



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1363: TEMPORARILY REDUCE THE GENERAL FUND RESERVE

Prime Sponsors:

Rep. Brown; Sirota
Sen. Amabile; Bridges

Fiscal Analyst:

Greg Sobetski, 303-866-4105
greg.sobetski@coleg.gov

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Fiscal note status: This fiscal note reflects the reengrossed bill, which was recommended by the Joint Budget Committee as part of its FY 2026-27 budget package. It has been updated to reflect new information.

Summary Information

Overview. The bill reduces the General Fund reserve requirement for FY 2025-26 and FY 2026-27.

Types of impacts. The bill is projected to affect the following areas for FY 2025-26 and FY 2026-27 only:

- State Expenditures

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

While the bill does not directly affect state expenditures, lowering the General Fund reserve is estimated to increase money available to spend or transfer from the General Fund by \$335.6 million in the current FY 2025-26 and \$340.7 million in FY 2026-27.

Summary of Legislation

For the current FY 2025-26 and for FY 2026-27, the bill decreases the General Fund reserve requirement from 15 percent to 13 percent of General Fund appropriations. The reserve requirement is not changed from its current 15 percent level for FY 2027-28 and later fiscal years.

Under current law, the reserve requirement is reduced by \$41.25 million until money is released from an escrow account related to the new College of Osteopathic Medicine at the University of Northern Colorado. The bill does not change this temporary reduction.

Background and Assumptions

Current law requires that the state budget leave some amount of the General Fund in reserve. To meet the reserve requirement, appropriations are written so that the amount expected to remain in the General Fund at the end of a fiscal year is at least equal to the requirement. The actual year-end balance may exceed the requirement if revenue is greater than expected or because actual expenditures are less than the amounts appropriated. Revenue may fall short of the requirement if revenue is less than expected or if obligations other than appropriations, such as mandatory rebates and expenditures or the TABOR refund obligation, are greater than expected.

Colorado's reserve requirement has been calculated as a percentage of state appropriations since at least FY 1985-86. The 15 percent reserve requirement in current law has been in place since FY 2022-23 and is the highest since at least FY 1985-86. The lowest requirement was 2 percent for FY 2008-09 and FY 2009-10, with an authorization in FY 2008-09 for the Governor to administratively lower the requirement under certain conditions.

The reserve requirement is the only savings requirement that applies to the General Fund. A separate TABOR emergency reserve requirement requires a reserve equal to 3 percent of state fiscal year spending, though this amount may be held in cash funds or capital assets.

This fiscal note is based on the [2026 Long Bill](#), as introduced. Calculations of the reserve requirement are shown in the [Long Bill Narrative](#).

State Expenditures

The bill reduces the amounts required to be held in reserve for the current FY 2025-26 and for FY 2026-27. Based on the assumptions above, the reduction in the reserve requirement is estimated to be:

- \$335.6 million in FY 2025-26, from \$2.48 billion to \$2.14 billion; and
- \$340.7 million in FY 2026-27, from \$2.51 billion to \$2.17 billion.

By reducing the reserve requirement, the bill allows these amounts to be spent or transferred.

The bill does not change the 15 percent reserve requirement for FY 2027-28. Refilling the reserve from 13 percent to 15 percent will require approximately \$350 million in the FY 2027-28 budget.

Effective Date

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

State and Local Government Contacts

Joint Budget Committee Staff

Legislative Council Staff Economists

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](#).