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Fiscal Note

Drafting Number: LLS 23-0506 **Date:** January 30, 2023
Prime Sponsors: Rep. Story; Parenti **Bill Status:** House Trans. & Local Govt.
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Bill Topic: LOCAL GOVERNMENT INDEPENDENT ETHICS COMMISSION

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input 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

The bill subjects the officials and employees of school districts and special districts to the jurisdiction of the Independent Ethics Commission. The bill increases state and local government expenditures beginning in FY 2023-24

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$209,782 to the Independent Ethics Commission.

Fiscal Note Status: The fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under HB 23-1065**

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-
Expenditures	General Fund	\$209,782	\$283,347
	Centrally Appropriated	\$37,861	\$53,010
	Total Expenditures	\$247,643	\$336,357
	Total FTE	2.1 FTE	2.5 FTE
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$31,467	\$42,502

Summary of Legislation

The bill expands the jurisdiction of the Independent Ethics Commission in the Judicial Department to include public officials and employees of school districts and special districts. Complaints to the commission may include any ethical issue arising under the constitution, or under the code of ethics as proscribed by current law for employees and officials of local governments.

Background

The Independent Ethics Commission (IEC) is an independent agency in the Judicial Department with the power to hear complaints, issue findings, and assess penalties on ethics issues arising under the constitution, and other statutory standards of conduct and reporting requirements. The commission has jurisdiction to hear complaints concerning employees and public officials of the executive and legislative branch, institutions of higher education, or any county or municipal government. Under current law, the IEC has jurisdiction over approximately 125,000 persons, made up of employees and officials of state and local governments, including municipalities and counties.

State Expenditures

The bill increases state expenditures in the IEC in the Judicial Department by \$247,643 in FY 2023-24, and by \$336,357 in FY 2024-25, paid from the General Fund. State expenditures are displayed in Table 2 and discussed below.

Table 2
Expenditures Under HB 23-1065

	FY 2023-24	FY 2024-25
Independent Ethics Commission		
Personal Services	\$103,346	\$189,711
Operating Expenses	\$2,160	\$2,700
Capital Outlay Costs	\$13,340	\$0
Legal Services	\$90,936	\$90,936
Centrally Appropriated Costs ¹	\$37,861	\$53,010
FTE – Personal Services	1.6 FTE	2.0 FTE
FTE – Legal Services	0.5 FTE	0.5 FTE
Total Cost	\$247,643	\$336,357
Total FTE	2.1 FTE	2.5 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Independent Ethics Commission

IEC staff. The bill effectively doubles the number of persons under the jurisdiction of the IEC, increasing the need for staff to process new complaints, conduct investigations, provide outreach and training, issue advisory opinions, assess penalties following judgements, and conduct other management and administrative tasks. The IEC will add 1.0 FTE investigator and outreach coordinator, and 1.0 FTE administrative assistant to accomplish this additional workload. Expenditures include standard operating and capital outlay costs, and have been prorated in FY 2023-24 for the bill's effective date and the General Fund pay date shift.

Legal services. The IEC will require an estimated 860 hours of additional legal services annually regarding the increased caseload of complaints, and for additional litigation and appeals. Legal services are provided by the Department of Law using the equivalent to 0.5 FTE, paid for with reappropriated funds from the IEC.

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, supplemental employee retirement payments, and leased space are shown in Table 2.

Other Judicial Department Impacts

Denver District Court. Under current law, Denver District Court is mandated to provide judicial review for IEC decisions. The bill potentially increases the number of decision reviews each year; however, these reviews and any subsequent appeal have historically been few, and any increase in caseload as a result of this bill are not anticipated to require additional appropriations for the court.

State Court Administrator's Office. New staff in the IEC also increases workload and staffing needs in the State Court Administrator's Office to provide accounting, information technology, and human resources support. The office may incur expenses for other contracted IT services to the IEC, including software and server storage. These IT expenses will be addressed through the annual budget process, as necessary.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

School districts and special districts will have increased expenses whenever they respond to allegations brought before the IEC on behalf of an officer or employee, primarily for legal representation. This expense cannot be estimated and will vary by jurisdiction.

Effective Date

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

State Appropriations

For FY 2023-24, the bill requires a General Fund appropriation of \$209,782 to the Independent Ethics Commission in the Judicial Department, and 1.6 FTE. Of this amount, the Department of Law requires \$90,936 in reappropriated funds, and an additional 0.5 FTE.

State and Local Government Contacts

Counties

Municipalities

Judicial

School Districts

Law

Special Districts