



# Fiscal Note

## Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

### SB 26-139: LOCAL EDUCATION PROVIDER WORKFORCE HOUSING

**Prime Sponsors:**

Sen. Bridges; Roberts  
Rep. Stewart K.; Lukens

**Fiscal Analyst:**

Anna Gerstle, 303-866-4375  
anna.gerstle@coleg.gov

**Published for:** Senate Education

**Drafting number:** LLS 26-0320

**Version:** Initial Fiscal Note

**Date:** March 24, 2026

**Fiscal note status:** This fiscal note reflects the introduced bill.

### Summary Information

**Overview.** The bill creates Building Excellent Teacher and Employee Residences (BETER) Program to provide financial assistance to local education providers for workforce housing projects, and modifies the distribution of Permanent Fund investment earnings to fund the program.

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

- Minimal State Revenue
- State Expenditures
- State Transfers and Diversions
- School Districts

**Appropriations.** The Workforce Housing Assistance Fund is continuously appropriated to the Departments of Education and Local Affairs; however, the Departments of Treasury and Law require reappropriations totaling \$353,475 in FY 2026-27. See State Appropriations section.

**Table 1  
State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$40,000,000	\$40,000,000
Transferred Funds	\$40,000,000	\$40,000,000
Diverted Funds	\$52,075,467	\$58,012,301
Change in TABOR Refunds	\$0	\$0
Change in State FTE	8.0 FTE	8.5 FTE

Fund sources for these impacts are shown in the tables below.

**Table 1A  
 State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
General Fund	\$0	\$0
Cash Funds (Workforce Housing Assistance Fund)	\$39,834,724	\$39,820,907
Federal Funds	\$0	\$0
Centrally Appropriated	\$165,276	\$179,093
<b>Total Expenditures</b>	<b>\$40,000,000</b>	<b>\$40,000,000</b>
<b>Total FTE</b>	<b>8.0 FTE</b>	<b>8.5 FTE</b>

**Table 1B  
 State Transfers**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
State Education Fund	-\$40,000,000	-\$40,000,000
Workforce Housing Assistance Fund	\$40,000,000	\$40,000,000
<b>Net Transfer</b>	<b>\$0</b>	<b>\$0</b>

**Table 1C  
 State Diversions**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Permanent Fund Investment Earnings	-\$52,075,467	-\$58,012,301
Income Stabilization Account in Permanent Fund	\$12,075,467	\$18,012,301
State Public School Fund	\$40,000,000	\$40,000,000
<b>Net Diversion</b>	<b>\$0</b>	<b>\$0</b>

## Summary of Legislation

---

### Building Excellent Teacher and Employee Residences (BETER) Program

The bill creates Building Excellent Teacher and Employee Residences (BETER) Program in the Colorado Department of Education (CDE), with support and coordination from the Division of Housing in the Department of Local Affairs (DOLA). The program provides financial assistance, either through grants, financed asset purchases, or certificates of participation to school districts for workforce housing projects.

Projects must be paid by a combination of state funds and local matching funds. The local matching funds must be at least equal to the portion of the total development cost of the project that can be supported by net operating income generated from the program. State financial assistance cannot exceed the remaining development cost that is not paid from net operating income.

### **Workforce Housing Assistance Board**

The bill creates the nine-member Workforce Housing Assistance Board (board) in CDE to oversee the BETER program. Among other duties, the board must:

- establish guidelines for the program, including application criteria and timing, performance standards, housing needs, environmental and building requirements, accessibility, partnerships with local organizations, tenant eligibility, affordability standards, and long-term financial sustainability;
- review applications, which must include the means by which the applicant will provide matching money, a market study, and a 30-year operating plan, among other requirements;
- determine a prioritized list of projects to receive financial assistance by June 1, 2027, and each year thereafter, with the list prioritizing projects in jurisdictions with housing shortages that result in challenges attracting teachers, that will reduce the housing cost burden on current teachers and school staff, are financially feasible, demonstrate partnerships, and have a property management plan; and
- authorize the State Treasurer to enter into financed asset purchases, certificate of participation agreements, or other contracts related to workforce housing, with the maximum annual payments made by the state limited to \$12 million in FY 2027-28, \$24 million in FY 2028-29, and \$36 million beginning in FY 2029-30.

The bill sets parameters for financed asset purchases or certificates of participation agreements entered into by the State Treasurer. Applicants may apply to the board to lower the matching requirements or receive a waiver from certain program guidelines. The priority list of projects must be submitted to the State Board of Education and State Housing Board, which may provide comments before the final list is approved.

The board must submit a written report on the program to the General Assembly by February 15, 2028, and each year thereafter, and post a financial report on their website.

