



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Bill 2

FISCAL NOTE

Drafting Number: LLS 19-0222
Prime Sponsors:

Date: September 28, 2018
Bill Status: Wildfire Matters Review
Committee Bill Request
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Bill Topic: WILDFIRE MITIGATION WILDLAND URBAN INTERFACE AREAS

**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 |

The bill requires the adoption of guidelines for fire prevention and mitigation in areas where wild lands overlap urban areas, and creates a tax credit. The bill increases state expenditures and workload on an ongoing basis and reduces state revenue from income taxes for FY 2021-22 through FY 2026-27.

**Appropriation
Summary:**

For FY 2019-20 the bill requires an appropriation of \$10,871.

**Fiscal Note
Status:**

This fiscal note reflects the bill draft requested by the Wildfire Matters Review Committee.

**Table 1
State Fiscal Impacts Under Bill 2**

		FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Revenue*	General Fund	-	-	(\$0.5 million)	(\$1.0 million)
	Cash Funds	-	-		
	Total	-	-	(\$0.5 million)	(\$1.0 million)
Expenditures	General Fund	\$10,871	\$18,479	-	-
	Cash Funds	-	-	-	-
	Centrally Appropriated	\$990	\$305	-	-
	Total	\$11,861	\$18,784	-	-
Total FTE		0.1 FTE	-	-	-
TABOR		-	-	Not Estimated	Not Estimated

* State Revenue is decreased by \$1.0 million each year from FY 2021-22 through FY 2026-27. The first and last fiscal year are one half year impacts of \$0.5 million.

Summary of Legislation

The bill expands the duties of the Division of Fire Prevention and Control in the Department of Public Safety (DPS), and the Colorado Forest Service at the Colorado State University. Collectively, the division and the forest service are required to:

- coordinate the state's response to wildfires within wildland-urban interface areas (WUIs) and coordinate the establishment and maintenance of fire-adapted communities; and
- improve wildfire response by ensuring that all political subdivisions are able to participate in implementing effective and efficient risk-based wildfire management decisions.

No later than August, 2021, the division and the forest service must collaborate to establish guidelines affecting the construction and maintenance of homes and adjoining open space that will prevent or mitigate harm to life or property caused by a wildfire within a WUI.

The bill authorizes the governing body of a fire protection provider (e.g., a county, a town, or a special fire protection district) to enter into a five-year cooperative agreement with a Homeowner's Association (HOA). Under the agreement, the HOA may invest in prevention, preparedness, and mitigation efforts under the direction and supervision of the fire protection provider. Efforts taken by the HOA to prepare and mitigate wildfire damages in a WUI may incorporate the construction and maintenance guidelines adopted by the division and the forest service.

Individual HOA member homeowners may claim a tax credit equal to expenses paid to improve the homeowner's principal residence, and that satisfy the construction and maintenance guidelines adopted by the division. A tax credit up to \$5,000 is available for income tax years 2022 through 2027. The value of the credit may be carried forward in years where the credit amount exceeds a taxpayer's tax liability. The tax credit is repealed December 31, 2032.

The forest service is required to issue verified credit certificates to qualified taxpayers. Taxpayers may then include the credit certificate when filing their Colorado state tax return with the Department of Revenue (DOR). The forest service may only issue credit certificates totaling \$1.0 million in any of the five tax years.

State Revenue

This bill decreases General Fund revenue by up to \$0.5 million in FY 2021-22, up to \$1.0 million in each of FY 2022-23 through FY 2025-26, and up to \$0.5 million in FY 2026-27. The estimate for FY 2021-22 and FY 2026-27 represent half-year impacts. The bill reduces individual income tax revenue, which is subject to TABOR.

The bill's revenue impact will depend on the number of HOAs that reach a cooperative agreement with a fire protection provider, and the number of homeowners who make fire prevention, protection or mitigation improvements that satisfy the terms of their HOA's cooperative agreement. If each homeowner is allowed the maximum tax credit of \$5,000, the bill limits the number of tax credits to 200 each year. For reference, published data for tax year 2015 indicate that 136 taxpayers claimed the current law income tax credit for historic property preservation expenses, and that a taxpayer's expenses that qualified for the credit were about \$27,000 on average.

