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Fiscal Note

Drafting Number: LLS 24-0960 Date: February 22, 2024
Prime Sponsors: Rep. Willford; Marvin Sen. Mullica Bill Status: House State Affairs
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Bill Topic: SOS REVIEW OF MUNICIPAL CAMPAIGN FIN COMPLAINTS

Summary of Fiscal Impact: [X] State Revenue [ ] State Transfer [X] Local Government
[X] State Expenditure [ ] TABOR Refund [ ] Statutory Public Entity

The bill requires municipal campaign finance complaints to be reviewed and investigated by the Secretary of State under certain circumstances. The bill increases state expenditures and may increase state revenue beginning FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$253,481 to the Department of State.

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

Table 1
State Fiscal Impacts Under HB 24-1283

Table with 4 columns: Category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue, Expenditures (Cash Fund, Centrally Appropriated, Total Expenditures), Total FTE, Transfers, and Other Budget Impacts.

## **Summary of Legislation**

Under current law, all municipal campaign finance violation complaints must be filed with the clerk of the affected municipality. The bill requires a clerk to refer a complaint to the Secretary of State's (SOS) office if the municipality does not have a campaign finance complaint ordinance and hearing process, or if the clerk determines that the clerk's review of the complaint would create a conflict of interest for the clerk or the clerk's staff. A clerk must do an administrative check to see if the complaint was filed correctly before referring it to the SOS's office.

## **State Revenue**

The bill potentially increases state cash fund revenue from fines and fees to the Department of State as outlined below.

**Campaign finance violation fines.** The bill may increase state revenue from fines paid to the Department of State Cash fund. As these fines vary in amount depending on the number and severity of the violations, no estimate is available. Fine revenue is subject to TABOR.

**Fee impact on businesses and professions.** Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Under current law, the DOS is authorized to adjust fees so that the revenue generated approximates its direct and indirect costs. The DOS is primarily funded through business filing fees. To cover the costs described in the State Expenditures section below, fees may need to be raised to cover all or some of the costs of this bill. The fees affected and the actual amount of fee charges will be set administratively by the DOS based on cash fund balance, total program costs, and the estimated number of professional activities subject to fees. This revenue is subject to TABOR.

## **State Expenditures**

This bill will increase state expenditures in the Department of State by about \$310,000 in FY 2024-25 and about \$308,000 in FY 2025-26 to review and investigate increased cases of alleged municipal election finance complaints. These costs, paid from the Department of State Cash Fund, are displayed in Table 2 and described below.

**Table 2  
Expenditures Under HB 24-1283**

	FY 2024-25	FY 2025-26
<b>Department of State</b>		
Personal Services	\$202,705	\$221,708
Operating Expenses	\$4,096	\$4,480
Capital Outlay Costs	\$26,680	-
Administrative Hearing Officers	\$20,000	\$20,000
Centrally Appropriated Costs <sup>1</sup>	\$56,061	\$61,316
FTE – Personal Services	3.2 FTE	3.5 FTE
<b>Total Cost</b>	<b>\$309,542</b>	<b>\$307,505</b>
<b>Total FTE</b>	<b>3.2 FTE</b>	<b>3.5 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Personal services.** The Campaign and Political Finance Unit within the Department of State (DOS) will require 2.0 FTE Policy Advisors to handle the increase in complaints regarding municipal races. The Policy Advisors will conduct reviews, perform investigations, draft motions, assist in compliance, and coordinate with other divisions within DOS. The Elections Division will require a 0.5 FTE Election Specialist to handle questions from respondents and train municipal clerks and their staff on requirements. The Legal and Policy Team will require a 1.0 FTE Policy Advisor to manage filing documents and accessibility, track deadlines, and facilitate administrative hearings.

**Administrative hearing officers.** An increase in complaints will require more administrative hearings and more contract hours for administrative hearing officers to conduct those hearings. This is estimated to require an additional 100 hours of hearings per year at \$200 per hour.

**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 shown in Table 2.

## **Local Government**

Municipalities that are currently reviewing campaign finance violation complaints may, in some circumstances, instead refer the complaints directly to the SOS. This may result in minimal cost savings to some municipalities for processing and investigating a complaint.

### **Effective Date**

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, and applies to municipal campaign finance complaints filed on or after that date.

### **State Appropriations**

For FY 2024-25, the bill requires an appropriation of \$253,481 from the Department of State Cash Fund to the Department of State, and 3.2 FTE.

### **State and Local Government Contacts**

County Clerks

Municipalities

Secretary of State

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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](#).