## **Workforce Housing Assistance Fund**

The bill creates the Workforce Housing Assistance Fund. The fund is continuously appropriated to CDE and DOLA to pay for the administrative costs, provide financial assistance to school districts, pay for transaction costs and financing agreements, and issue certificates of participation. The fund includes the following money:

- an annual transfer from the State Education Fund (SEF) in the same amount as the Permanent Fund investment earnings deposited in the State Public School Fund (SPSF), as discussed below.
- the net proceeds from financed asset purchases or certificates of participation beginning in FY 2026-27; and
- matching money that an applicant pays to the state to be used to make payments for a financed purchase or certificate of participation beginning in FY 2026-27.

## **Distribution of Permanent Fund Interest and Income**

The bill modifies the distribution of interest and investment income earned on the Permanent Fund, as outlined below.

- Investment earnings are distributed to the SPSF and Public School Capital Construction Assistance Fund (PSCCAF), as specified under current law (see Background section).
- On November 1 of the subsequent fiscal year, a portion of remaining investment earnings, which result from unrealized investment gains, are deposited in the SPSF. The amount transferred to the SPSF is equal to the lesser of \$40 million or the remaining interest up to 2.5 percent of the Permanent Fund value.
- After those distributions are made, investment earnings from unrealized gains that exceed \$40 million is deposited in the newly created Public School Fund Income Stabilization Account (account) in the Permanent Fund. The account may be used to backfill distributions if there is not sufficient earnings available, and to restore the loss of the Permanent Fund principal, as permitted under current law.

## **School Board Authority**

The bill allows local boards of education to acquire, construct, lease-purchase, and operate workforce housing, including issuing bonds, entering into public-private partnerships, and creating TABOR-exempt enterprises that have the ability to issue bonds.

## **Bond Intercept Program**

The bill adds revenue bonds issued by a school district enterprise, non-enterprise revenue bonds issued by a school district for workforce housing, and lease or lease-purchase agreements between the school district and the state to the existing Bond Intercept Program. The program

requires the State Treasurer to guarantee the timely payment of bonds issued by school districts, and reimburses the state using property tax revenues and state equalization for any payments the state makes on a district's behalf.

## **Judicial Examination**

The State Treasurer, the board, an applicant, or an applicant's enterprise file a petition with the district court seeking judicial examination and determination of a power conferred under the bill.

## **Background**

---

### **Funds**

The Public School Capital Construction Assistance Fund (PSCCAF) is used to fund the Building Excellent Schools Today school capital construction program. The State Public School Fund (SPSF) is primarily used to fund the state share of total program, and other educational uses.

### **Permanent Fund**

The [Permanent Fund](#) is an inviolate endowment fund that receives revenue generated from state lands. Money in the fund cannot be transferred or spent, but investment income on the fund must be spent to support and maintain public schools. Under current law, interest and investment earnings on the Permanent Fund are distributed as follows:

- the SPSF receives \$5.0 million in FY 2025-26 and no distributions in subsequent years; and
- the PSCCAF receives \$36 million in FY 2025-26 and \$41 million beginning in FY 2026-27, plus any earnings that exceed \$41.0 million.

Current law distributions of investment earnings are based on a narrower definition of investment earnings, while the bill contemplates a broader definition of investment earnings that includes unrealized gains from equity investments for the purposes of distributing funds to the SPSF, and calculating the amount transferred from the SEF to the Workforce Housing Assistance Fund.

## **Assumptions**

---

### **Timing and Scope**

The fiscal note assumes that program guidelines will be developed and the application window will occur in FY 2026-27, with the first round of financial assistance distributed in FY 2027-28. It further assumes that approximately 8 to 15 projects will be funded in FY 2027-28.

## **State Agency Duties**

The bill places the program in CDE, with support and coordination from DOLA. The fiscal note assumes that:

- the CDE will support the board and manage the grant review and approval process;
- DOLA will manage the grant application and implementation, and development of guidelines related to housing development and management;
- the Department of Treasury will manage financing and Permanent Fund distributions; and
- the Department of Law will provide legal support to all three agencies.

The exact breakdown of duties between DOLA and CDE will be determined in an interagency agreement. To the extent the agreement divides up the work in a different way than assumed in the fiscal note, costs in both CDE and DOLA may be different than estimated. Costs in CDE and DOLA are paid from the continuously appropriated Workforce Housing Assistance Cash Fund.

