



**Colorado
Legislative
Council
Staff**

SB16-203

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0929 **Date:** April 27, 2016
Prime Sponsor(s): Sen. Lambert **Bill Status:** Senate Appropriations
 Rep. Hamner; Rankin **Fiscal Analyst:** Greg Sobetski (303-866-4105)

BILL TOPIC: EVALUATION OF THE STATE'S TAX EXPENDITURES

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	See State Revenue section.	
State Expenditures	\$254,555	\$284,104
General Fund	212,149	237,344
Centrally Appropriated Costs	42,406	46,760
FTE Position Change	2.7 FTE	3.2 FTE
Appropriation Required: \$212,149 - Legislative Department (FY 2016-17).		
Future Year Impacts: Ongoing state expenditure increase.		

Summary of Legislation

Recommended by the Joint Budget Committee, this bill directs the Office of the State Auditor (OSA) to conduct evaluations of all state tax expenditures. Evaluations will include descriptions of:

- the expenditure's purpose and intended beneficiaries;
- whether the expenditure is accomplishing its goal;
- economic costs and benefits of the expenditure;
- similar expenditures in other states;
- other government, nonprofit, or business programs accomplishing the goals of the expenditure;
- recommendations for changes in administration or law to facilitate data collection; and
- performance measures used to complete the evaluation.

Evaluations are to be completed following a schedule established by the OSA. The OSA is responsible for publishing an initial schedule no later than September 15, 2017, and for posting the first evaluation on the General Assembly's website no later than September 14, 2018. The OSA is required to review each tax expenditure at least once every five years.

The Department of Revenue (DOR) is required to furnish the OSA with available data necessary to complete its evaluations. The OSA is bound by the same requirements as the DOR concerning the confidentiality of taxpayer information.

Documents and information used in preparation of the evaluations are designated as work product and exempted from open records requirements. Documents are available for public inspection only upon approval of a majority of members of the Legislative Audit Committee.

Background

Under state law, tax expenditures are tax-related provisions that reduce tax revenue. These include definitions of taxable income, deductions, exemptions, credits, or special tax rates for certain persons, types of income, transactions, or property.

State Revenue

The bill does not affect state revenue. However, recommendations published by the OSA may alter the administration of state tax expenditures, which could increase or decrease state revenue in future fiscal years.

State Expenditures

The bill increases state General Fund expenditures by **\$254,555 and 2.7 FTE in FY 2016-17** and by **\$284,104 and 3.2 FTE in FY 2017-18**. Expenditures are summarized in Table 1 and detailed below.

Table 1. Expenditures Under SB16-203		
Cost Components	FY 2016-17	FY 2017-18
Personal Services	\$195,253	\$234,304
FTE	2.7 FTE	3.2 FTE
Operating Expenses and Capital Outlay Costs	16,896	3,040
Centrally Appropriated Costs*	42,406	46,760
TOTAL	\$254,555	\$284,104

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

Office of the State Auditor. Expenditures are for the addition of OSA personnel to conduct evaluations of state tax expenditures. This fiscal note assumes that all state tax expenditures will be evaluated over five years beginning in FY 2016-17. Based on personnel requirements for similar evaluations in Washington, the OSA is expected to require 1.7 FTE at the legislative auditor level, 1.0 FTE at the team lead level, and 0.5 FTE at the manager level to complete all evaluations. Salary has been prorated in the first year to account for the bill's effective date and the General Fund pay date shift. Operating expenses and capital outlay costs are for furnishing equipment and supplies to new staff.

Agencies administering tax expenditures. Agencies responsible for the administration of tax expenditures, including the DOR and the Office of Economic Development and International Trade, will experience workload increases to furnish tax expenditure data to the OSA. This workload is expected to be minimal and can be accomplished within existing appropriations.

The bill requires the DOR to provide data if available and under its control. It is assumed that the DOR will not be required to generate reports beyond its current capabilities. If such reports are required, the bill potentially increases department expenditures. It is assumed that the department would seek additional appropriations through the annual budget process.

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under SB16-203		
Cost Components	FY 2016-17	FY 2017-18
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$25,698	\$25,765
Supplemental Employee Retirement Payments	16,708	20,995
TOTAL	\$42,406	\$46,760

Local Government Impact

The bill increases workload for counties, municipalities, and special districts that are the intended beneficiaries of tax expenditures or that operate programs intended to benefit similar constituencies as those targeted by tax expenditures. The bill directs the OSA to solicit information from these governments. Any increase in workload is expected to be minimal.

Effective Date

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2016-17, the bill requires an allocation of 2.7 FTE and a General Fund appropriation of \$212,149 to the Office of the State Auditor in the Legislative Department.

State and Local Government Contacts

Counties
Municipalities
Office of Economic Development and International Trade
Office of Information Technology
Revenue
Special Districts
State Auditor