCO cap" (the GOCO cap is \$87,989,404 for FY 2025-26, and is adjusted for inflation each year).

If the GOCO cap is less than 50 percent of revenue, the additional revenue is distributed according to a statutory formula established in [House Bill 25-1215](#). Additional revenue is distributed the Outdoor Equity Cash Fund, Building Excellent Schools Today (BEST) Fund, Outdoor Recreation Economic Development Cash Fund, Wildlife Cash Fund, Parks and Outdoor Recreation Cash Fund, and Strategic Outdoor Recreation Management Cash Fund.

## State Revenue

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The bill increases revenue from the Daily Rental Fee by \$41,317 in FY 2026-27. The Daily Rental Fee is a fee charged per day on vehicle rentals. The fee is adjusted annually for inflation. In FY 2025-26, the fee is \$2.34. Using an inflation adjustment of 2.4 percent is expected to result in the fee being one cent higher than using a 2.3 percent inflation adjustment, resulting in additional revenue being collected. Revenue from the Daily Rental Fee is deposited in the Highway Users Tax Fund.

Other fees, fines, and penalties may bring in additional revenue under the bill, but any impact is expected to be minimal.

## State Transfers and Diversions

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The bill diverts \$224,544 in FY 2026-27 due to changes in the BEST cap and the GOCO cap, as shown in Table 1C.

### BEST Cap

The bill reduces the transfer from the BEST Fund to the State Public School Fund by \$165,450 in FY 2026-27 only. Any revenue to the BEST Fund that is above a certain cap, where the cap is annually adjusted for inflation, is transferred from the BEST Fund to the State Public School Fund. The bill increases the cap by \$165,450, which reduces this transfer.

### GOCO Cap

The bill increases the GOCO cap in FY 2026-27 from \$90,003,446 to \$90,062,540, an increase of \$59,094. Because revenue is projected to exceed the GOCO cap, this increases revenue distributed to GOCO by the same amount, and reduces the amounts distributed to the Outdoor Equity Cash Fund, BEST Fund, Wildlife Cash Fund, and Parks and Outdoor Recreation Cash Fund by the amounts shown in Table 1C.

## **State Expenditures**

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The bill increases expenditures by \$9.9 million in FY 2026-27 only for school finance and the universal preschool program.

### **Department of Education**

#### School Finance

Under Amendment 23, the base per pupil funding used in the school finance formula must annually increase by inflation. For FY 2026-27, the bill increases the base per pupil funding by \$8.69 to \$8,960, and the per pupil rate for online and extended high school students by \$11.00 to \$10,732. This increases total program funding to \$10.19 billion in FY 2026-2027, an increase of \$9.2 million. The fiscal note assumes current law implementation of the school finance formula.

For this increase, the state share of school finance increases by \$9.1 million and the local share of school finance increases by \$137,151. The increased state share is paid from the State Education Fund.

#### Categorical Programs

Under Amendment 23, the total amount spent on categorical programs must annually increase by inflation. For FY 2026-27, the bill increases state spending on categorical programs by \$559,212, paid from the State Education Fund. Funding for this increase has been included in the FY 2026-27 Long Bill.

State law also requires annual inflationary increases to the special education per pupil funding amounts. The increase to these per pupil rates under the bill does not change total funding for categorical programs; it instead shifts the distribution of the categorical funding between the different programs. The FY 2026-27 Long Bill reflects a shift of \$346,724 from school transportation to special education in order to cover the increase in per pupil special education rates under the bill.

### **Department of Early Childhood**

#### Universal Preschool Program

State law requires that a portion of funding for the universal preschool program in the Department of Early Childhood increase by inflation each year. The bill increases the amount required to be spent on the program by \$292,666 in FY 2026-27, paid from the General Fund. Funding for this increase has been included in the FY 2026-27 Long Bill.

## **TABOR Refunds**

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The bill reduces TABOR refunds by \$19.8 million on net in FY 2026-27, and increases TABOR refunds by \$99,286 in FY 2027-28 and increasing amounts in later years when revenue exceeds the Referendum C cap. This estimate assumes the March 2026 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available past FY 2027-28.

### **Referendum C Cap**

By modifying the inflation adjustment, the bill increases the Referendum C cap by \$19,857,276 in FY 2026-27 and reduces the Referendum C cap by \$99,286 in FY 2027-28, resulting in lower TABOR refunds in FY 2026-27 and higher refunds in FY 2027-28. The change in the Referendum C cap in FY 2027-28 and later years is a result of a lower 2026 inflation rate being applied to the increment of the Referendum C cap that is attributable to 2025 population growth.

### **Revenue Subject to TABOR**

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by \$41,317 in FY 2026-27 as a result of increased revenue, as described in the revenue section. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save in FY 2026-27.

## **Local Government and School Districts**

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### **School Districts**

As discussed above, the bill increases school finance and categorical programs funding for school districts. Total program funding increases by \$9.2 million, of which \$9.1 million is the state share and \$137,151 is from local property tax revenue to fully locally funded school districts. School district funding increases range from \$0 to \$26 per pupil; districts that do not see an increase are those held harmless to FY 2024-25 total program under implementation of the new school finance formula. Categorical program funding increases by \$559,212 statewide, with individual district impacts depending on the distribution mechanisms for each of the categorical programs.

### **Local Governments**

Local governments may receive slightly more grant funding from GOCO in FY 2026-27 as a result of the higher GOCO cap. Additionally, the bill changes some fee, fine, and compensation amounts that are assessed by local governments, which may have a minimal fiscal impact.

## Effective Date

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

## State Appropriations

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For FY 2026-27, the bill requires an appropriation of \$9,057,742 from the State Education Fund to the Department of Education.

## State and Local Government Contacts

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Law	Public Health and Environment
Labor	Health Care Policy and Finance
Regulatory Agencies	Natural Resources
Judicial	Local Affairs
State	Property Taxation
Education	Transportation
Higher Education	Revenue

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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](#).