HB 26-1426

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1426: DEPARTMENT OF LAW LEGISLATIVE REPORT

Prime Sponsors:
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Sen. Roberts

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Fiscal note status: This fiscal note reflects the introduced bill. Due to time constraints, this analysis is preliminary and will be updated following further review and any additional information received.

Summary Information

Overview. The bill implements various recommendations contained in a report that the Department of Law submitted during its annual SMART Act Hearing in 2026.

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

- Minimal State Revenue
- Minimal State Workload
- Local Government

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	$0	$0
State Expenditures	$0	$0
Transferred Funds	$0	$0
Change in TABOR Refunds	$0	$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

During the Department of Law's (DOL) 2026 SMART Act Hearing, the department presented a report listing recommended legislative changes to enhance its operations. The bill includes all of these department recommendations. Many of the changes concern modifications to the Colorado Consumer Protection Act (CCPA), powers available to the DOL when taking enforcement actions, and streamlining DOL operations.

Other notable changes include:

- exempting the provision of legal services from third-parties by the DOL and contingent contract limitations from the state procurement code;
- establishing a process whereby the DOL can request an executive session with the Joint Budget Committee to discuss potential budgetary impacts of potential or current litigation and consult with Legislative Council Staff and the Office of Legislative Legal Services; and
- creating the Advisory Council for Debt Collection, the Colorado Consumer Protection Act Advisory Council, and the Council of Advisors on Consumer Credit to assist the DOL with its duties, which are each subject to a sunset review.

The bill also modifies allowable cost recoveries in Medicaid fraud enforcement actions to include a detailed list of legal costs, such that the DOL may recover more money than under current law. Proceeds from recoveries are distributed first to refund the federal and state government, then to the General Fund. After these distributions, up to 20 percent of the amount sent to the General Fund may be deposited into the newly created False Medicaid Claims Recovery Fund, subject to federal guidelines. The new fund is subject to annual appropriation to the DOL to support Medicaid fraud investigation and enforcement.

State Revenue

Starting in FY 2026-27, the bill may increase state revenue to the newly created False Medicaid Claims Recovery Fund in the DOL. Revenue is from additional recoveries that may materialize from Medicaid fraud enforcement as a result of expanding allowable legal and enforcement costs that may be recovered. Given the uncertainty about how the changes to allowable cost recoveries will impact the actual amounts recovered, as well as uncertainty about the number of Medicaid fraud enforcement actions that the DOL may undertake, the fiscal note cannot estimate a revenue impact. Revenue from cost recoveries is exempt under TABOR.

State Expenditures

Starting in FY 2026-27, the bill increases workload in the DOL, the Legislative Department, and other state agencies as discussed below.

Department of Law

The bill will increase workload in the DOL to, at a minimum, implement advisory councils. Various other changes to the DOL's programs are likely to increase workload, including pursuing enforcement actions under new and modified authority granted by the bill and briefing the Joint Budget Committee on litigation costs. Additional funding for Medicaid fraud enforcement may also increase workload, subject to annual appropriation by the General Assembly. The fiscal note assumes that since the bill represents the DOL's recommendations and since many provisions affect discretionary actions by the Attorney General, the overall workload impact will be minimal and no change in appropriations is required.

Legislative Department

Workload for legislative service agencies in the Legislative Department will increase if the Attorney General requests executive sessions to discuss potential budgetary impacts surrounding potential or current litigation. No change in appropriations required.

Other State Agencies

The bill may increase workload in various other state agencies, including the Departments of Health Care Policy and Financing, Public Health and Environment, and the Treasury, to update their policies and procedures regarding the DOL's programs. The fiscal note assumes that any workload increase for other state agencies is minimal. No change in appropriations is required.

Local Government

District attorneys can receive and act on consumer complaints as allowed by the CCPA, which the bill modifies. Any workload impacts to update policies and procedures to reflect the bill's changes are assumed to be minimal.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Health Care Policy and Financing
Joint Budget Committee Staff
Judicial
Law
Legislative Council Staff
Local Affairs
Personnel
Public Health and Environment
Regulatory Agencies
Treasury