## **Permanent Fund Distributions**

Based on the Permanent Fund value on December 31, 2025, and the total amount of unrealized gains from equity investments earned in FY 2024-25, the fiscal note makes the following assumptions:

- In FY 2025-26, the balance of the Permanent Fund will be \$2.1 billion and the amount of unrealized gains from equity investments will be approximately \$249 million. Because 2.5 percent of the fund value (\$52.1 million) is less than the amount of unrealized gains, the fiscal note assumes that \$52.1 million will be available for the transfers and diversions under the bill for FY 2026-27.
- In FY 2026-27, the balance of the Permanent Fund will be \$2.3 billion and the amount of unrealized gains from equity investments will be approximately \$277.2 million. Because 2.5 percent of the fund value (\$58.0 million) is less than the amount of unrealized gains, the fiscal note assumes that \$58.0 million will be available for the transfers and diversions under the bill in FY 2027-28.

## **State Revenue**

---

The bill may increase revenue to the Judicial Department from an increase in filing fees from civil case filings. Revenue from filing fees is subject to TABOR.

## **State Transfers**

---

On November 1 of each year, the bill requires that the State Treasurer make a transfer from the SEF to the Workforce Housing Assistance Cash Fund in an amount equal to the amount of Permanent Fund investment earnings deposited in the SPSF. As discussed below and shown in Table 1B, this amount is estimated to be \$40.0 million in both FY 2026-27 and FY 2027-28.

## **State Diversions**

---

The bill diverts a portion of Permanent Fund investment earnings from unrealized gains in equity investments to the SPSF and the newly created Public School Fund Income Stabilization Account within the Permanent Fund, based on the gains from the prior year. Based on the Assumptions discussed above and as shown in Table 1B, the fiscal note estimates that:

- \$40.0 million in FY 2026-27 and FY 2027-28 will be diverted to the SPSF; and
- \$12.1 million in FY 2026-27 and \$18.0 million in FY 2027-28 will be diverted to the stabilization account.

The amount deposited in the stabilization account may only be used for certain purposes specified in the bill, such as restoring a loss in Permanent Fund principal and backfilling required distribution if insufficient funds are available. Money in the account continues to be invested with the Permanent Fund principal, with earnings distributed as specified under current law.

## **State Expenditures**

---

The bill increases state expenditures by \$40.0 million in FY 2026-27 and FY 2027-28, paid from the Workforce Housing Assistance Fund. These costs will be incurred in DOLA, CDE, and Treasury, as shown in Table 2 and described in the sections below. Workload will also minimally increase in the Judicial Department and the Department of Personnel and Administration.

As discussed in the Assumptions section, the fiscal note includes legal service costs related to the implementation of the BETER program and the amount available for grants and financing as expenditures in DOLA. Legal services related to the Permanent Fund and certificates of participation are shown in Treasury.

**Table 2  
 State Expenditures  
 All Departments**

<b>Department</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Department of Local Affairs	\$39,589,870	\$39,585,327
Department of Education	\$227,110	\$230,787
Department of Treasury	\$183,021	\$183,885
<b>Total Costs</b>	<b>\$40,000,000</b>	<b>\$40,000,000</b>

**Department of Local Affairs**

DOLA requires staff, legal services, and technology costs to implement the bill. The remainder of funding will be used for grants and financing. Costs are shown in Table 2A and discussed below.

**Table 2A  
 State Expenditures  
 Department of Local Affairs**

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Personal Services	\$427,944	\$462,478
Operating Expenses	\$6,272	\$6,784
Capital Outlay Costs	\$42,000	\$0
Legal Services	\$83,082	\$62,312
Software Licenses	\$7,200	\$7,200
Database Costs	\$17,500	\$0
Grants and Financing	\$38,895,016	\$38,926,686
Centrally Appropriated Costs	\$110,855	\$119,867
FTE – Personal Services	4.9 FTE	5.3 FTE
FTE – Legal Services	0.3 FTE	0.3 FTE
<b>Total Costs</b>	<b>\$39,589,870</b>	<b>\$39,585,327</b>
<b>Total FTE</b>	<b>5.2 FTE</b>	<b>5.6 FTE</b>

**Staff**

DOLA requires 4.9 FTE in FY 2026-27 and 5.3 FTE beginning in FY 2027-28 in the Division of Housing to implement the technical details of the program. Positions include a 1.0 FTE program manager, 1.0 FTE asset manager, 1.0 FTE underwriter, 0.5 FTE outreach specialist, 0.5 FTE contract administrator, 1.0 FTE accountant and 0.3 FTE budget analyst.

Staff costs reflect the midpoint of salary ranges to ensure that new staff can be hired, based on recent department experience with similar positions. First-year costs are prorated for an August 2026 start date.

### Legal Services

The new program requires 600 hours of legal support in FY 2026-27 and 450 hours beginning in FY 2027-28 to develop and implement the program, including rulemaking and guidance development and negotiation of financing agreements. This equates to 0.4 FTE in FY 2026-27 and 0.3 FTE in subsequent years. This cost is shown in DOLA, but a portion may instead be used by CDE. Legal services are provided by the Department of Law and a rate of \$138.47 per hour.