For taxpayers whose tax credit amount is greater than the amount of tax owed, the bill allows excess credit to be carried forward to future tax years. Carry forward amounts may distort revenue reductions relative to the estimates in this fiscal note, particularly by reducing revenue in years beyond FY 2026-27. No revenue reduction will occur after December 31, 2032, when the credit is repealed.

State Expenditures

For FY 2019-20, state expenditures increase by \$11,861 and 0.1 FTE. For FY 2020-21, state expenditures increase by \$18,784. New expenditures are displayed in Table 2 and discussed below.

Table 2
Expenditures Under Bill 2

Cost Components	FY 2019-20	FY 2020-21
Department of Public Safety		
Personal Services	10,871	3,349
Operating Expenses and Capital Outlay Costs	-	-
Centrally Appropriated Costs*	990	305
FTE – Personal Services	0.10	
DPS (Subtotal)	\$11,861	\$3,654
Department of Revenue		
Personal Services	-	-
Computer Programming (GenTax)		15,130
DOR (Subtotal)		\$15,130
Total	\$11,861	\$18,784
Total FTE	0.10	

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

Department of Public Safety. The bill increases expenditures for the DPS beginning in FY 2019-20 for the Division of Fire Prevention and Control to collaborate with the State Forrester Service to adopt necessary rules. An estimated 0.1 FTE, or about 220 hours of employee time and about \$12,000 is anticipated in the first fiscal year, prorated to account for the General Fund pay date shift. Ongoing, the division can anticipate some administrative effort to maintain and update the guidelines, and to provide information to those HOAs who choose to adopt them.

Department of Revenue. This bill increases General Fund expenditures for the Department of Revenue by \$15,130 in FY 2020-21 only. Costs arise from changes to the department's GenTax software system. Software programming costs are expected to total \$6,250, representing 25 hours of programming at the contracted rate of \$250 per hour. All GenTax changes are tested by the department. Testing for this bill will require expenditures for contract personnel totaling \$7,680, representing 320 hours of testing at a rate of \$24 per hour. The bill also requires changes to one tax form at a cost of \$1,200. Form changes are performed in the Department of Personnel and Administration using reappropriated Department of Revenue funds.

Department workload will also increase beginning in FY 2021-22 to review tax credit claims, manage phone and mail correspondence with taxpayers, and update reports. Based on the number of taxpayers expected to claim the credit, the department can accomplish the additional workload within existing appropriations.

Department of Personnel & Administration (DPA). The bill may impact expenditures for the preparation of tax forms. Tax forms are processed by the department's Integrated Document Solutions Group. Depending on the number of form changes made, the amount of data input necessary to process new forms, and other related administrative tasks, interagency rates may increase between the DPA and the DOR. Any change in agency expenses will be addressed during the annual budget setting process.

Colorado State Forest Service. The state forest service at Colorado State University will have increased workload and expenses to participate in rulemaking with the DPS and to verify and issue tax credit certificates to qualified HOA homeowners claiming a tax credit. No estimate of this expense was provided by CSU. If Bill 2 is considered during the 2019 legislative session, this analysis will be updated when additional information becomes available.

TABOR refunds. This bill reduces state revenue subject to TABOR beginning in FY 2021-22, which may reduce TABOR refund obligations. A forecast of state revenue subject to TABOR is not available for these years as of this writing.

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 \$990 in FY 2019-20 and \$305 in FY 2020-21.

State Appropriations

For FY 2019-20, the bill requires a General Fund appropriation of \$10,871 and 0.1 FTE to the Department of Public Safety.

Effective Date

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Counties	Fire Chiefs	Higher Education	Municipalities
Personnel	Public Safety	Regulatory Agencies	Revenue
Special Districts			