



Legislative  
Council Staff

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**FISCAL NOTE**

<b>Drafting Number:</b> LLS 20-0382	<b>Date:</b> January 17, 2020
<b>Prime Sponsors:</b> Rep. Cutter; Will Sen. Lee	<b>Bill Status:</b> House Rural Affairs
	<b>Fiscal Analyst:</b> Max Nardo   303-866-4776 Max.Nardo@state.co.us

**Bill Topic:** **ASSISTANCE FOR LANDOWNER WILDFIRE MITIGATION**

**Summary of Fiscal Impact:**

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill creates the wildfire mitigation resources and best practices grant program. Beginning January 1, 2021, the bill increases the wildfire mitigation income tax deduction. The bill decreases state revenue between FY 2020-21 and FY 2023-24 and increases state expenditures on an ongoing basis.

**Appropriation Summary:** For FY 2020-21, the bill requires an appropriation of \$315,664 to the Department of Local Affairs.

**Fiscal Note Status:** This fiscal note reflects the introduced bill, recommended by the Wildfire Matters Review Committee.

**Table 1  
State Fiscal Impacts Under HB 20-1004**

		FY 2020-21	FY 2021-22
<b>Revenue</b>	General Fund	(\$44,000)	(\$90,000)
	<b>Total</b>	<b>(\$44,000)</b>	<b>(\$90,000)</b>
<b>Expenditures</b>	General Fund	\$315,664	\$316,860
	Centrally Appropriated	\$3,110	\$3,218
	<b>Total</b>	<b>\$318,774</b>	<b>\$320,078</b>
	<b>Total FTE</b>	<b>0.2 FTE</b>	<b>0.2 FTE</b>
<b>Transfers</b>		-	-
<b>TABOR Refund</b>	General Fund	(\$44,000)	(\$90,000)

## **Summary of Legislation**

This bill creates the Wildfire Mitigation Resources and Best Practices Grant Program in the Department of Local Affairs (DOLA). Local governments, special districts, tribal agencies or programs, faith-based organizations, and nonprofit organizations are eligible for grant funding to be used to conduct outreach to landowners to inform them of best practices and resources available for wildfire mitigation. Grants must be awarded by January 1 of each year and a report on the grant program must be submitted to the General Assembly by September 1, 2021, and each year thereafter. The grant program is repealed January 1, 2025.

Under current law, between tax years 2017 and 2019, up to \$2,500 in spending on wildfire mitigation activities on one's property can be deducted from state income taxes. The deduction drops to 50 percent of spending on such activity up to \$2,500 in tax year 2020. This bill applies the 100 percent income tax deduction rate for mitigation work for tax years 2021 to 2023, and extends the repeal of the deduction program to December 31, 2027.

## **Background**

House Bill 16-1286 increased the wildfire mitigation tax deduction from 50 to 100 percent of the cost of the mitigation work, up to \$2,500. During the three prior income tax years (2014 to 2016) an average of 1,800 deductions were filed, reducing state income tax revenue by an average of approximately \$73,000 per year. Complete data on tax deductions is not currently available, but it is estimated that state income tax revenue has been reduced by an average of \$148,000 per year since HB 16-1286 was enacted. This estimate assumes the same number of deductions with 100 percent of the mitigation work costs deducted up to \$2,500.

## **State Revenue**

By expanding the wildfire mitigation tax deduction, this bill will reduce General Fund income tax revenue by \$44,000 in FY 2020-21, \$90,000 in FY 2021-22 and FY 2022-23 and \$46,000 in FY 2023-24. This assumes a 10 percent increase in the number of income tax deductions resulting from the wildfire mitigation grant program and is adjusted annually for population growth. Revenue reductions in FY 2020-21 and FY 2023-24 are half-year impacts since the deduction is available at the beginning of the tax year in 2021 and expires after tax year 2023. This revenue reduction is subject to TABOR.

## **State Expenditures**

The bill increases General Fund expenditures in DOLA by \$318,774 and 0.2 FTE in FY 2020-21, and by \$320,078 and 0.2 FTE in FY 2021-22 and future years. These costs are shown in Table 2 and described below.

**Table 2**  
**Expenditures Under HB 20-1004**

	<b>FY 2020-21</b>	<b>FY 2021-22</b>
<b>Department of Local Affairs</b>		
Personal Services	\$13,154	\$14,350
Operating Expenses	\$2,510	\$2,510
Grant Program	\$300,000	\$300,000
Centrally Appropriated Costs*	\$3,110	\$3,218
<b>Total Cost</b>	<b>\$318,774</b>	<b>\$320,078</b>
<b>Total FTE</b>	<b>0.2 FTE</b>	<b>0.2 FTE</b>

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

**Department of Local Affairs.** Beginning in FY 2020-21, DOLA requires \$300,000 to administer this grant program, assuming 30 grants averaging \$10,000 will be awarded. Because this grant program is open to local governments, special districts, tribal, faith-based and nonprofit organizations, the number of grant applications could greatly exceed 30 and it is assumed appropriations adjustments will be requested through the annual budget process, if needed. DOLA also requires 0.2 FTE to administer the grant program, manage contracts, provide support to grant recipients, and to prepare reports on the use of the grant funds. This assumes a July 1, 2020, start date, standard operating costs, and is prorated for the General Fund paydate shift.

**Department of Revenue.** Beginning in FY 2020-21, Department of Revenue workload will increase by a minimal amount to update instructions, related materials, and provide guidance to taxpayers on the wildfire mitigation income tax deduction.

**TABOR refunds.** The bill is expected to decrease state General Fund obligations for TABOR refunds by \$44,000 in FY 2020-21 and \$90,000 in FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the measure will correspondingly decrease the amount refunded to taxpayers via sales tax refunds made available on income tax returns for tax years 2021 and 2022, respectively. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

**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 include employee insurance and supplemental employee retirement payments, are estimated to be \$3,110 in FY 2020-21 and \$3,218 in FY 2021-22.

## **Local Government**

Beginning in FY 2020-21, costs and workload will increase for any local government or special district that receives a grant award to conduct wildfire mitigation and best practices for wildfire mitigation efforts.

## Effective Date

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

## State Appropriations

For FY 2020-21, the Department of Local Affairs requires a General Fund appropriation of \$315,664, and 0.2 FTE.

## State and Local Government Contacts

Counties	Information Technology	Local Affairs
Municipalities	Revenue	Special Districts