### Software and Databases

DOLA will incur one-time cost of \$17,500 to modify existing databases to include the new program, assuming 100 hours at a rate of \$175 per hour. In addition, DOLA requires 4 new software license sets at a cost of \$1,800 each.

### Grants and Financing

After administration costs across CDE, DOLA, and Treasury, about \$39.0 million per year is expected to be available for grants and program financing. The bill specifies that up to \$12 million in FY 2027-28, \$24 million in FY 2028-29, and \$36 million beginning in FY 2029-30 may be used to make COP payments; however, actual amounts of debt payments and grant awards will be determined by the board.

## Department of Education

CDE requires staff to implement the bill. Additionally, the bill may shift school finance funding due to the impacts both the SPSF and SEF. These impacts are shown in Table 2B and discussed below.

**Table 2B  
 State Expenditures  
 Department of Education**

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Personal Services	\$174,762	\$189,492
Operating Expenses	\$1,792	\$1,920
Capital Outlay Costs	\$14,000	\$0
Centrally Appropriated Costs	\$36,556	\$39,376
<b>Total Costs</b>	<b>\$227,110</b>	<b>\$230,787</b>
<b>Total FTE</b>	<b>1.4 FTE</b>	<b>1.5 FTE</b>

**Staff**

CDE requires 1.5 FTE to implement the program. Requires staff includes 1.0 FTE to manage the program, including development of rules, guidance, and program processes, and coordination with DOLA and stakeholders, and 0.5 FTE to manage the board, which is assumed to meet 12 times per year initially, and coordinate with the State Board of Education. First year staff costs are prorated for an August 1 start date.

**School Finance**

As discussed in the State Transfers and Diversion sections above, the bill transfers money from the SEF for the BETER program, and increases the amount credited to the SPSF by the same amount. As a result, the General Assembly may need make a net-zero adjustment to FY 2026-27 appropriations for the state share of school finance, increasing the SPSF appropriation and decreasing the SEF appropriation by \$40.0 million. The fiscal note assumes that this will occur through the FY 2026-27 midyear adjustment if needed, once the transfers and diversions have occurred.

**Department of Treasury**

Treasury requires staff and legal services to implement the bill. Costs are shown in Table 2C and discussed below.

**Table 2C  
 State Expenditures  
 Department of Treasury**

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Personal Services	\$51,766	\$57,518
Operating Expenses	\$1,152	\$1,280
Capital Outlay Costs	\$7,000	\$0
Legal Services	\$105,237	\$105,237
Centrally Appropriated Costs	\$17,865	\$19,850
FTE – Personal Services	0.9 FTE	1.0 FTE
FTE – Legal Services	0.4 FTE	0.4 FTE
<b>Total Costs</b>	<b>\$183,021</b>	<b>\$183,885</b>
<b>Total FTE</b>	<b>1.3 FTE</b>	<b>1.4 FTE</b>

## Staff

The Department of Treasury requires 1.0 FTE beginning in FY 2026-27 to track program finances, including tracking investment income and require transfers and diversions, issuance and payments of certificates of participation, coordinating with CDE and DOLA, and communicating with grant and financing recipients. First year staff costs are prorated for an August 1 start date.

## Legal Services

The department will require 760 hours per year of legal services, which equates to 0.4 FTE. This mirrors the required legal support that the department currently requires for the BEST program.

## Judicial Department

Trial courts in the Judicial Department may experience an increase in workload to the extent additional civil cases are filed under the bill. The fiscal note assumes that any increase will be minimal.

## Cash Fund Creation

Workload will increase for the Departments of Personnel and Administration (DPA) and Treasury to manage and perform accounting for the cash fund and account created in the bill. While no appropriation is required at this time, these departments may seek additional funding through the annual budget process based on the cumulative impact of all cash funds created through legislation.

## 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 tables above.

## School District

---

The bill impacts any school districts that chooses to participate in the BETER program. Districts will have increased workload and costs to apply for the program. Grant recipients will have increased state revenue, potentially local revenue and expenditures for their local matching contribution, and impacts from the creation of any TABOR-exempt enterprises. Costs and revenue will also increase to operate employee housing facilities, although exact impacts depend on the format and structure of the projects.

## **Effective Date**

---

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

## **State Appropriations**

---

The Workforce Housing Assistance Fund is continuously appropriated for use by both CDE and DOLA; thus, no appropriation from the fund is required for those agencies. However, the Department of Law requires \$188,319 in reappropriated funds and 0.8 FTE, and the Department of Treasury requires \$165,156 in reappropriated funds and 1.0 FTE.

## **State and Local Government Contacts**

---

Education	Local Affairs
Information Technology	Natural Resources
Law	Treasury

---

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](#).